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March 8, 2018

The Honorable Thad Cochran  
Chairman, Committee on Appropriations  
United States Senate  
Washington, DC 20510

The Honorable Patrick J. Leahy  
Vice Chairman, Committee on Appropriations  
and  
Ranking Member, Subcommittee on State, Foreign Operations, and Related Programs  
United States Senate  
Washington, DC 20510

The Honorable Lindsey Graham  
Chairman, Subcommittee on State, Foreign Operations, and Related Programs  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

Dear Senators Cochran, Leahy, and Graham:

I am writing to respond to the Committee's request for the Office of Inspector General (OIG) to review USAID's process in developing its reform plans and its compliance with congressional notification requirements. Our report is attached. This request was made on September 7, 2017, through Senate Report 115-152 and confirmed in our meeting with staff from the Senate Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs, on October 27, 2017.

To answer this request, our objectives were to determine (1) how USAID developed its redesign plans pursuant to Executive Order 13781, which we addressed by describing both the events and actions taken by USAID to develop its reform plans and the assessments of USAID's

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actions by those involved in the process, and (2) whether USAID complied to date with fiscal year 2017 appropriation requirements.

This report is marked Sensitive But Unclassified (SBU). Some of the material marked SBU is publicly available, though as the originators of the records contained in Appendix D, E and F, USAID and the State Department have asserted that these appendixes should be withheld from public release in their entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). OIG has marked this material SBU in accordance with 22 CFR 212.7(c)(2), which states that the originator of a record is best able to make a determination regarding whether information in that record should be withheld.

Please do not disseminate the unredacted version of this report, or any portion marked Sensitive But Unclassified (SBU), to any external person or entity without first consulting our office.

Should you have any questions, please contact me or my staff at 202-712-1150.

Sincerely,

Ann Calvaresi Barr /s/  
Inspector General



**OFFICE OF INSPECTOR GENERAL**  
U.S. Agency for International Development

# USAID's Redesign Efforts Have Shifted Over Time

**AUDIT REPORT 9-000-18-003-P**  
**MARCH 8, 2018**

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Office of Inspector General, U.S. Agency for International Development

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## INTRODUCTION

Seven weeks after freezing Federal hiring,<sup>1</sup> the President issued Executive Order 13781 on March 13, 2017, “intended to improve the efficiency, effectiveness, and accountability of the executive branch.” A month later, the Office of Management and Budget (OMB) followed up with Memorandum M-17-22, requiring Executive Branch agencies including USAID and the State Department to submit reform plans and workforce-related plans to OMB by September 2017. The memorandum included detailed guidance on how agencies should develop, consider, and submit their reform plans to satisfy the President’s vision to improve the Federal Government. OIG also issued an advisory in June 2017 that offered key considerations to inform USAID’s reform effort based on prior work.<sup>2</sup> In response to the OMB Memorandum, USAID launched several efforts and participated in a State Department-initiated joint “redesign” process.<sup>3</sup> The result was the development of two products: a joint State-USAID reform plan and a USAID supplemental reform plan that focused on issues internal to USAID.

Given the scope of this undertaking and the desire for transparency, the U.S. Senate Committee on Appropriations asked us to review USAID’s process in developing its reform plans and the Agency’s compliance with congressional notification requirements.<sup>4</sup> Accordingly, we had two audit objectives. The first objective was to determine how USAID developed its redesign plans pursuant to Executive Order 13781, which we addressed by describing (1) the events and actions taken by USAID to develop its reform plans and (2) assessments of USAID’s actions by those involved in the process. The second objective was to determine whether USAID complied to date with fiscal year (FY) 2017 appropriation requirements.

To conduct our work, we relied largely on interviews with officials and documentary evidence to support our conclusions, when available. We interviewed officials from the Administrator’s Office, members of USAID’s Transformation Task Team (T3), USAID employees across every bureau and independent office in headquarters, as well as select overseas mission directors, and State Department officials. We also surveyed USAID mission directors and reviewed the reform plan submissions, documents associated with their development, and other documentation that lent context to the process. As agreed with the subcommittee staff, we limited our audit to USAID’s efforts up until it submitted its plans to OMB in mid-September 2017.<sup>5</sup> We conducted our audit from November 2017 through March 2018 in accordance with generally accepted

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<sup>1</sup> January 23, 2017, Presidential Memorandum regarding the hiring freeze.

<sup>2</sup> “[USAID Advisory Notice: Key Considerations for Developing USAID’s Comprehensive Plan on Reforming and Reducing the Federal Workforce](#),” June 21, 2017.

<sup>3</sup> According to State Department and USAID officials, the Secretary of State opted to use the term “redesign”—instead of “reorganization” or “restructuring”—a term that USAID also adopted.

<sup>4</sup> S. 1780, Report 115-152 from the Senate Committee on Appropriations, September 7, 2017.

<sup>5</sup> The Government-wide reform initiative is ongoing.

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government auditing standards. Appendix A includes additional information about our scope and methodology.

We shared a draft of this report with USAID and State Department and incorporated technical comments where appropriate.

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### **SUMMARY**

In response to Executive Order 13781 and OMB Memorandum M-17-22, the then-Acting Administrator tasked senior Agency officials in April 2017 to conduct research and each bureau and independent office to prepare a reform plan. Shortly after the Agency launched these efforts, the State Department requested that USAID participate in a joint redesign process, which was based on the results of a questionnaire administered to all State Department and USAID employees. The State Department developed work streams that included overseas alignment, foreign assistance, human capital planning, management support, and information technology (IT) planning. Top State Department officials used the work stream teams' business cases to develop the joint State-USAID reform plan, which included 33 proposals related to policy development, foreign assistance impact, global service delivery, workforce development, and IT. USAID also submitted a supplemental plan to OMB in September 2017 that, according to USAID officials, reflected the Administrator's vision. USAID also submitted workforce-related plans required by M-17-22, which were heavily supported by a human resources transformation project USAID initiated roughly 10 months before the Executive order was issued.

USAID and State Department employees described the joint redesign process as resource-intensive and ad hoc. USAID reported contributing around 100 officials to the work stream teams and support workgroups across USAID's bureaus and independent offices. Interviewees noted instances when leaders seemed unsure of next steps. According to work stream leaders, the State Department's initial guidance for the teams was to "think big" with "no guardrails," but the lack of boundaries and explicit goals hindered progress. The looming question of whether USAID would merge into the State Department not only distracted teams but further confused the direction of the redesign process. Interviewees raised other concerns. For example:

- Some USAID officials reported that the State Department revisited decisions related to consolidation of the agencies' functions and services, such as IT and management services—decisions USAID thought had been made. Ultimately, some consolidation decisions were left on hold.
- Questions of data integrity were raised, including projected cost savings of \$5 billion that would be realized with the proposed reforms—projections several USAID officials characterized as unrealistic. For example, one senior USAID official stated that the contractor responsible for compiling work stream data did not adequately understand USAID and State Department processes before applying assumptions. Some interviewees noted that much of the information the work streams used to

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make decisions was “experiential”—based on the backgrounds of people in the subgroup rather than hard data.

- Interviewees thought the joint and internal redesign processes lacked inclusiveness and transparency. While some mission directors noted that biweekly calls with bureau leadership, Agency announcements, and direct outreach kept them informed of the redesign process as it occurred, field-based officials expressed dismay and disillusionment with what seemed to be a headquarters-focused process.

