



Office of Inspector General

March 29, 2011

MEMORANDUM

TO: Alexandria Panehal, Director
Office of Infrastructure and Engineering
Economic Growth, Agriculture, and Trade Bureau

David Atwood, Director
Office of Sustainable Development
Africa Bureau

FROM: Joy Kadnar, Director /s/
Inspections and Evaluations Division
Office of Audit

SUBJECT: Review of USAID's Obligation of Funds and Project Planning for the African Global Quilt Alliance (Report No. 2-000-11-002-S)

This memorandum transmits our final report on the subject review. This report contains one recommendation directed to the Bureau for Economic Growth, Agriculture, and Trade's Office of Infrastructure and Engineering for its staff to receive training on the mandatory project planning requirements. In finalizing the report, we considered management comments on the draft and included them (without attachments) in Appendix II.

On the basis of the information provided by the bureau in its response to the draft report, we determined that final action has been taken on the recommendation.

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

SUMMARY

USAID's Africa Bureau, Office of Sustainable Development, supports the Bureau and Africa missions by providing analytical and technical assistance related to country programs, and coordinates with donors and partner organizations to promote social and economic development. It was responsible for preobligation and project planning requirements for the African Global Quilt Alliance (Global Quilt Alliance). The Global Quilt Alliance was conceived to build information communications technology capacity in Africa while developing a free web-based method for sharing medical research and information from Africa with educational and medical institutions worldwide. In September 2006, the Office of Sustainable Development entered into an interagency agreement with the General Services Administration's Federal Systems and Information Management program (FEDSIM), providing \$1.1 million to support the Global Quilt Alliance.

USAID's Bureau of Economic Growth, Agriculture, and Trade, Office of Infrastructure and Engineering, supports the development and implementation of information communications technologies initiatives and infrastructure among other things. The Office of Sustainable Development delegated implementation authorities for the Global Quilt Alliance to the Office of Infrastructure and Engineering. This action passed the responsibilities for project planning on to the Office of Infrastructure and Engineering before funds could be used for the Global Quilt Alliance.

The Office of Infrastructure and Engineering raised concerns about procedures and practices related to information communications technology procurements and requested that the Office of Inspector General (OIG) conduct a review. The objective of OIG's review was to determine whether, in developing the African Global Quilt Alliance activity, USAID's Office of Sustainable Development and Office of Infrastructure and Engineering met the Automated Directives System (ADS) preobligation and project planning requirements. These requirements are presented in USAID's ADS 201.3.11, "Pre-Obligation and Project Planning Requirements."

The review concluded that—

- The Office of Sustainable Development met mandatory requirements before obligating \$1.1 million to FEDSIM to support the Global Quilt Alliance (page 4).
- The Office of Infrastructure and Engineering was unable to meet all of the mandatory project planning requirements before it attempted to use FEDSIM funds in early 2010 to procure information communications technology equipment and services for the Global Quilt Alliance (page 4).

The Office of Sustainable Development complied with the preobligation steps mandated in ADS when it obligated funds for the Global Quilt Alliance. However, it deferred the environmental impact assessment requirement until the activities could be identified. This deferral is allowed as long as the Office of Infrastructure and Engineering, which took over implementation of the Global Quilt Alliance, completes the project planning requirements, including the environmental impact assessment.

The Office of Infrastructure and Engineering, however, did not comply with the project planning steps mandated by ADS because its staff had limited familiarity with all of the requirements. As

a result, it was unable to meet its commitment to provide information communications technology equipment and services for the Global Quilt Alliance. The Office of Infrastructure and Engineering needs to have its staff adequately trained to meet the mandatory project planning requirements for any future activities.

OIG recommends that the Office of Infrastructure and Engineering develop and conduct training to inform staff about their responsibilities relating to mandatory project planning requirements (page 6).

Detailed findings appear in the following section. Appendix I contains the scope and methodology. Management comments will be presented in their entirety in Appendix II.

REVIEW RESULTS

Office of Sustainable Development Met Mandatory Preobligation Requirements

ADS Section 201.3.11.2 identifies the following mandatory steps that the Office of Sustainable Development was required to take when it obligated (provided) funds to FEDSIM for the Global Quilt Alliance:

- Conduct adequate planning – Ensure that the assistance is linked to results specified in a results framework, and that both an illustrative budget and a performance management plan are created.
- Conduct environmental impact assessment – Ensure that all mandatory requirements relating to environmental procedures as outlined in ADS 204 are met. ADS 204 provides policy directives and required procedures on how to apply Title 22 of the Code of Federal Regulations, Part 216 to the USAID assistance process.
- Prepare Activity Checklist – Provide evidence that the obligation is in compliance with all applicable statutes.
- Obtain approval by an authorized official – Acquire certification of the assistance from the appropriate authority.
- Notify Congress – Ensure that there are no outstanding congressional objections.

