



## **Advisory Notice for USAID Management**

**DATE:** June 21, 2017

**TO:** Wade Warren, Acting Administrator USAID

**FROM:** Ann Calvaresi Barr, Inspector General USAID /s/

**SUBJECT:** Key Considerations for Developing USAID's Comprehensive Plan on Reforming and Reducing the Federal Workforce

On April 12, 2017, the Office of Management and Budget (OMB) issued Memorandum M-17-22, "Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce," which provides guidance for agencies to implement the President's March 13, 2017, Reorganization Executive Order.

Under OMB's guidance, USAID must develop a comprehensive reform plan to improve its efficiency, effectiveness, and accountability. As part of this plan, USAID is required to develop an analytical framework that aligns activities with the Agency's mission and role and the performance of its individual functions. The framework should result in proposals in four categories: eliminate activities, restructure or merge activities, improve organizational efficiency and effectiveness, and improve workforce management.

Our independent oversight plays a critical role in informing the decisions USAID makes as it seeks to improve the Agency's overall efficiency, effectiveness, and accountability.<sup>1</sup> We believe OMB's call for agencies to develop a reform plan provides an opportunity for USAID to consider the weaknesses and challenges that we have identified over the past years—specifically, (1) interagency priorities, (2) program design, (3) project sustainability, (4) data quality, (5) monitoring and evaluation, and (6) workforce management.<sup>2</sup> The fraud, waste, and abuse our investigations have uncovered demonstrate the impact these weaknesses have on efficiency, effectiveness, and accountability.

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<sup>1</sup> The Office of Inspector General (OIG) provides independent oversight that promotes the efficiency, effectiveness, and integrity of foreign assistance provided through USAID and other entities under our jurisdiction: the Millennium Challenge Corporation, U.S. African Development Foundation, Inter-American Foundation, and Overseas Private Investment Corporation.

<sup>2</sup> These challenges significantly contributed to the top management challenges we identified for USAID for fiscal year 2017.

In preparing this advisory, we reviewed our audit and investigative work, other oversight organizations' work, and Governmentwide best practices and applied our professional judgment to develop considerations and questions for USAID's use in its reform effort.

## **RECONCILING INTERAGENCY PRIORITIES TO MAXIMIZE THE IMPACT OF U.S. FOREIGN ASSISTANCE INVESTMENTS**

Our work has highlighted the challenges in carrying out foreign assistance operations that involve multiple U.S. Government agencies, including difficulty balancing competing priorities and managing additional layers of review. This was the case with the Enhanced Partnership with Pakistan Act of 2009, which authorized \$7.5 billion over 5 years for civilian assistance. As we reported in September 2016, USAID/Pakistan encountered difficulties reconciling its long-term development objectives with the Department of State's short-term diplomatic aims.<sup>3</sup> Almost 4 years into the effort, the mission implemented a formal strategy that linked the State Department's energy activities to a USAID development goal—increasing sustainable energy supplied to the economy, but the State Department priority for energy took precedence over other development priorities, such as health, education, and economic growth.

Our work on the U.S. response to the protest movements across the Middle East known as the Arab Spring demonstrates these challenges are not unique to USAID/Pakistan.<sup>4</sup> Specifically, surveyed USAID staff noted that the State Department's increased influence over USAID programs after the Arab Spring added a layer of review that slowed operations and strained Agency resources. Employees indicated they had to dedicate additional time to building consensus and gaining external parties' approval.<sup>5</sup>

Given the challenges in reconciling interagency priorities, we pose the following questions for USAID to consider as it develops its reform efforts and plans:

1. Where can USAID benefit from instituting interagency forums—like the one we recommended in the EPPA report for USAID/Pakistan and the State Department—to identify opportunities for restructuring or merging development programs and activities?
2. What partnerships can be forged with other U.S. agencies to implement projects that are outside USAID's core development activities, such as partnering with the U.S. Army Corps of Engineers for large infrastructure projects?
3. How can USAID further capitalize on shared agency support services, whether as a user or a provider of such services, including at colocated missions and embassies?