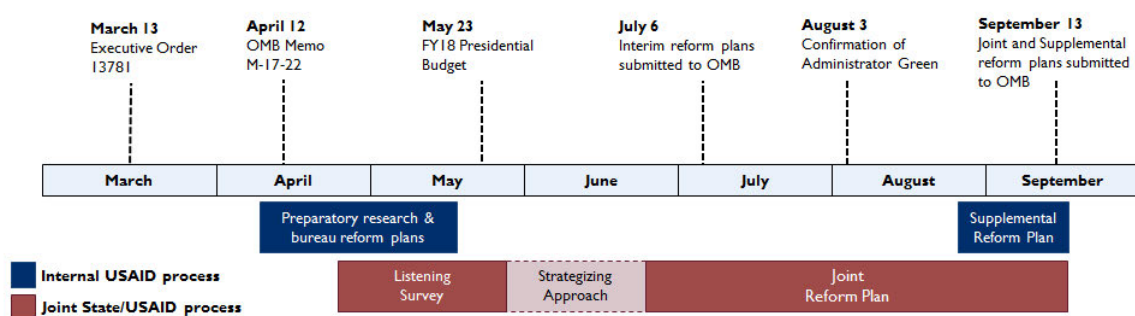
According to USAID, its supplemental plan to OMB did not trigger the congressional notification requirements outlined in the Appropriations Act because concrete plans will not be made until OMB provides feedback and approval. We agree that the joint and supplemental reform plans are high-level proposals with little substantive detail and that once OMB approves USAID’s development of more detailed plans, USAID will need to formally notify Congress before taking definitive action on those plans—including actions to close missions or reorganize offices. However, the Agency’s actions relating to office reorganizations and staffing changes at the USAID/Regional Development Mission for Asia (RDMA) violated the spirit of the FY 2017 appropriations legislation, which included notification requirements if USAID initiated actions in response to Executive Order 13781.

We are not making any recommendations in this report.

## **USAID'S REDESIGN PROCESS INCLUDED INTERNAL INITIATIVES AND JOINT INITIATIVES WITH THE STATE DEPARTMENT**

In April 2017, USAID started its redesign efforts to respond to Executive Order 13781, which communicated the President's vision for reorganizing the Executive Branch and outlined a timetable for agencies to submit proposed reorganization plans to OMB. USAID undertook a number of initiatives both internally and with the State Department to develop and submit reform proposals to OMB in September 2017. Figure 1 shows key redesign dates and initiatives.

**Figure 1. Key Redesign Dates and Initiatives (From March 13 to September 13, 2017)**



Source: USAID/OIG analysis.

### **USAID Acting Administrator Called for Preparatory Research and Bureau Reform Plans**

On April 10, 2017, the Acting Administrator tasked senior USAID officials to research four topics to help prepare the Agency for ensuing redesign efforts (table 1).<sup>6</sup>

**Table 1. Research Topics**

<b>Research Topics</b>	<b>Description</b>
USAID and the Interagency: Consolidation, Collaboration, and Distinction	Provides examples where USAID consolidates functions with other U.S. Government agencies and departments, collaborates strategically and programmatically within the U.S. Government, and distinguishes itself vis-a-vis other U.S. Government actors in the areas of humanitarian and development assistance.
Doing Business Differently	Presents an inventory of successful models the Agency has employed for working in the evolving development landscape since USAID's creation, and an analysis of what the Agency has learned.

<sup>6</sup> Two "co-champions" managed each research topic, and 16 overseas mission directors were invited to participate in reviewing documents and interviewing individuals in headquarters and overseas.

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Research Topics	Description
The 1990s	Draws lessons on the budget constraints, consolidation attempts, staffing reductions, and changes to Agency process that occurred in the 1990s.
Country Exit	Summarizes the lessons learned from the full closures of bilateral and regional missions, and from the cessation of activities within a certain sector.

Source: USAID.

Research results were presented to the Acting Administrator, but according to senior USAID leaders, this preemptive exercise had little direct impact on the reform proposals in part because on April 12, 2017—2 days after the research effort was launched—OMB issued Memorandum M-17-22, which gave details of how agencies should approach the redesign, including the content, process, and specific deliverables. USAID leadership, according to a senior official, realized the OMB memo was very prescriptive and the initial research would not be of much use (appendix B gives a more detailed description of M-17-22 requirements). Consequently, 2 weeks after OMB issued its guidance, the Acting Administrator tasked each USAID bureau and independent office to prepare a bureau reform plan (BRP) by mid-May.

The BRPs were to include proposals for (1) eliminating activities; (2) restructuring or merging organizational components; (3) improving organizational efficiency and effectiveness; and (4) improving workforce management and performance. The Administrator's Office provided feedback on the BRPs in late-June, but the BRPs' eventual impact was unclear.<sup>7</sup> Various bureau and independent office leaders stated they either did not perceive a link between the BRPs and the redesign process or they were unsure how the information had been used. Ultimately, reforms proposed in BRPs were placed on hold when the State Department engaged USAID on the joint redesign effort.

### **The State Department Prompted a Joint State-USAID Redesign Initiative, Starting With a Listening Survey**

Shortly after USAID initiated its research and BRP efforts, the State Department requested that USAID participate in a joint redesign process. According to a top USAID official, USAID did not have much choice in the matter and the directive was communicated verbally from the State Department.

The joint redesign process started with a listening survey—an online questionnaire designed to prompt discussion of goals, priorities, and direction of the organizations. The State Department contracted Insigniam to help design and administer the listening survey, which began May 3, 2017, and ended May 15, 2017. Every State Department and USAID employee was encouraged to participate in this survey.

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<sup>7</sup> The feedback included recommendations sorted into five categories: (1) recommendations to hold off on; (2) those to develop but not take action on; (3) those to work on with others; (4) those not needing additional discussion or approval; and (5) those included in other BRPs that should be considered.

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Based on Insigniam's May 26, 2017, report, 6,142 USAID and 27,837 State Department employees responded to the survey. Insigniam also reported in-person interviews with 94 USAID and 175 State Department employees. The listening survey identified pain points, recommendations, and themes—results that State Department officials distilled and divided into five work streams (table 2). These work streams would serve as the foundation of the joint State-USAID redesign process.

**Table 2. Joint Redesign Work Streams**

<b>Work Stream</b>	<b>Goal</b>
Overseas Approach and Alignment	Assess key diplomatic activities and identify required platforms. Its efforts will include assessing the balance of work between headquarters and the field.
Foreign Assistance	Analyze current foreign assistance policies and programs at State Department and USAID to develop a future vision, ensuring alignment with national priorities.
Human Capital Planning	Identify ways to promote an agile and empowered workforce as part of an overarching talent map.
Management Support	Identify opportunities to streamline administrative support functions at the bureau and agency levels to ensure frontline effectiveness.
IT Platform Planning	Focus on improving the employee experience by increasing the use of cutting-edge technology and streamlining duplicative systems and processes.

Source: USAID.

A team was formed around each work stream and co-led by senior State Department and USAID officials, who assisted T3 with identifying staff from their organizations as representatives and subject matter experts to the groups.<sup>8</sup> These teams were instructed to think creatively on how to improve operations within each subject area. During this nearly 3-month process, USAID reported contributing around 100 employees (mostly senior officials) spanning 21 of its 24 bureaus and independent offices. The State Department was reported to have brought around 200 people into the process. The State Department also contracted Deloitte to support the overall joint redesign effort. Deloitte and Insigniam facilitated a number of initiatives that complemented the work stream team efforts. Appendix C discusses the details of the initiatives and roles of the various bodies supporting and governing the joint process.

The work stream teams produced “blueprints,” which documented topics such as transformational aspirations, milestones, and identified risks. From the blueprints, the teams developed business cases with proposed actions and potential impacts such as savings and investments.

The blueprints and business cases were presented to the Executive Steering Committee (ESC), intended to be the deciding body of the joint redesign process, made up of seven State Department and five USAID officials at the highest levels, including USAID's

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<sup>8</sup> Co-leads and work stream team members from USAID were approved by the Administrator's Office.

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Administrator/Acting Administrator and chaired by the Deputy Secretary of State. ESC reviewed the proposals to determine their reasonableness. Any issues that the work streams were unable to resolve were considered by ESC or raised to the Secretary of State.

According to a senior State Department official, the ESC compiled the work streams' business cases and determined which proposals to present to OMB. The result was the joint Agency Reform Plan, which included 33 proposals grouped into 7 themes: (1) streamlining policy process and presence, (2) maximizing the impact of foreign assistance, (3) implementing a global service delivery framework, (4) readying and empowering a twenty-first century workforce, (5) improving governance and accountability for IT platforms, (6) modernizing legacy systems and software, and (7) upgrading technology infrastructure to work anywhere, anytime (appendix D).