The Office of Sustainable Development met the preobligation requirements for the Global Quilt Alliance in August 2006. However, it deferred the environmental impact assessment until the specific activities to be conducted under the Global Quilt Alliance could be identified—an acceptable reason for deferral. In September 2006, the Office of Sustainable Development provided \$1.1 million to FEDSIM for the Global Quilt Alliance; and delegated implementation authority over the Global Quilt Alliance to the Office of Infrastructure and Engineering in order to carry out procurement activities.

Office of Infrastructure and Engineering Did Not Meet All Mandatory Project Planning Requirements

ADS Section 201.3.11.4 identifies the following mandatory steps for project planning that the Office of Infrastructure and Engineering was required to take when it attempted to use FEDSIM funds for the Global Quilt Alliance:

- Conduct required analyses – Ensure that an environmental impact analysis is completed and relevant recommendations are incorporated into project planning.¹
- Formulate initial cost estimate and develop financial plan – Complete an estimate of costs needed to implement the project and a plan for financing the project.
- Develop acquisition and assistance plan – Identify the procurement method to be used for implementing the project.
- Determine and meet remaining preobligation requirements – Ensure that all preobligation requirements were met before using funds to implement the project.
- Prepare activity approval document – Provide evidence that appropriate planning for the project-related activities has been completed.
- Obtain appropriate approvals – Obtain certification of the activity approval document from the appropriate authority.

The Office of Infrastructure and Engineering attempted to procure information communications technology equipment and services for the Global Quilt Alliance in January, April, and July 2010. Although it made several attempts to submit the required documentation to the contracting officer, the environmental impact analysis² was not completed. Even though it had not completed the required analyses or determined the remaining preobligation requirements, both of which are mandatory project planning requirements, the Office of Infrastructure and Engineering made three attempts to use funds to implement the project:

1. In January 2010, the Office of Infrastructure and Engineering provided an information communications technology equipment list and an e-mail request to the contracting officer to approve the procurement for the Global Quilt Alliance.
2. In April 2010, the Office of Infrastructure and Engineering identified to the contracting officer the involvement of a new implementing partner and proposed a different procurement method to obtain information communications technology equipment and services.
3. In July 2010, in its last attempt to use funds to procure information communications technology equipment and services from FEDSIM, the Office of Infrastructure and Engineering provided the contracting officer with a program description identifying the contributions of each implementing partner, a proposed plan for equipment procurement, and yet another proposed procurement method.

¹ Two analyses are mandated by statute and regulation: a gender analysis and an environmental analysis. This review considered only the requirement for an environmental analysis because the gender analysis became mandatory on November 5, 2009, subsequent to the Office of Sustainable Development's distribution of funds to FEDSIM in 2006.

² ADS 201.3.11.6: Environmental Analysis. MANDATORY. "Drawing upon the previous environmental analysis during strategic planning (201.3.9.2) and the information from the preobligation requirement for environmental impact (201.3.11.2.b), Assistance Objective Teams must incorporate the environmental recommendations into project planning. Often, additional environmental analyses may be useful to project or activity design and should be undertaken at this time."

Although the Office of Infrastructure and Engineering provided additional documentation, in none of the three attempts did it meet all mandatory planning requirements necessary to procure information communications technology equipment. Specifically, it neglected to conduct an environmental impact analysis, a preobligation requirement that was deferred to it by the Office of Sustainable Development when the latter provided \$1.1 million to FEDSIM for the Global Quilt Alliance. Because the environmental assessment was never completed, the Office of Infrastructure and Engineering was unable to fulfill two of the mandatory planning requirements: conduct required analyses and determine the remaining preobligation requirements.

The Office of Infrastructure and Engineering's noncompliance was caused by its unfamiliarity with the mandatory project planning requirements of ADS Section 201.3.11.4. In particular, it did not have an adequate training program in place to inform its staff about the mandatory requirements to be met before using U.S. Government funds and to facilitate compliance with those requirements. The Office of Infrastructure and Engineering stated that although it does not conduct training for these mandatory requirements, it has guidance available to its staff on its intranet Web site.

As a result of the Office of Infrastructure and Engineering's noncompliance with mandatory project planning requirements, it was unable to procure information communications technology equipment and services for the Global Quilt Alliance. Although the Office of Sustainable Development eventually met these requirements in November 2010, the Office of Infrastructure and Engineering needs to have its staff adequately prepared to meet the mandatory project planning requirements for any future activities.