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<sup>3</sup> "Competing Priorities Have Complicated USAID/Pakistan's Efforts To Achieve Long-Term Development Under EPPA," G-391-16-003-P, September 8, 2016.

<sup>4</sup> "Survey of USAID's Arab Spring Challenges in Egypt, Tunisia, Libya, and Yemen," 8-000-15-001-S, April 30, 2015.

<sup>5</sup> We surveyed 70 USAID employees working on programs in Egypt, Tunisia, Libya, and Yemen to identify the challenges they faced.

4. How can USAID use program and activity data from other stakeholders—including MCC, OPIC, and other Federal aid and development agencies; the United Nations and other public international organizations; nongovernmental organizations; and other nations' development organizations—to identify duplication of efforts, break down stovepipes, and better coordinate U.S. investments?
5. How can USAID improve data quality to ensure consistency in cross-agency published information, as recommended by the Government Accountability Office (GAO)?<sup>6</sup>
6. How can USAID engage with Congress and the Administration to better ensure USAID has the authority to ensure priority development programs can be fully implemented?
7. How can USAID work with other U.S. agencies to outline and deliberate on the comparative advantages of doing similar work abroad?

## **DESIGNING PROGRAMS TO BETTER FULFILL U.S. STRATEGIC DEVELOPMENT PRIORITIES**

To carry out USAID's priorities, each mission develops a country development cooperation strategy (CDCS), which lays the groundwork for project design, budget negotiations, and other program elements. However, some missions lacked these strategies for operationalizing USAID's priorities and coordinating mission efforts with those of the partner-country government and other U.S. Government agencies. This was the case with USAID/Egypt, where the lack of a CDCS complicated the design of economic growth projects.<sup>7</sup> Selecting the appropriate award mechanism—a critical design component—and developing sound contracts and award language also presented challenges at some missions and undermined program and project implementation.<sup>8</sup> For example, USAID/Jordan established a cooperative agreement with the implementer but exceeded the level of involvement agreed to, frequently directing changes in focus and approach; the changes stretched project resources, confused project focus, and frustrated implementer management and staff.<sup>9</sup> An \$88 million agricultural program in Haiti relied on a contract that had flaws, such as a lack of clear requirements and deliverables, which complicated implementation.<sup>10</sup> Working in urgent or nonpermissive environments such as Syria and Afghanistan only exacerbates these design challenges we identified.

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<sup>6</sup> "2017 ANNUAL REPORT: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits," GAO-17-491SP, April 2017.

<sup>7</sup> "Review of USAID/Egypt's Adherence to Policy, Standards, and Best Practices in Designing Economic Growth Projects," 8-263-16-002-S, February 12, 2016.

<sup>8</sup> Project designs typically incorporate multiple award mechanisms, such as contracts and cooperative agreements with public international organizations, awards to local organizations, and direct agreements with partner governments.

<sup>9</sup> "Mission's Changing Focus and Approach Make It Difficult To Measure Success of the Jordan Community Engagement Project," 8-278-17-002-P, March 23, 2017.

<sup>10</sup> "Audit of USAID/Haiti's Feed the Future North Project" (1-521-16-001-P), October 21, 2015

Given these program design challenges, we pose the following questions for USAID to consider as it develops its reform efforts and plans:

1. How can it facilitate dialogue between headquarters bureaus (regional and functional) and missions so that field program designs align with the Agency's strategic priorities and implementation remains on track?
2. How can it ensure that those in headquarters and the field identify and incorporate best practices from past activities—what design and implementation characteristics work, for whom, and under what conditions?
3. What tools would allow it to identify and adjust programs that require a transition from a short-term to a long-term approach, particularly in complex, ongoing crises like that in Syria?
4. What design and implementation guidance is needed in nonpermissive settings like Afghanistan and Pakistan?
5. How can it assess risks and determine risk tolerance when it has limited oversight authority once funds are released, such as when using public international organizations or providing direct assistance to governments, and what is the most effective way to monitor the results of those programs?
6. How can it develop project appraisal documents that effectively guide implementation and can easily be adapted when circumstances change or new evidence emerges?
7. What opportunities exist for using best practices, such as GAO's Schedule Assessment Guide, to better ensure USAID programs have the guidance, expertise, and resources to efficiently and effectively accomplish all program activities?<sup>11</sup>
8. How can it assess the likelihood and impact of fraud risks in sectoral, regional, and country programming and help mitigate those risks when designing projects?