### **USAID Submitted a Separate, Internally Focused Reform Plan to OMB**

To lead USAID's response to the Executive order and coordinate with the State Department on the joint redesign effort, USAID created the Transformation Task Team. T3 was additionally responsible for leading a review of USAID's operations, which included:

- Reviewing the Administrator's June 15, 2017, confirmation hearing to gain a sense of his priorities and vision for the organization.<sup>9</sup>
- Meeting with think tanks and experts on international development and humanitarian assistance.
- Engaging with the Administrator Leadership Council.<sup>10</sup>
- Using an online feedback form and email to gather employee suggestions.
- Referencing analysis and recommendations from the U.S. Government Accountability Office (GAO) and USAID OIG.
- Reviewing feedback from the public as required by the Executive order.

In late August 2017, approximately 3 weeks prior to OMB's deadline, T3 initiated efforts to draft USAID's reform plan, one separate from the joint State-USAID plan. Described by a senior USAID official as an "organic process," the decision to develop a USAID-centric submission to OMB became progressively more certain as staff familiar with the joint process thought that the joint submission would not address USAID's priorities.

According to those involved, the supplemental plan was structured around the Administrator's vision. While USAID compiled a number of ideas from T3's outreach and review, a senior USAID official noted the final proposals in the plan were based primarily on concepts from think tanks, information from the listening survey, and

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<sup>9</sup> On August 3, 2017, Mark Green was confirmed as USAID's Administrator.

<sup>10</sup> The Administrator's Leadership Council convenes biweekly and is composed of the senior leaders from each bureau and independent office.

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recommendations from the joint work streams. The process of deciding which reforms USAID would present to OMB was an iterative one with direction from the T3 coordinators, chief of staff, and the Administrator. According to USAID officials, the President's proposed 29 percent reduction in the State Department's and USAID's 2018 budget did not shape its reform proposals, given the uncertainty of the budget process. Instead, a top USAID official noted that the Agency would adjust its operations accordingly after the budget was passed.

USAID shared its supplemental plan with the State Department days before the OMB deadline. A senior State Department official stated that the State Department was not pleased with the supplemental plan, noting that some of USAID's proposals should have been developed through the joint process. The State Department asked USAID to remove some of its proposals relating to humanitarian assistance, foreign policy, and strategic international financing because State Department's decisions regarding these areas had not been finalized. In the end, the supplemental plan USAID submitted to OMB contained 15 proposals (appendix E), while the version previously submitted to the State Department had 21. The six removed supplemental proposals are shown in appendix F. A senior USAID official noted, however, that USAID let OMB know what the filtered and unfiltered supplemental plan looked like.

In addition to the joint and supplemental plans, USAID submitted three workforce-related plans to OMB: (1) employee performance maximization, (2) near-term workforce reduction, and (3) long-term workforce reduction. The first two plans were submitted in June 2017 and the third in September 2017 (table 3).

***Table 3. Workforce-Related Plans Required by OMB Memorandum M-17-22***

<b>USAID Workforce-Related Plans</b>	<b>Content</b>
Employee Performance Maximization	This 13-page plan introduces five goals: (1) review and update formal Agency policy, (2) provide transparency around the performance improvement plan process, (3) ensure managers and supporting human resource staff are appropriately trained, (4) ensure accountability in manager performance plans, and (5) ensure real-time manager support mechanisms. A total of 35 specific actions are included to achieve the 5 overarching goals with expected completion milestones.
Near-Term Workforce Reduction	This 2-page slide deck notes 5 near-term, high-level actions that do not include any detail: (1) anticipated U.S. Direct Hire workforce reductions of 16 percent (567 full-time equivalents) through attrition by FY 2019, (2) workforce planning and analytics to align and optimize workforce resources and business needs, (3) an improved Foreign Service assignment process, and (4) improved performance management of both Foreign Service and Civil Service employees.

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### **Long-Term Workforce Reduction**

This 5-page plan includes 7 major workforce actions: (1) establish and uphold a performance management system to promote excellence, (2) strengthen workforce planning to enable effective staffing and employee mobility, (3) streamline and simplify human resource operations, (4) streamline the Foreign Service assignment process, (5) talent model and career paths, (6) strengthen leadership capabilities and accountability, and (7) improve employee wellness and engagement. The Agency estimated the impact for each of these seven actions to be “increased productivity and efficiencies.”

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Source: USAID.

### **USAID’s Workforce Plans to OMB Were Based Largely on the Agency’s Prior Human Resources Transformation Initiative**

USAID’s workforce-related plans were heavily supported by a previously established Human Resources Transformation Project (HRT). USAID initiated HRT in May 2016 to “achieve a fundamental change in the way USAID supports the human resources and talent management needs of its current and future workforce.” Deloitte was awarded a 5-year contract in 2016 with USAID to implement HRT with wide-ranging goals and initiatives such as cleaning up human resources data, streamlining processes, and improving the Agency’s workforce planning capabilities. Based on the overlap in goals between HRT and the Agency’s redesign efforts, T3 used USAID subject matter experts to complete the workforce-related plans.

During the audit, we encountered interviewees who discussed challenges with human resources and staffing data. An ongoing OIG audit related to this transformation strategy is evaluating how USAID uses information to make workforce planning and staffing decisions.

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### **INTERVIEWEES DESCRIBED THE REDESIGN PROCESS AS RESOURCE-INTENSIVE AND AD HOC**

Our survey of mission directors and interviews with USAID and State Department employees on the redesign process revealed a number of concerns related to USAID resources, guidance from the State Department, documentation of key decisions, USAID’s role in the joint process, communication to staff, and data reliability.

### **USAID Dedicated Significant Resources to the Joint Redesign Process**

USAID redesign leaders characterized the joint process as an “opportunity cost” that consumed a lot of resources, both in time and personnel. USAID contributed around 100 employees to the joint redesign process, and 10 were detailed full-time to the effort. These participants were 48 percent Civil Service employees, 28 percent Foreign Service employees, 7 percent political appointees, and 5 percent contractors (11 percent of the participants could not be reached to determine their hiring mechanism).

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Of the participants who worked on the joint redesign part-time, some reported committing the majority of their time to the effort, which took time away from their daily duties at USAID. Moreover, nearly one-third of the participants also held more than one position in the joint process. For example, one bureau head was asked to colead two work streams while still being responsible for maintaining operations in USAID. The joint process required so many resources that USAID had little time to pull together its supplemental submission.

### **The Joint Redesign Process Was Ad Hoc and Provided Limited Direction**

Participants described the joint redesign process as “ad hoc.” Interviewees from both the State Department and USAID noted instances when leaders of the joint process seemed unsure of the next steps. For example, a senior State Department official involved in coleading a work stream said there was not a lot of preparation, and the work streams did not know what the final products would be. The official added that it was initially thought that the blueprints were templates detailing how the work stream would do something and that the business cases were to look at problems, solutions, and the associated financial impacts. However, the business cases evolved into a PowerPoint presentation submitted to OMB that summarized the work streams’ findings.

According to work stream leaders, State Department leadership’s initial guidance for work streams was for the teams to “think big” with “no guardrails” to direct their effort, but the lack of boundaries and explicit goals hindered progress. Work stream leaders also noted they believed the redesign process would have been more efficient if they had been made aware of any desired goals upfront. This way, the teams could have spent more time working toward leadership’s goals, rather than spending time debating issues. For example, the question of whether USAID would merge into the State Department was not answered until the end of July or beginning of August, according to a senior State Department official. This not only distracted teams, but left them wondering in what direction to take the redesign process. The initial lack of direction was viewed as a hindrance by representatives from all work streams.

### **USAID and State Department Disagreed on Consolidation of Functions and Services**

Interviewees from the work streams and various leadership positions noted disagreement on decisions related to consolidation of USAID and State Department functions and services. Members from the work streams at all levels stated that the ESC—tasked to resolve disagreements within the work streams—rarely did so and was often unable to reach consensus on major issues such as the consolidation of IT and management services, or how to divide humanitarian assistance and funding decisions between the State Department and USAID. Even after some decisions were thought to have been made, USAID officials reported instances when the State Department would revisit the decisions, forcing USAID to defend what was already considered resolved. This rethinking of decisions led a number of interviewees from both USAID and the

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State Department to wonder whether there were strong advocates for consolidation of services within the State Department.

Officials familiar with ESC also noted that the committee lacked a formal process to resolve disagreements, and opinions were often split along State Department and USAID lines. As a result, some decisions on consolidation were left on hold and remain undecided.

