



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

# USAID Lacks Data To Inform Decisions About Construction Under Cooperative Agreements and Grants

**AUDIT REPORT 9-000-19-003-P**  
**FEBRUARY 11, 2019**

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## MEMORANDUM

DATE: February 11, 2019

TO: USAID/Bureau for Economic Growth, Education and Environment, Senior Deputy Assistant Administrator, Michelle Bekkering

FROM: Van Nguyen, Director, Global and Strategic Audits Division /s/

SUBJECT: USAID Lacks Data To Inform Decisions About Construction Under Cooperative Agreements and Grants (9-000-19-003-P)

This memorandum transmits the final report on our audit of USAID's construction activities under cooperative agreements and grants. Our audit objective was to determine what informs USAID decisions concerning these activities. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix C.

The report contains one recommendation to improve USAID's process for compiling data on construction activities. After reviewing information you provided in response to the draft report, we consider the recommendation resolved but open pending completion of planned activities. Please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff extended to us during this audit.

# CONTENTS

INTRODUCTION.....	1
SUMMARY.....	1
BACKGROUND.....	2
USAID LACKS DATA TO INFORM DECISIONS ABOUT CONSTRUCTION UNDER COOPERATIVE AGREEMENTS AND GRANTS.....	2
CONCLUSION.....	5
RECOMMENDATION.....	5
OIG RESPONSE TO AGENCY COMMENTS.....	6
APPENDIX A. SCOPE AND METHODOLOGY.....	7
APPENDIX B. FINDINGS REGARDING USAID CONSTRUCTION ACTIVITIES FROM OIG AND GAO ENGAGEMENTS.....	9
APPENDIX C. AGENCY COMMENTS.....	11
APPENDIX D. MAJOR CONTRIBUTORS TO THIS REPORT.....	13

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## INTRODUCTION

Between 2011 and 2013, USAID spent approximately \$5.6 billion on construction activities according to a November 2014 assessment.<sup>1</sup> Audits by the USAID Office of Inspector General (OIG) and the Government Accountability Office (GAO) have raised concerns about these activities, including exceeded budgets and timelines, inadequately designed quality control and monitoring plans, and questionable project sustainability.

According to USAID, approximately a quarter of the spending between 2011 and 2013, or \$1.4 billion, funded construction under cooperative agreements and grants. These mechanisms, which USAID calls assistance awards, tend to be for smaller-scale projects. They also give implementers greater autonomy than contracts (acquisition awards), heightening the risk that projects funded under cooperative agreements or grants will not achieve their intended results.

The oversight concerns and greater risk in assistance awards led OIG to conduct this audit. Our objective was to determine what informs USAID decisions concerning construction activities under cooperative agreements and grants.

To conduct our audit, we reviewed Agency strategies, funding information, and available data; interviewed select bureau and mission staff; and reviewed questionnaires completed by procurement and finance officials at the four missions we selected for detailed fieldwork: Colombia, Georgia, Jordan, and Kenya.<sup>2</sup> The questionnaire inquired about mission strategies and guidance for construction, factors that influence construction being performed, and any data that would be helpful for the mission to make decisions about construction activities. We conducted this audit in accordance with generally accepted government auditing standards. Appendix A contains the full scope and methodology; appendix B contains a list of the OIG and GAO audits referenced above.

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## SUMMARY

At USAID, construction decisions are decentralized, made by officials and staff in overseas missions. These officials see construction as an activity that supports larger, country-specific goals and objectives, and do not track data on individual construction activities under cooperative agreements and grants. The lack of data runs counter to Office of Management and Budget (OMB) guidance that Federal agencies should use data in making budget and other decisions.<sup>3</sup> Not having comprehensive, reliable, and easily accessible data on construction under grants and cooperative agreements hinders the Agency from mitigating risks that could raise costs, cause delays, and lower construction quality.

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<sup>1</sup> [“USAID Construction Assessment,”](#) November 21, 2014.

<sup>2</sup> We conducted site visits in Kenya only.

<sup>3</sup> OMB Memo 17-22, Appendix 7, “Building and Using a Portfolio of Evidence to Improve Effectiveness.”

We are making a recommendation to draw on current systems to make comprehensive construction data readily available to mission and bureau decision makers.

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## **BACKGROUND**

At the request of the House of Representatives' Committee on Foreign Affairs, GAO started an audit of USAID's infrastructure oversight in October 2012. However, GAO canceled the audit when staff realized the Agency did not have information to provide on its construction activities. Instead, the Agency agreed to commission a comprehensive construction assessment, which was completed in November 2014.

The Agency's assessment showed that USAID has a complex portfolio: USAID funds construction projects across all foreign assistance objectives, geographical regions, and technical offices. The Office of Energy and Infrastructure in USAID's Bureau for Economic Growth, Education and Environment (E3) provides support for all types of construction projects. The office makes licensed professional engineers available to missions for the design and implementation of traditional large-scale infrastructure programs for roads and bridges, potable water and sanitation facilities, and energy plants, often undertaken after natural disasters and conflict cessation, as well as for small-scale health facilities, solid waste-processing facilities, schools, housing, and the preservation of cultural heritage structures.