## **PROMOTING SUSTAINABILITY TO PROTECT USAID INVESTMENTS AND ADVANCE U.S. NATIONAL SECURITY INTERESTS**

According to USAID policy, the long-term success of development assistance requires local ownership and capacity that can sustain development outcomes at the regional, national, subnational, or community level. However, ensuring local partners can continue the work started under USAID-supported development projects has been a longstanding challenge for the Agency. In just the past year, we reported on concerns about the sustainability of USAID-funded road construction projects in the West Bank and a health services project in Haiti.<sup>12</sup>

Our investigations of local implementers in Nigeria, Pakistan, Cambodia, and Philippines substantiated risks identified in our audit findings. Most of the cases involved allegations

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<sup>11</sup> "Schedule Assessment Guide: Best Practices for Project Schedules," GAO-16-89G, December 2015.

<sup>12</sup> "Audit of USAID/West Bank and Gaza Construction Programs," 8-294-16-001-P, February 22, 2016; "USAID/Haiti Needs to Improve Oversight of the Quality Health Services for Haiti Central and South Project to Better Ensure Sustainability," I-521-16006-P, July 6, 2016.

of inappropriate or fraudulent actions taken by senior or key staff, pointing to weak corporate governance. We also found that local implementers typically failed to self-disclose fraud to the Agency or OIG.

We have reported that USAID has not capitalized on cost sharing—a tool that can facilitate local ownership by improving commitment to project sustainability. In locations such as Azerbaijan, Belarus, and Ukraine, missions could have benefited from additional guidance and training on using cost sharing.<sup>13</sup>

Given these ongoing concerns, we pose the following questions for USAID to consider as it develops its reform efforts and plans:

1. What sustainability and risk criteria could it use in determining whether to take on or continue with a development program?
2. How can it identify and mitigate risks associated with local partners and effectively monitor programs implemented through local organizations to better protect USAID investments?
3. How can it better employ and enforce cost sharing and other mechanisms to minimize sustainability risks?
4. How can it establish criteria for determining whether to fund programs in countries that have been vulnerable to fraud, waste, abuse, and corruption?
5. How can it mitigate risks associated with government-to-government funding?<sup>14</sup>

## **USING QUALITY DATA TO DECIDE HOW, WHERE, AND WHEN TO INVEST**

OMB's guidance calls for agencies to build and rely on a "portfolio of evidence"—quality data to make informed policy decisions and determine whether they are meeting the essential goals of their mission. Our work has noted persistent data weaknesses that have limited USAID's ability to effectively carry out key components of its mission, ranging from program implementation to project oversight. For example, the implementer of agriculture and biotechnology programs in West Africa provided inaccurate data for Feed the Future projects in its fiscal year 2014 annual report to USAID/West Africa.<sup>15</sup> Weaknesses in the implementer's reported results included the double and triple counting of data and the addition of expected—not actual—results. Without reliable data on projects, USAID cannot ensure they are meeting their objectives.

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<sup>13</sup> "USAID/Azerbaijan, Belarus, Ukraine, and Other Offices Would Benefit From Additional Guidance and Training on Using Cost Sharing," 8-000-16-002-P, July 5, 2016.

<sup>14</sup> Government-to-government funding is an implementing mechanism for foreign assistance whereby USAID disburses funds directly to a partner government or relies on partner government systems to implement direct assistance projects or project activities.