### **State Department Listening Survey Was an Opportunity for USAID Staff To Participate, but Some Questioned the Survey Conclusions**

USAID reportedly had limited input into the formation of the listening survey, and some interviewees called into question the soundness of the survey's methodology and conclusions. According to a top USAID official, the decision to administer a survey was made by the State Department alone, and USAID had little say as to whether it should participate or how the survey would be administered. USAID was not part of the contracting process with Insigniam and was brought in after most of the details were decided. The week following the issuance of OMB's memorandum guidance, Insigniam engaged State Department and USAID officials to provide input into developing the listening survey questions but gave them less than 2 business days to provide feedback. A small group of senior USAID officials worked over the weekend to compile suggestions and submitted it by the requested deadline. Despite this effort, USAID officials did not feel their input was sufficiently incorporated into the survey.

The data and analysis behind the listening survey were also closely held. USAID officials reported requesting and being denied access to the complete, "raw" survey data, which is owned by the State Department. Some interviewees noted that without access to data, it would be difficult to interpret the magnitude of some of the issues identified in the listening survey.

In addition, interviewees from both the State Department and USAID questioned Insigniam's recommendation to move the State Department's Bureau of Consular Affairs to the Department of Homeland Security—a recommendation some claimed was unlikely to have been based on data from the listening survey. This prompted a number of those involved in the reform process to question how survey input had been processed and the validity of the rest of Insigniam's takeaways.

While the listening survey had its challenges, the results generally resonated with the USAID employees we interviewed. Interviewees consistently pointed to the listening survey as the means by which they provided input into the redesign process. USAID incorporated elements of listening survey recommendations into its supplemental plan.

## **The Redesign Process Was Perceived by Some To Lack Transparency and Inclusiveness**

Interviewees and survey respondents provided a range of opinions regarding USAID's engagement with staff during both the joint and internal redesign processes. Opinions largely depended on the employee's position in the organization. While all USAID employees had opportunities to provide input through the listening survey and online feedback forms, the most significant engagement appeared to be limited to members within T3, select subject matter experts, and leadership at the Assistant Administrator level or above. Foreign Service National staff did not appear to be consulted beyond the Foreign Service National Advisory Council.

A number of interviewees, including some mission directors and heads of bureaus and independent offices, felt the redesign process was not only exclusive, but also lacked transparency. According to senior USAID staff, OMB instructed the Agency to keep a close hold on the details of the redesign. While some mission directors noted that biweekly calls with bureau leadership, agency announcements, and direct outreach kept them informed of the redesign process as it occurred, field-based officials expressed dismay and disillusionment with what seemed to be a headquarters-focused process. According to a senior USAID official, USAID leadership did not believe it would be cost-effective to pull mission directors from the field to work on redesign efforts near the end of the fiscal year. As a result, a number of mission directors stated that they felt that the redesign process lacked transparency, leading to skepticism and anxiety.

## **Data To Support the \$5 Billion to \$10 Billion in Potential Savings Was Reportedly Unreliable**

The joint plan contained a series of reform proposals with projections of investments needed and estimated cost savings. According to the joint plan, the proposed reforms would yield \$5 billion in savings over a 5-year period; however, this amount did not factor the investment costs of \$2.8 billion over that same period, which would result in net savings of \$2.2 billion. These projections were characterized as unrealistic by several USAID officials. A senior USAID official involved in reviewing data stated that the \$5 billion projection was unrealistic given the process used by the State Department and USAID to gather and analyze information. The official stated that the State Department's reported aspirational savings of \$10 billion was not based on analysis, but rather "came out of nowhere."

This concern with data integrity was consistent throughout our interviews. For example, a senior USAID official stated that Deloitte—who was compiling data for work stream decision making—did not obtain an adequate understanding of processes before applying assumptions to them. Other work stream participants said that because data came from different systems in USAID and the State Department, it was difficult to accurately compare scenarios between agencies.

According to several interviewees familiar with the data, the process had poor quality assurance. For example, documents were kept on a shared server with no version

control. Moreover, interviewees noted that much of the decision-making information for the work streams was “experiential”—based on the backgrounds of people in the subgroup rather than hard data.

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## **SOME USAID ACTIONS RAISED QUESTIONS ABOUT COMPLIANCE WITH APPROPRIATIONS REQUIREMENTS**

In addition to reporting on USAID’s redesign process, the Senate Appropriations Committee asked us to determine whether USAID’s redesign plans complied with requirements from the Consolidated Appropriations Act of 2017.<sup>11</sup> The act requires USAID to submit to the Committees on Appropriations, prior to implementing any reorganization, a report that includes detailed justification and analysis of the process used to identify the merger, closing, or termination of any operating unit, its impact, and the impact on personnel. In response to the request, we reviewed USAID’s actions related to the development of the joint and supplemental plans as well as concept papers to close USAID’s offices in Albania, India, and Jamaica and the USAID Regional Development Mission for Asia (USAID/RDMA) in Thailand.

According to USAID, the supplemental plan submitted to OMB did not trigger the requirements outlined in the Appropriations Act because the supplemental plan’s contents were considered proposals, and concrete decisions and plans will not be made until OMB provides feedback and approval. Once approval to proceed is provided, USAID will start to plan for implementation and provide congressional notifications as required. According to a senior USAID official, the Agency purposefully did not send discrete congressional notifications on every activity; instead, it intends to notify stakeholders in one package. The approved budget will probably come first, at which point the Agency will send up a package of notifications on everything USAID intends to do. USAID’s General Counsel issued guidance to help clarify the requirements and reportedly assigned attorneys to working groups.

We agree with the Agency’s position regarding the joint and supplemental reform plans and the timing of congressional notification. A review of the two reform plans shows the documents represent high-level proposals with little substantive detail. OMB’s approval to pursue these high-level concepts would allow USAID to develop relevant plans for implementation of the ideas, which would then require the Agency to notify the Committees on Appropriations before taking definitive action based on those plans.

However, while mission closings remain under consideration, some actions taken by USAID raised questions about compliance with notification requirements to Congress. To meet the congressional notification requirement, USAID must notify the Committees on Appropriations before closing a mission or reorganizing an office. The

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<sup>11</sup> Public Law 115-31, May 5, 2017.

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Consolidated Appropriations Act of 2017, Section 7034, requires congressional notification “prior to implementing any reorganization of the Department of State or the United States Agency for International Development, including any action taken pursuant to the March 31, 2017, Executive Order 13781.” Section 7015 of the act specifically requires notification of changes in programs, projects and activities, including the following:

- Close, suspend, open, or reopen a mission or post, and
- Create, close, reorganize, or rename bureaus, centers, or offices.

Furthermore, the Joint Explanatory Statement (also referred to as a Statement of Managers) accompanying the appropriations bill provided additional, nonbinding guidance that the Committees on Appropriations should be notified of plans for restructuring involving funding or staffing changes. In reference to these requirements, we noted no issues with USAID’s offices in Albania, India, and Jamaica; however, the Agency’s actions regarding USAID/RDMA raised questions.

In the cases of USAID/Albania, USAID/India, and USAID/Jamaica, each office was tasked to complete an “information memorandum” for the Acting Deputy Administrator in mid-September 2017, which outlined concept papers for potential strategic transitions. We found no evidence that those concepts or any specific plans had been acted on. According to Agency officials, the idea to transition these three offices was not new. For example, the idea to transition or close down USAID/Jamaica had been around since 2012, when the Agency was looking to transition it from a mission to an Office of the USAID Representative.<sup>12</sup> This was postponed in 2016, however, because of the mission’s large budget in multiple areas, including global climate change and the U.S. President’s Emergency Plan for AIDS Relief. In another example, USAID/India’s budget has steadily declined over the past 5 years, and its recent country development cooperation strategy reflects a shift from a traditional donor-recipient relationship to a peer-to-peer partnership. USAID/Albania is currently an Office of the USAID Representative.

In the case of USAID/RDMA, our analyses of USAID’s actions were less conclusive and raised questions about compliance with notification requirements to Congress. On August 17, 2017, the Acting Deputy Administrator requested from the Asia Bureau and USAID/RDMA a closure plan for the regional mission. The closure plan would outline the timing, funding, and staff reductions for a 2019 closure date. It was noted that the closure plan was for discussion purposes only, and USAID leadership would consult with the State Department to ensure that any future decisions would be in line with overall U.S. foreign assistance and foreign policy strategy.