To address these problems, this review makes the following recommendation.

Recommendation 1. We recommend that the Director for the Office of Infrastructure and Engineering in the Bureau for Economic Growth, Agriculture, and Trade develop and conduct training to inform staff about their responsibilities relating to mandatory project planning requirements.

EVALUATION OF MANAGEMENT COMMENTS

USAID's Bureau of Economic Growth, Agriculture, and Trade agreed with the report's recommendation to develop and conduct training for the Office of Infrastructure and Engineering staff's responsibilities relating to mandatory project planning requirements. The Bureau developed training material and Standard Operating Procedures for its staff. It conducted mandatory training for all Office of Infrastructure and Engineering staff on January 26, 2011, of whom 82 percent were in attendance. Those who were unable to attend will be briefed separately on the mandatory preobligation requirements. On the basis of the information provided by the Bureau in its response to the draft report, final action has been taken on the recommendation.

The draft report issued February 25, 2011, contained two recommendations directed at the Office of Infrastructure and Engineering. The Bureau provided documentation obviating the first recommendation to complete all USAID mandatory project planning requirements before taking further action on the Global Quilt Alliance. Specifically, the Office of Sustainable Development decided to meet its commitment by managing the project directly, including procurement. Moreover, the Initial Environmental Examination deferred to the Office of Infrastructure and Engineering was eventually completed by the Office of Sustainable Development.³ All mandatory preobligations and project planning requirements for the Global Quilt Alliance were completed in November 2010; as a result, the final report contains only one recommendation.

The Bureau's written comments on the draft report are included in their entirety (without attachments) as Appendix II to this report.

³ The Global Quilt Alliance is an activity under the African Global Competitiveness Initiative, which had a blanket Initial Environmental Examination in 2006. However, this Initial Environmental Examination from 2006 was approved by "deferral." In other words, each activity under the African Global Competitiveness Initiative would require an environmental analysis before its implementation. The Office of Infrastructure and Engineering did not conduct this activity-level environmental analysis in 2008. It has now been done by the Office of Sustainable Development. In the 2010 approval, the Bureau's environmental officer determined that the Global Quilt Alliance activity was appropriate to be covered by the original 2006 blanket Initial Environmental Examination.

SCOPE AND METHODOLOGY

Although this review is not an audit, the Office of Inspector General's Inspections and Evaluations Division conducted it in accordance with the general standards in Chapter 3 as well as the evidence and documentation standards in Paragraph 7.55 and Paragraphs 7.72 through 7.79 of *Government Auditing Standards*. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions in accordance with the review objective.

The review was designed to determine whether the Office of Sustainable Development and the Office of Infrastructure and Engineering met their respective mandatory preobligation and project planning requirements listed in USAID's ADS Chapter 201, "Planning," Section 201.3.11, "Pre-Obligation and Project Planning Requirements," and subsections. This review was conducted at the Office of Sustainable Development and the Office of Infrastructure and Engineering in Washington, DC, from July 13 through August 6, 2010, with followup fieldwork from August 23 to December 20, 2010.

Scope

To answer the review objective, OIG considered only the mandatory requirements in USAID's ADS, Chapter 201 "Planning," specifically Subsection 201.3.11, "Pre-Obligation and Project Planning." USAID requires that steps be taken before any U.S. Government funds are obligated, especially when the project or activity exceeds \$500,000.

Our review objective had two subparts: preobligation and project planning. The first part was to determine whether the Office of Sustainable Development met mandatory preobligation requirements before it initially obligated funds for the Global Quilt Alliance. The second part was to determine whether the Office of Infrastructure and Engineering met its mandatory project planning requirements before subobligating funds for the Global Quilt Alliance.

Methodology

To answer both parts of the review objective, we gained an understanding of ADS 201.3.11 preobligation and project planning requirements by researching the mandatory statutory and regulatory requirements of that section and its subsections. We also learned through interviews and testimonies what the Office of Sustainable Development and the Office of Infrastructure and Engineering intended to accomplish by supporting the Global Quilt Alliance. We evaluated testimony by analyzing documents provided by both offices, and also analyzed documents and communications from the Office of the Chief Information Officer's contracting officer, the contracting officer's technical representative, and the directors of the Office of Sustainable Development and the Office of Infrastructure and Engineering.

Finally, we coordinated with program officials in the General Services Administration's FEDSIM program to obtain chronological information about Office of Sustainable Development's obligation of funds to FEDSIM and the Office of Infrastructure and Engineering's attempted subobligation of those funds. We reviewed the terms and conditions of documents provided, including the original 2008 memorandum of understanding that established the broad concept of the Global Quilt Alliance, the 2006 FEDSIM interagency agreement and modification, FEDSIM account spreadsheet, a revised 2010 memorandum of understanding, a draft 2010 memorandum of agreement, a 2010 draft of the Global Quilt Alliance program description, and an Office of Sustainable Development action memorandum dated August 2006.