<sup>15</sup> "Audit of USAID/West Africa's Staple Crops and Biotechnology Programs," 7-624-16-001-P, October 15, 2015.

Given such persistent weaknesses, USAID would benefit from giving thought to these questions as it develops reform efforts and plans:

1. How can it determine and enforce the minimum acceptable level of data quality when deciding whether to proceed with a regional, country, or sector program, and establish other criteria such as national security interests that exempt programs from this minimum threshold?
2. What controls can it establish to test data accuracy to ensure decisions, including those related to reforms, are based on sound evidence?
3. How can it identify and target sectors or functions, regions, countries, implementers, and missions that have the most difficulty providing reliable data or exhibit other egregious data weaknesses?
4. How can it improve the tools, methods, and sources for capturing and sharing information about fraud risks, including data on fraud schemes and trends and antifraud efforts?

## **MONITORING AND EVALUATING CONTRACTORS AND GRANTEES TO EFFECTIVELY EXECUTE FOREIGN ASSISTANCE**

Effective implementation of foreign assistance programs relies on strong monitoring and evaluation of contractors and grantees to ensure accountability and inform efforts to improve development outcomes. Monitoring and evaluation have been a major challenge for USAID, particularly in nonpermissive environments. For example, to compensate for the drawdown of U.S. Armed Forces and reductions in USAID staff in Afghanistan, USAID planned to use multitiered monitoring to collect data and observations from U.S. and Afghan Government sources, other donors, USAID partners, beneficiaries, and contractors hired to monitor activities. However, as we reported in December 2015, USAID/Afghanistan could only demonstrate that 1 of the 127 awards made between January 2013 and September 2014 used multitiered monitoring.<sup>16</sup> Our investigative work has similarly raised concerns about USAID's approach to overseeing implementers, including how it ensures they respond to fraud allegations and establish and maintain adequate logistics, quality control, and monitoring procedures.

Since the overall aim of OMB's guidance is to improve efficiency and effectiveness, it is critical for USAID to effectively monitor and evaluate its programs to ensure it is receiving a return on its investments and meeting the essential goals of its mission—partnering to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity.

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<sup>16</sup> “Audit of USAID/Afghanistan’s Strategy for Monitoring and Evaluating Programs Throughout Afghanistan,” F-306-16-001-P, December 10, 2015.

Given its monitoring and evaluation challenges, we pose the following questions for USAID to keep in mind as it prepares reform efforts and plans:

1. How can it improve the accuracy and usefulness of program monitoring to better ensure programs and activities are on budget and meet objectives in a timely manner?
2. When and how can it employ more innovative monitoring techniques in nonpermissive environments such as Afghanistan and Pakistan?
3. How can it ensure risk assessments, and responses to the assessments, are conducted at regular intervals and when changes to the program or operating environment dictate?
4. How can it better use evaluations to identify, widely disseminate, and leverage data related to lessons learned to inform Agency decisions, including those related to reform?
5. How can it collaborate with implementers and other donors to share information and lessons learned, provide guidance and support, and create incentives to help them effectively carry out risk management activities?

## **MAINTAINING AN EFFICIENT AND EFFECTIVE WORKFORCE TO CARRY OUT USAID'S MISSION**

Our work has consistently found that inexperienced staff, insufficient training, staffing turnover and shortages, and lack of accountability have contributed to USAID's challenges. For example, workforce limitations impeded effective program monitoring and evaluation for USAID missions in Egypt, Jordan, and West Bank and Gaza.<sup>17</sup>

In 2010, GAO reported that USAID did not comprehensively analyze workforce and competency gaps and the staffing levels that the Agency requires to meet its program needs and goals.<sup>18</sup> GAO also noted that USAID lacked documented plans to help ensure its workforce strategies were successfully implemented, and did not regularly assess the viability of its plans as program priorities and environments changed.