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<sup>12</sup> An “Office of the USAID Representative” is located in a country without a bilateral mission, has two to three employees, and reports to a regional bureau or regional mission.

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However, on August 18, 2017, the Agency removed six Foreign Service Officer Bangkok positions from a previously announced bid list. The Agency also informed the U.S. Embassy Bangkok, counterparts in the State Department's East Asia/Pacific Bureau, and USAID leadership in the Bureaus of Democracy, Conflict, and Humanitarian Assistance and Global Health of a planned closure of USAID/RDMA's activities. USAID leadership noted that they were given until the end of 2019 to complete the actual phaseout. Our best assessment is that the totality of the Agency's actions relating to USAID/RDMA—without notifying Congress—violated the spirit of the FY 2017 appropriations legislation.<sup>13</sup>

According to top USAID officials, given changes to USAID's operations in Southeast Asia, rather than a closure, the Agency was looking at reducing USAID/RDMA's footprint to an appropriate level, but no decisions had been finalized.

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## **CONCLUDING OBSERVATIONS**

This report fulfills our commitment to report on USAID's response to Executive Order 13781 and OMB Memorandum M-17-22. Results of our point-in-time review indicate good intentions by USAID as well as the State Department. However, USAID's limited involvement in the design of the listening survey, uncertainty about redesign direction and end goals, and disagreement and limited transparency on decisions related to the consolidation of functions and services raise questions about what has been achieved thus far and what is deemed actionable. Given the concerns raised by USAID personnel, transparency—as well as compliance with congressional notification requirements—could prove challenging as redesign plans turn into actions. We will continue to monitor USAID's redesign efforts and stand ready to respond to additional requests for oversight of the Agency's ability to increase operational efficiency and effectiveness.

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## **OIG RESPONSE TO USAID AND STATE DEPARTMENT COMMENTS**

We provided a draft of this report to USAID on February 26, 2018, and received its response on March 1, 2018 (appendix G). While our focus was on USAID, we also sought comments from the State Department out of professional courtesy, and received its response on March 5, 2018 (appendix H).<sup>14</sup> In response, we added clarification and made technical changes where appropriate.

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<sup>13</sup> Black's Law Dictionary, 2nd Ed., defines "spirit of the law" as referring "to the meaning and intent of the law and those who created the law and what they intended to accomplish in the creation of the law."

<sup>14</sup> Page numbers cited by USAID and the State Department may not match the final report.

## **~~SENSITIVE BUT UNCLASSIFIED (SBU)~~**

After noting that our assessment was thorough and thoughtful, USAID raised points that we considered. First, USAID questioned the accuracy of our statement that it violated the spirit of the fiscal year 2017 appropriations legislation. To clarify our position, we provided a footnote defining the meaning of “spirit of the law.” Second, USAID noted that the savings identified as part of the redesign process were for the State Department only. However, based on our interviews and documentation provided to us, the savings were reported in the joint reform plan, which does not limit the savings to the State Department.

The State Department’s comments generally concerned two areas: perceptions of the redesign process and cost savings. With regard to the perception that the redesign process was ad hoc, the State Department noted that it regularly gave direction to the work streams and that principals met frequently. The State Department also reiterated our discussion on the Secretary’s intent to challenge longstanding assumptions by approaching the redesign process without boundaries and goals. We appreciate the challenges this effort presented, but the process that led to the submissions to OMB was nonetheless described as ad hoc by senior USAID and State Department officials. Similarly, the State Department considered the process inclusive and stated that the ESC made decisions on what functions would and would not be consolidated. However, such decisions were not documented in any of the ESC meeting minutes provided to us, and key USAID officials pointed to a lack of decision making within the ESC. The State Department also acknowledged that the Secretary made the call on final decisions.

The State Department also questioned our findings on estimated cost savings and asked that this section be dropped. USAID officials with working knowledge of the business cases supporting the reform plan cited several examples of questionable data and assumptions used to arrive at the projected savings. In our interviews with State Department officials, we corroborated USAID officials’ perspectives. We also made several requests of the State Department for data associated with the reform plans during the audit but did not receive a response. Further, the State Department acknowledged in its comments that the numbers used in the assumptions were notional and not intended to be costed-out accounting of investments and savings. Without additional information from the State Department to support its request, we stand by our conclusion.

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## **APPENDIX A. SCOPE AND METHODOLOGY**

We conducted our work from November 2017 through March 2018 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The first audit objective was to determine how USAID developed its redesign plans pursuant to Executive Order 13781, which we addressed by (1) describing the events and actions taken by USAID to develop its reform plans, and (2) characterizing assessments of USAID's actions by those involved in the process. The second audit objective was to determine whether USAID complied to date with FY 2017 appropriation requirements. These objectives were based on language in the FY 2018 Department of State, Foreign Operations, and Related Programs Appropriations Bill requesting OIG to conduct a review of USAID's reform process. Although the FY 2018 appropriations bill has not yet been enacted, OIG met with staff on the Senate Appropriations Subcommittee and agreed to conduct the audit. In this meeting, we agreed to audit USAID's redesign efforts from January 23, 2017 (as stipulated in the bill), to September 13, 2017 (submission of USAID's reform plan to OMB). We also met with staff on the House Committee on Appropriations, Subcommittee on State, Foreign Relations, and Related Programs, and State Department OIG officials to discuss the audit work and any potential areas of concern.

To answer the first audit objective, we interviewed 42 officials from across USAID. Interviewees included USAID employees from the Administrator's Office, members of the Transformation Task Team, employees across every bureau and independent office, and overseas mission directors. These individuals were selected because of their knowledge of specific portions of the redesign process. We also surveyed all 83 USAID mission directors worldwide, 27 of whom responded.

While the scope of our audit was focused on USAID, we also interviewed six senior officials from the State Department involved in the joint redesign process to corroborate USAID testimony and portray a more balanced, objective sequence of events leading to the reform plan submissions.

We did not ask all of the interviewees the same question, but rather questions pertinent to their position. The themes we are reporting may not reflect the sentiments of every person interviewed, but rather the views of the people congruent with their role and responsibility.

## **~~SENSITIVE BUT UNCLASSIFIED (SBU)~~**

In addition to interviews, we reviewed documents to support the evidence gathered. These documents included:

- USAID and State Department submissions to OMB in June/July and September 2017, respectively, including other working documents generated during the development of the final redesign plans.
- The State Department-USAID final listening survey report, notes/correspondence from USAID officials providing input on the survey questions, and a limited data set underlying results in the final report.
- USAID bureau reform plans and research papers.
- A list of USAID employees involved in the redesign process.
- Emails and correspondence supporting discussions between USAID and the State Department, decisions made, and key dates.
- Meeting notes and minutes from the Administrator's Leadership Council between January and December 2017, and from the redesign ESC between July and September 2017.
- Agency announcements, notices, and other periodic communications to USAID staff and officials.

Through the collection of this information, which was supplemented by our review of the Presidential Memorandum regarding the Federal hiring freeze, Executive Order 13781, and OMB Memorandum M-17-22, we generated a timeline of events. We concluded our fieldwork on February 8, 2018.

To answer the second objective, we identified language relating to USAID and the redesign process coming from Senate Report 114-290, House Report 114-293, and the Congressional Consolidated Appropriations Act and its related explanatory statement. For identified requirements, we reviewed interpretations and guidance provided by USAID's Office of General Counsel and the Bureau for Legislative and Public Affairs. We also interviewed mission directors at each of the USAID missions and regional offices that were candidates for closure or transition during the redesign process, in addition to senior leaders in each USAID bureau in headquarters which oversees the selected mission/office. The objective of the interviews was to understand the nature, timing, and extent of the Agency's activities regarding the possible closure or transition of certain USAID missions and regional offices.

We reviewed documentation provided by Agency officials including email correspondence, mission management assessments, staffing realignment requests, concept papers, and information memorandums.

In answering the audit objectives, the team conducted its work in Washington, DC, at USAID headquarters, where most of the interviewees familiar with the redesign process worked. Interviews with staff overseas were conducted by telephone.