On the basis of these interviews and document analyses, we concluded whether the Office of Sustainable Development met its preobligation requirements and whether the Office of Infrastructure and Engineering met its project planning requirements.

MANAGEMENT COMMENTS



TO: Joy Kadnar, Director, Inspections and Evaluations Division, Office of Audit, IG/A/I&E

FROM: Michael Yates, Senior Deputy Assistant Administrator, EGAT /s/

SUBJECT: Review of USAID's Requirements for Obligation of Funds and Project Planning as They Pertain to the African Global Quilt Alliance (Report No. 2-000-1—00X-S)

Date: March 4, 2011

Thank you for the opportunity to provide documentation which we hope you will find sufficient to close each of the recommendations that the IG included in its report, "Review of USAID's Requirements for Obligation of Funds and Project Planning as They Pertain to the African Global Quilt Alliance (Audit Report No. 2-000-10-00X-S)," dated February 25, 2011.

This review made two recommendations for EGAT's Infrastructure and Engineering Office:

1. Complete all USAID mandatory project planning requirements before taking further action on the Global Quilt Initiative.
2. Develop and conduct training to inform staff about their responsibilities relating to mandatory project planning requirements.

With regard to the first recommendation, to complete all mandatory project planning requirements before taking further action on the Global Quilt Initiative, program and contract management of the Africa Global Quilt Alliance has been fully assumed by the Africa Bureau. This decision was made in the Spring of 2010 by the Africa Bureau after the remaining funds for Global Quilt were de-obligated. * The Africa Bureau decided to meet its commitments to the Global Alliance and to manage the project directly, including procurement. In this context, AFR/SD prepared and approved an AAD for the Global Africa Quilt Alliance on November 5, 2010 (see attached documents entitled: AAD signed Global Quilt November 5, 2010 AFR SD 1 of 2 and 2 of 2). This AAD was cleared by AFR/SD, AFR/GC, AFR/SD/BEA and OAA. EGAT/I&E contributed to the content, but was neither a signatory to nor asked to clear this

* FY 2006 funds that had been obligated to the FEDSIM procurement mechanism in 2007 for Global Quilt were deobligated by the COTR early in 2010. When attempts to quickly recover the funds were unsuccessful, it was necessary to reprogram new FY 2010 funds in the USAID Africa Regional budget to cover the equipment procurement.

AAD. Given the clearances secured by AFR prior to approving this AAD, including from AFR/GC, AFR appears to have met all the ADS requirements for AAD approval.

With regard to the issue the IG raised regarding an IEE specifically for the Africa Global Quilt Alliance activity, this AFR/SD AAD includes a statement, cleared by the Africa Bureau Environmental Officer, that this activity is covered by the blanket AGCI Initial Environment Examination that was in the original AAD signed by the Africa Bureau on August 24, 2006. The Africa Bureau Environmental Officer provided his clearance, indicating that he had reviewed the AAD and the equipment list, concluded that further environmental assessment was not required (see pg. 7 and Attachment 13 of attached document entitled: AAD signed Global Quilt 11 05 2010 AFR SD 2 of 2), and agreed that the original AGCI IEE was sufficient and appropriate to cover the Africa Global Quilt Alliance activity. Based on these actions taken to rectify AAD program documentation related to the African Global Quilt Alliance, EGAT believes that the IG/A/I&E's first recommendation has been fully met. EGAT therefore requests that Recommendation #1 be closed.

With regard to recommendation #2, that EGAT develop and conduct training for program and supervisory personnel about the mandatory pre-obligation requirements, EGAT agreed with the IG's recommendation in its December 20, 2010, draft report that additional training would strengthen staff capabilities to deal with these important requirements. EGAT has already developed Standard Operating Procedures for EGAT Bureau staff (attached). EGAT/I&E and EGAT/PAICO also jointly conducted mandatory training for all EGAT/I&E staff on January 26, 2011. 82% of I&E staff attended this training. Staff who were on TDY at the time this training was offered will be briefed separately about these requirements. Some of the training material distributed to EGAT/I&E staff is attached. Based on actions already taken by EGAT to ensure that pre-obligation requirements are met, and the additional training EGAT/I&E and EGAT/PAICO conducted to reinforce compliance with Agency pre-obligation requirements, EGAT requests that Recommendation #2 be closed.

Please contact me if you have any questions or need any additional information.