Drawing on audit work and GAO's Governmentwide best practices, we pose these questions for the Agency to consider as it develops its workforce reduction plan:<sup>19</sup>

1. Given current realities and priorities, how can it assess the skills and competencies needed to achieve the Agency's mission, identify and address any workforce gaps and overlaps, and continually evaluate workforce plans?
2. How can it ensure knowledge transfer in areas that have high turnover rates?

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<sup>17</sup> "Working in Politically Sensitive Countries With Limited Resources Stymied Monitoring and Evaluation Efforts of Selected Middle East Missions," 8-000-16-003-P, September 30, 2016.

<sup>18</sup> "FOREIGN ASSISTANCE: USAID Needs to Improve Its Strategic Planning to Address Current and Future Workforce Needs," GAO-10-496, June 2010.

<sup>19</sup> "HUMAN CAPITAL: Key Principles for Effective Strategic Workforce Planning," GAO-04-39, December 2003.

3. How can it systematically collect comprehensive information from employees on education, training, experience, and other factors to build and maintain an up-to-date skills database that can inform workforce decisions?
4. How can it assess and improve its performance management system?<sup>20</sup>

## **COMBATTING FRAUD, WASTE, AND ABUSE**

Effective fraud risk management helps ensure that Federal programs' services fulfill their intended purpose, funds are spent effectively, and assets are safeguarded. USAID programs are inherently vulnerable to fraud risks, given the nonpermissive and other challenging environments the Agency works in. Proactive measures such as those we have taken demonstrate how to combat fraud in USAID programs to help ensure that funds are used for their intended purpose. For example, the malaria hotline campaigns we set up in three countries led to joint operations with the host nations' law enforcement and resulted in seizures, arrests, and prosecutions. Similarly, we formed the Syria Investigations Working Group in October 2015 to collaborate with our counterparts providing oversight to other donors and public international organizations. The following year, we developed a quick reference guide to help USAID and its implementing partners identify internal control deficiencies and other red flags for fraud.

Despite these efforts, fraud persists in USAID programs, raising questions about the extent to which USAID has leveraged available fraud risk management resources, such as our fraud quick reference guide and GAO's Framework for Managing Fraud Risk in Federal Programs, to ensure that taxpayer dollars and Government services serve their intended purposes.<sup>21</sup>

Given the high risk of fraud, waste, and abuse in its programs, we pose the following questions for USAID to consider as it crafts its reform efforts and plans:

1. How can it advance the use of OIG's pocket guide for fraud prevention and compliance to improve subcontractor management, procurement, quality control and monitoring, and reporting and tracking incidences of fraud?
2. How can it document an antifraud strategy based on a fraud risk profile and align the strategy with Agency priorities?
3. What opportunities exist to improve data analytics for fraud detection, fraud awareness initiatives, and fraud reporting and information sharing at USAID?
4. How can it assign clear responsibility for and authority to lead fraud risk management activities?<sup>22</sup>

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<sup>20</sup> Performance management systems are used to plan work and set individual performance expectations, monitor performance throughout the year through ongoing feedback, develop individuals' capacities to perform, and rate and reward individual performance.

<sup>21</sup> GAO-15-593SP, July 2015.

<sup>22</sup> GAO's framework for managing fraud risks states that each agency should designate an entity to design and oversee fraud risk management activities within the agency that is not the OIG, so the latter can retain its independence to serve its oversight role.

## **CONCLUSION**

OMB's call for agencies to develop an analytical framework that considers how to eliminate, restructure, or merge activities; increase organizational efficiency and effectiveness; and improve workforce management is a formidable undertaking. This task is particularly complex for USAID given its worldwide mission to promote resilient, democratic societies and advance U.S. security and prosperity by providing foreign aid and development through diverse partners.

We hope the questions, informed by our work and others', help USAID as it continues to enhance its efficiency and effectiveness in delivering U.S. foreign assistance. As part of our oversight, we plan to assess USAID's ongoing reform and related efforts.

If you would like to discuss this advisory, you may reach me or the Deputy Inspector General, Justin Brown, at 202-712-1150.

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