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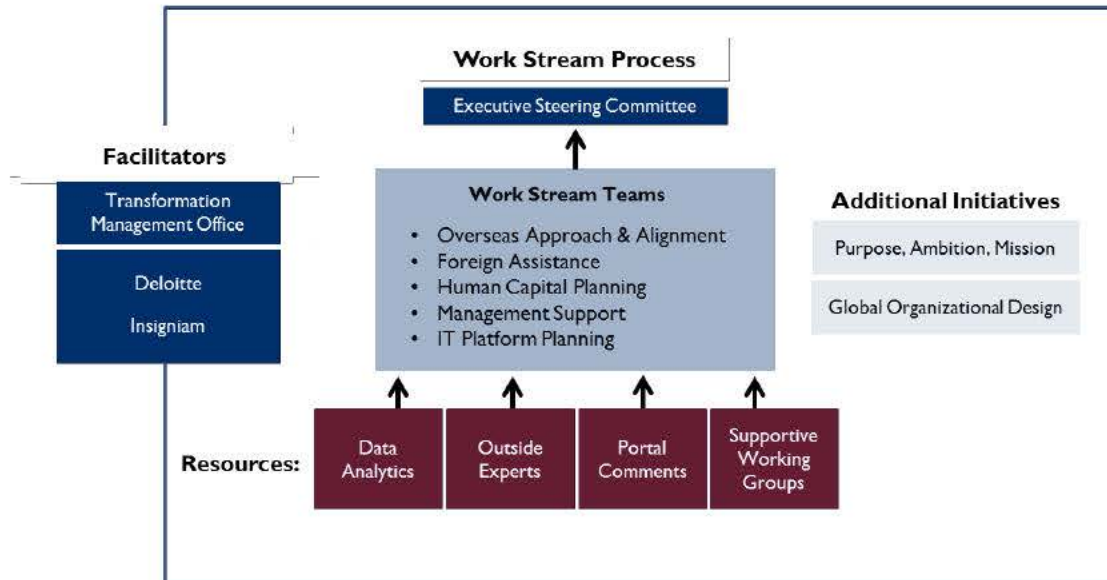
The audit did not rely on computer-processed data to support its findings. Instead, we relied largely on interviews with officials and documentary evidence to support our conclusions.

## **APPENDIX B. OMB REQUIREMENTS RELATED TO REFORM EFFORTS**

<b>Document</b>	<b>Description/Summary of Document</b>
Workforce & Cost-savings Reductions Plan	Begin taking immediate actions to achieve near-term workforce reductions and cost savings, including planning for funding levels in the President's FY 2018 budget.
June 2017 Employee Performance Maximization Plan	Develop a plan to maximize employee performance by June 30, 2017.
June 2017 Agency Reform Plan	Provide an initial, high-level draft of the Agency Reform Plan.
June 2017 Short-term Workforce Reduction Plan	Provide a report on progress on near-term workforce reduction actions.
September 2017 Agency Reform Plan	Submit an Agency Reform Plan to OMB in September 2017 as part of the Agency's FY 2019 budget submission to OMB that includes long-term workforce reductions.
September 2017 Analytical Framework	Should include proposals in four categories: eliminate activities, restructure or merge, improve efficiency and effectiveness, and workforce management.
September 2017 Long-term Workforce Reduction Plan	Long-term workforce reduction plan as part of the Agency's FY 2019 budget submission to OMB.
Agency Draft FY 2018-2022 Strategic Plan	Included as a component of FY 2019 budget submission.

Source: OMB Memorandum M-17-22.

## APPENDIX C. JOINT REDESIGN PROCESS STRUCTURE



Name	Members	Description
<b>WORK STREAM PROCESS</b>		
<b>Executive Steering Committee</b>	Led by State's Deputy Secretary and included USAID's Administrator.	<p>Holding its first meeting on July 10, 2017, ESC was formed to set the overall strategy, remove obstacles, and provide overall guidance to the teams performing the work. This included resolving high-level issues and conflicts as needed, and validating the soundness of work stream recommendations.</p> <p>ESC comprised seven State and five USAID top officials, with Deloitte and Insigniam contractors attending meetings.</p>
<b>Work Stream Teams</b>	Each co-led by a senior State and USAID official.	<p>Held work stream discussions and brainstorming sessions to develop "blueprint" and "business case" work products. Presented information, updates, conflicts, and work products to ESC for feedback.</p> <p>Each work stream team comprised a combination of State and USAID employees (the number depending on colead needs), supported by subject matter experts, and facilitated by Deloitte contractors.</p>
<b>FACILITATORS</b>		
<b>Transformation Management Office</b>	Led by State's Executive Assistant in the Office	TMO administered the redesign process—forming work streams and choosing co-leads to head the

## **~~SENSITIVE BUT UNCLASSIFIED (SBU)~~**

<b>Name</b>	<b>Members</b>	<b>Description</b>
	of Undersecretary for Management and by USAID's T3 Coordinator.	<p>corresponding work stream teams. TMO set the agenda for ESC meetings, and one TMO member from each agency was assigned to each work stream to coordinate information with ESC. State viewed USAID's T3 as a subset of TMO.</p> <p>TMO was composed of five State and four USAID officials (T3's coordinator and three deputy coordinators), supported by four Deloitte contractors.</p>
<b>Contractors</b>	Deloitte and Insigniam	<p>Deloitte: Charged with running day-to-day project management—such as identifying problems and solutions, and leading organizational design—and managing data streams from project charters to blueprints to business cases.</p> <p>Insigniam: In addition to administering the listening survey, Insigniam served as a co-lead with Deloitte for the Global Organizational Redesign initiative and led the Purpose, Ambition, Mission initiative (see below for descriptions).</p>
<b>RESOURCES AND SUPPORT</b>		
<b>Data Analytics</b>	A joint USAID-State data analytics team and Deloitte analysts.	Pulled data from a variety of USAID and State sources to provide to the work stream teams. Deloitte used the data to help the work streams make decisions and create impact estimates for their business cases.
<b>Outside Experts</b>		As needed, Deloitte invited experts from organizations outside of USAID and State familiar with executing the types of ideas developed by the teams, and provided the teams with articles from these organizations that they deemed relevant.
<b>Portal Comments</b>		Online portals were used to solicit e-mailed comments from outside stakeholders and agency employees. These were managed by OMB and Deloitte, respectively, who periodically distributed comments to the teams.
<b>Supportive Working Groups</b>		There were several working groups established in support of the work stream teams such as Communications and Legal Coordination.
<b>ASSOCIATED INITIATIVES</b>		
<b>Purpose, Ambition, Mission</b>	State and USAID senior leadership.	State and USAID senior leadership came together for 2 days in July 2017 to develop mission statements for their respective agencies. The resulting statements were considered “notional drafts” used to guide the redesign process.

## **~~SENSITIVE BUT UNCLASSIFIED (SBU)~~**

<b>Name</b>	<b>Members</b>	<b>Description</b>
<b>Global Organizational Design</b>	State and USAID cross section of personnel.	State designed a multiple-day exercise in August 2017 to explore new operating models. Twenty State and ten USAID high-level personnel were tasked to envision USAID's and State's roles in the future without practical constraints. The process resulted in five to six organizational models which were presented to State and USAID leadership.

Source: USAID OIG analysis.

## APPENDIX D. JOINT STATE-USAID PROPOSALS SUBMITTED TO OMB

Proposals	Description
1. [SBU]	
[SBU]	[SBU]
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2. [SBU]	
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3. [SBU]	
[SBU]	[SBU]
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[SBU]	[SBU]
[SBU]	[SBU]

As the originators of the record contained in Appendix D, USAID and the State Department have asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5).

OIG has marked this material SBU in accordance with 22 CFR 212.7(c)(2), which states that the originator of a record is best able to make a determination regarding whether information in that record should be withheld.

## ~~SENSITIVE BUT UNCLASSIFIED (SBU)~~

Proposals	Description
[REDACTED]	[REDACTED]
[SBU] [REDACTED]	[SBU] [REDACTED]
4. [SBU] [REDACTED]	<p>As the originators of the record contained in Appendix D, USAID and the State Department have asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5).</p> <p>OIG has marked this material SBU in accordance with 22 CFR 212.7(c)(2), which states that the originator of a record is best able to make a determination regarding whether information in that record should be withheld.</p>
[SBU] [REDACTED]	
[SBU] [REDACTED]	
[SBU] [REDACTED]	
5. [SBU] [REDACTED]	[REDACTED]
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[SBU] [REDACTED]	
[SBU] [REDACTED]	
[SBU] [REDACTED]	[REDACTED]
[SBU] [REDACTED]	[REDACTED]
6. [SBU] [REDACTED]	[REDACTED]
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## ~~SENSITIVE BUT UNCLASSIFIED (SBU)~~

Proposals	Description	
7. [SBU]		
[SBU]	As the originators of the record contained in Appendix D, USAID and the State Department have asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5).	
[SBU]		
[SBU]	OIG has marked this material SBU in accordance with 22 CFR 212.7(c)(2), which states that the originator of a record is best able to make a determination regarding whether information in that record should be withheld.	
[SBU]		

Source: Agency Reform Plan, USAID and State Department, September 2017.

## APPENDIX E. USAID SUPPLEMENTAL PROPOSALS SUBMITTED TO OMB

1. [SBU]  
[SBU]
2. [SBU]  
[SBU]  

As the originator of the record contained in Appendix E, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5).
3. [SBU]  
[SBU]
4. [SBU]  
[SBU]  

OIG has marked this material SBU in accordance with 22 CFR 212.7(c)(2), which states that the originator of a record is best able to make a determination regarding whether information in that record should be withheld.
5. [SBU]  
[SBU]
6. [SBU]  
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7. [SBU]  
[SBU]

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- [REDACTED]
8. [SBU] [REDACTED]
9. [SBU] [REDACTED]
10. [SBU] [REDACTED]
11. [SBU] [REDACTED]
12. [SBU] [REDACTED]
13. [SBU] [REDACTED]
14. [SBU] [REDACTED]
15. [SBU] [REDACTED]
- As the originator of the record contained in Appendix E, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5).
- OIG has marked this material SBU in accordance with 22 CFR 212.7(c)(2), which states that the originator of a record is best able to make a determination regarding whether information in that record should be withheld.

Source: USAID Supplemental Reform Plan, September 11, 2017.

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## APPENDIX F. USAID SUPPLEMENTAL PROPOSALS REMOVED AT REQUEST OF STATE DEPARTMENT

1. [SBU] [SBU]  
[SBU] As the originator of the record contained in Appendix F, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). [SBU]
2. [SBU] [SBU]  
[SBU] As the originator of the record contained in Appendix F, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). [SBU]
3. [SBU] [SBU]  
[SBU] As the originator of the record contained in Appendix F, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). [SBU]
4. [SBU] [SBU]  
[SBU] As the originator of the record contained in Appendix F, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). [SBU]
5. [SBU] [SBU]  
[SBU] As the originator of the record contained in Appendix F, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). [SBU]
6. [SBU] [SBU]  
[SBU] As the originator of the record contained in Appendix F, USAID has asserted that this appendix should be withheld from public release in its entirety under exemption (b)(5) of the Freedom of Information Act, 5 U.S.C. 552(b)(5). [SBU]

Source: USAID.

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## APPENDIX G. USAID COMMENTS



March 1, 2018

**FROM:** A/T3—James Richardson /s/

**SUBJECT:** Response to Draft Report on Redesign

On behalf of the U.S. Agency for International Development (USAID), the Transformation Task Team (T3) would like to thank the Office of the Inspector General (OIG) for its thorough and thoughtful assessment of the Redesign process through September 2017. This review has already shaped our ongoing efforts to seek and receive approval of our reorganization proposals from the Office of Management and Budget (OMB), informed our communications with our employees, and set a way forward with the Department of State.

Informed by the recommendations of the workstreams led by USAID employees, our internal reform efforts follow the Administrator's vision; the findings of the Listening Survey, especially pain points identified by employees; recommendations from the joint Redesign discussions; audit recommendations from USAID's OIG and the Government Accountability Office; and the recommendations of the external report.

As the OIG's report makes clear, the hundreds of USAID and Department of State employees who were part of this process did everything possible to respond to the President's Executive Order on Reorganization while still complying with all existing regulations and laws.

First, we thank the Secretary of State for having the vision to engineer a modernized foreign-policy apparatus that will better serve our current and future employees in meeting our mission. Redesign - both the joint work with the State Department and USAID's internal reforms - would not have happened without the Secretary's personal commitment and guidance.

Second, we want to recognize the staff at the State Department for working with us on both the internal and joint process, and we are grateful for their efforts. We believe this interactive process ultimately resulted in better outcomes.

## **~~SENSITIVE BUT UNCLASSIFIED (SBU)~~**

We would also note there is limited precedent for the scope and scale of what the President and Secretary asked USAID and the State Department to do, and, as expected, some growing pains certainly occurred. Throughout the Redesign process to date, T3 has greatly appreciated the herculean work of our employees on this monumental task.

### Responses to Specific Items Highlighted By the OIG's Report:

1. While the Secretary's Listening Survey did elicit some criticism, the OIG's report clearly states that USAID employees widely accepted the recommendations related to the Agency, and it served as a critical input for our participation in the joint process, and for our own internal recommendations.
2. The savings identified as part of the joint Redesign were only for the Department of State. While the actions proposed may likely result in cost savings at USAID, the Agency would propose reinvesting any savings from our intended reforms into USAID's programs to help us advance our partner countries' journey to self-reliance.
3. On USAID's evaluation of our Regional Development Mission for Asia (RDMA) in Bangkok, Thailand, we believe that the statement that USAID "violated the spirit of the... legislation" is inaccurate. While USAID agrees we could have undertaken greater Congressional consultations on RDMA during the period captured under this report, the report finds that the Agency complied with the requirements of the law.
4. Deloitte did not help or prepare the workforce-related plans required by OMB for the internal Redesign process at USAID. Deloitte's services in the joint Redesign process were funded through a contract awarded by the Department of State.
5. Finally, USAID made every effort to keep our employees informed of, and engaged in, the Redesign process. In addition to the more than 100 USAID experts who contributed to the joint process, T3 sought inclusive representation from nearly every hiring category and mechanism, Office and Bureau, including by having former Mission Directors lead several workstreams.

### Ongoing Consultative Efforts

To reach all Agency staff, we have held 38 Bureau Town Halls, created a portal and email mailbox through which we received hundreds of comments, and held numerous meetings with Offices and Bureaus and their leadership. We have and continue to use every call with Mission Directors, Senior Management Meeting, Agency internal newsletter, and many other tools at our disposal to convey every bit of information that we can, consistent with guidance from the State Department and OMB.

## ~~**SENSITIVE BUT UNCLASSIFIED (SBU)**~~

To date, T3 also has engaged our employees on Redesign in the following ways:

- Assigned a career Senior Leader Champion to every project on which we are working under Redesign;
- Provided Redesign updates in 41 Senior Management Meetings;
- Conveyed Redesign updates during 21 calls with Mission Directors and during their 2017 Summer consultations in Washington;
- Held Redesign-related sessions at eight meetings of the Administrator's Leadership Council;
- Conducted 30 Congressional briefings;
- Spoken to over 2,000 employees in dozens of Town Hall-style meetings in Washington and with the field;
- Recorded a 30-minute video on Redesign seen by nearly 3,000 employees;
- Followed the video by holding region-specific question-and-answer sessions;
- Participated in an Administrator-led Town Hall focused exclusively on Redesign;
- Produced and shared fact sheets on each project under Redesign; and
- Provided our most comprehensive, public view to date of the projects done and planned under Redesign in the President's FY 2019 Budget Request.

### Way Forward

The initial phases of the process, captured in the OIG's report, are not the end of Redesign.

Redesign will continue to be an employee-driven and -managed process, under the full commitment of the Administrator to support the design and successful implementation of the proposed projects. We have created project teams for each internal reform that have integrated 300 expert staff from stakeholder Offices, Bureaus, and Missions to create solutions that reflect the core capabilities and mandate of USAID.

As OMB approves additional proposed reforms, USAID looks forward to conducting additional extensive and open consultations with all of our staff, Congress, and stakeholders. We have moved beyond solely Washington-based meetings to solicit and integrate meaningful input from our diverse workforce in the field. We fully recognize that our valued Foreign Service National (FSN) colleagues are the vanguard of our efforts to foster self-reliance in partner countries, and we will continue to deepen our engagement with both FSNs and Foreign Service Officers overseas.

We will continue these consultations because we are proud of the work we are doing and are excited about the USAID of the future. We are confident these

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employee-led efforts will strengthen our Agency to achieve greater development outcomes, and eventually end the need for foreign assistance. And we look forward to continuing to work with the State Department, OMB, Congress, and the OIG because we know it will result in informed and technically rigorous outcomes, and because it is the right thing to do.

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## APPENDIX H. STATE DEPARTMENT COMMENTS



United States Department of State

*Washington, D.C. 20520*

UNCLASSIFIED

MARCH 5, 2018

**FROM:** M – Executive Assistant, Greg Stanford  
**TO:** Office of Inspector General, U.S. Agency for International Development  
**SUBJECT:** Response to Draft Report on USAID's Redesign Efforts

On behalf of the Department of State (State), thank you for the opportunity to comment on the final draft document on the audit of USAID's Redesign process. State respectfully requests that these comments be appended to the final OIG document.

The report has two objectives: 1) determine how USAID developed its reform plans pursuant to Executive Order 13781; and, 2) determine whether USAID complied to date with fiscal year 2017 appropriations requirements. Our comments pertain solely to the first objective.

Redesign is a large-scale effort to bring our nation's conduct of foreign affairs into the 21<sup>st</sup> century. It was undertaken as an answer to the Administration's call to make our government more efficient and effective. It is an unprecedented effort, at least within the U.S. government, to build the goals and objectives from the ground up, based on the input and work of the Civil and Foreign Service employees of State and USAID, to determine the greatest impediments to carrying out their duties and to implement changes that will result in greater mission impact on behalf of the American people.

This effort is ongoing, beginning with the steps described in this report that took Redesign up to the point of the submission of reform plans to OMB, but continuing beyond that, to further define and prioritize the goals and objectives, and now, to begin to create the work plans and timelines to implement those changes. It is a complex and at times contentious endeavor, but one that can fundamentally improve the workplace and conduct of U.S. foreign affairs, not just for this Administration, but for all the Administrations to come.

State truly appreciates USAID's participation, at least 100 strong, in the initial phases of Redesign, and the personal dedication and involvement of the Administrator and members of his Transformation Task Team (T3). State and USAID staff co-led every work stream, and the Deputy Secretary and Administrator led the work of the

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Executive Steering Committee. It was this initial work that set the foundation for the current Impact Initiative at State, covering both State-specific and joint projects and for the current Redesign initiative at USAID. We look forward to continuing our work with USAID through to the conclusion of these efforts.

### Responses to Specific Items Highlighted by the OIG's Report:

*Page 2: "[T]he State Department directed USAID to participate in a joint redesign process. . ."*

*Page 5: "The State Department requested that USAID participate in a joint redesign process."*

- The summary statement on page 2 is not supported by the text in the body of the report which indicates that USAID's participation was requested, not directed.

*Page 2: "USAID and State Department employees described the joint redesign process as resource-intensive and ad hoc."*

*Page 10: "Participants described the joint Redesign process as ad hoc. Interviewees from both State and USAID noted instances where leaders of the joint process seemed unsure of the next steps."*

- The Transformation Management Office (TMO) provided consistent and timely oversight and direction to the Redesign work streams. The TMO met daily throughout the course of Redesign Phase II and gave direction to the work streams. Each work stream had a liaison to the TMO. The liaisons had daily opportunities to provide feedback and ask questions to senior leadership responsible for Redesign.

*Page 2: "[T]he lack of boundaries and explicit goals hindered progress."*

*Page 9: "According to work stream leaders, State leadership's initial guidance for work streams was for the teams to 'think big' with 'no guardrails' to direct their effort... Team leads noted they believed the Redesign process would have been more efficient if they were told upfront, what, if any, desired goals were established or existed."*

- Redesign's objective was to come up with proposals to address the major pain points identified by the early 2017 survey. These proposals would also be considered for submission with the Agency Reform Plan required by White House memorandum M-17-22. The work streams were told to "think big" and with "no guardrails" because the Secretary was willing to address long-term pain points, create a forum for new and innovative ideas, and was willing to challenge long-running assumptions.

*Page 2: "Questions of data integrity were raised, including projected cost savings of \$5 billion that would be realized with the proposed reforms. . ."*

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*Page 12: “According to the joint plan, the proposed reform would require a \$2.8 billion investment, which after 5 years, would yield a savings of over \$5 billion dollars.”*

- This statement is inaccurate, and misconstrues the analysis presented. Both the \$2.8 billion investment and the \$5 billion savings were cumulative over the five-year period. The \$2.8 billion was not an ‘up front’ cost in year 1-2, nor was the annual savings \$5 billion in year 5.
- Moreover, the people who had the visibility on how these numbers were derived and what they represented were not directly consulted. They would have clarified that these numbers were notional, based on industry benchmarking of the savings associated with proposed redesign recommendations, and were not intended to be costed-out accounting of investments and savings, since the recommendations were still at a high level of generality. That these were preliminary estimates is the explanation that was provided whenever this issue was briefed.
- A number of other findings in this section on page 11 are based on interviews with USAID officials who appear to be either unfamiliar with the actual data, or not directly involved in the compilation and analysis. Considerable attention was given to the challenges of working with data from different systems, which does not inherently invalidate such data.
- State would recommend this section be dropped as it based on individual perceptions, not the OIG’s direct knowledge of the data and analysis.

*Page 3: “USAID and State disagreed on consolidation of functions and services.”*

*Page 10: “Even in circumstances where some decisions were thought to have been made, USAID officials reported instances where State would revisit the decision, forcing USAID to defend what was already considered resolved.”*

*Page 11: “Officials familiar with the ESC also noted that the committee lacked a formal process to resolve disagreements and opinions were often split along State and USAID lines. As a result, some decisions on consolidation were left on hold and remain undecided.”*

- The Executive Steering Committee made decisions on what functions would and would not be consolidated. Several USAID executives served on the committee.
- The Executive Steering Committee was chaired by the Deputy Secretary, and the Secretary had ultimate decision-making authority.

*Page 6: “Top State officials compiled the work streams’ business cases and determined which proposals to present to OMB.”*

- While the Office of the Secretary did have final approval over the Redesign submission to OMB, it was drafted with collaboration and input from USAID’s T3 team. The composition and framing of the seven themes was shared with the

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work-stream co-leads from State and USAID, who suggested changes that were incorporated into the materials reviewed by the Secretary and transmitted to OMB.

*Page 8: “A senior State Department official stated that the State Department was not pleased with the supplemental plan, noting that some of USAID’s proposals should have been developed through the joint process.”*

- During the August/September time period, USAID’s decision to begin compiling a separate transmittal led to confusion over issues that had previously been assumed to be “joint” or “shared” areas of interest. Many or all of USAID’s supplemental submission proposals could have been incorporated into the joint Redesign plan, if USAID had brought them forward as part of Phase 2 discussions.

*Page 23: “Appendix D. Joint State-USAID proposals submitted to OMB”*

- These proposals have not been previously provided, given OMB’s request that the details of the submission be considered deliberative and part of their decision-making process.

### Conclusion

As stated, the State Department appreciates the opportunity to submit technical comments to the draft final report. Describing and assessing the actions by those involved to develop Redesign plans can help bring insight into how the recommendations came about. But it is important not to lose sight of the overall purpose of this effort, which is to transform the workings of State and USAID, under the leadership of the Secretary and the Administrator, through an employee-led, bottom-up process, to modernize our development and diplomatic endeavors, to be able to meet the challenges ahead. Achieving that goal will be the true test of this Redesign effort.

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## **APPENDIX I. MAJOR CONTRIBUTORS TO THIS REPORT**

The following people were major contributors to this report: Van Nguyen, director; Ryan McGonagle, assistant director; Ming Liu, lead auditor; Erika Ersland, auditor; Jerry Lawson, senior attorney; John Nelson, auditor; Steven Ramonas, auditor; Karen Sloan, communications officer; and Mary Vanagas, auditor.