More than half of the awards in our sample funded construction activities under \$500,000. Larger amounts were often for multiple renovations. For example, in Colombia a \$32 million cooperative agreement contained approximately \$5 million worth of construction activities, but they were for repairs of numerous structures—not for one \$5 million construction project. The Code of Federal Regulations (CFR) defines a cooperative agreement as a legal instrument of financial assistance between a Federal awarding agency and a non-Federal entity to carry out a public purpose.<sup>4</sup> In contrast, a grant is defined as the transfer of money, property, services, or anything of value to the recipient to carry out a public purpose of support or stimulation authorized by Federal statute.<sup>5</sup> Cooperative agreements give the Agency involvement in managing the award, something that grants do not.

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## **USAID LACKS DATA TO INFORM DECISIONS ABOUT CONSTRUCTION UNDER COOPERATIVE AGREEMENTS AND GRANTS**

Bureau and mission officials said missions view construction as an activity to support the goals and objectives they have spelled out in country development cooperation

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<sup>4</sup> 31 U.S.C. 6305; 2 CFR 200.24.

<sup>5</sup> 31 U.S.C. 6304; 2 CFR 200.51.

strategies (CDCS).<sup>6</sup> Missions do not keep or track data on individual construction activities under cooperative agreements and grants, contrary to OMB guidance that Federal agencies use data in making budget and other decisions.

We confirmed that staff at our four selected missions based construction decisions on larger country goals and objectives. For example, USAID/Kenya, seeking to mitigate conflict by promoting better management of natural resources in Laikipia, approved plans under a cooperative agreement to build the Nanyuki River gauging station (shown in the following photo). The station measures the water discharge for better planning and decision making. However, the mission did not document or track construction location, cost, timeframe, or quality; only the implementing partner kept that information.



*Water flows through the Nanyuki River gauging station in Nanyuki, Kenya. Photo: OIG (June 12, 2017)*

Because staff do not have ready access to the data, identifying construction activities at missions is laborious. When asked, mission staff at all four selected missions had to manually search through award documentation to identify which awards contained construction activities. At the four missions in our sample, awards included construction related to latrines, small road rehabilitation, installation of solar energy panels, fish

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<sup>6</sup> A CDCS defines a mission's goal and objectives for an agreed-upon period of time, based on a given level of resources, and supports State-USAID joint regional strategies, integrated country strategies, and the State-USAID Joint Strategic Plan. A CDCS may be adjusted in response to changes in the country context and lessons learned from project and activity design and implementation, monitoring, and evaluation.



hatcheries, water storage and recycling structures, and minor renovations to health clinics.

The situation was similar in Washington. Staff in the Office of Acquisition and Assistance (OAA, the procurement office) were also unable to provide a comprehensive list of agreements and grants containing construction activities. Bureau staff said they were not aware of any construction being performed under cooperative agreements or grants in general or in the four missions we reviewed, except for the large construction activities undertaken in response to disaster or conflict, such as the Chernobyl clean-up in Ukraine, the 2015 Nepal earthquake, and South Sudan.

The Agency does have a few systems that contain some construction information, but they have limitations detailed in the following table. They are difficult to use for one or more reasons: they are not easy to search, have limited construction information, or are not widely accessible. Currently the best source of any data on USAID construction activities is the Agency’s 2014 construction assessment—already outdated.

### ***USAID Systems With Construction Data, and Their Limitations***

<b>System</b>	<b>How the System Captures Construction Data</b>	<b>Limitations</b>
<b>GLAAS</b> —USAID’s acquisition and assistance database	User can ask OAA to generate a query of awards containing construction, because a box is checked if construction is part of the award.	The system has limited construction information before 2014, when it became mandatory.
<b>USAID Environmental Compliance Database</b> ( <a href="https://ecd.usaid.gov">https://ecd.usaid.gov</a> )	User can check a filter to bring up awards containing construction that was planned when the environmental assessment was done.	System user has to search through the environmental assessment text for details on construction, making the process cumbersome.
<b>Acquisition and Assistance (A&amp;A) Plan System</b> – Tracks progress of activities from inception to award.	When OAA officials enter a planned activity involving construction, a tab comes up asking about the estimated value, type, supervision, source of design, and performance management for the construction activity.	This is a closed system for planning that involves procurement-sensitive data. The fields were not mandatory until October 2017.
<b>Construction Risk Assessment Tool</b>	The activity manager or agreement officer, who is responsible for entering into and administering agreements, screens each discrete construction activity to assess construction risk and describe the planned actions to mitigate such risk. Use of this tool satisfies requirements in the mandatory reference to the Agency’s Automated Directives System chapter 201. If it is used, the information is automatically transmitted to the Office of Energy and Infrastructure.	The tool, launched in October 2017, is new. It is part of the Agency’s preferred approach, and its use is not required.

Source: OIG analysis of USAID documentation.



To address weaknesses in data collection, USAID is currently building a Development Information System (DIS) that will combine financial and award information, but this system is years from completion. In the interim, USAID does not have a process to compile construction data. The Agency's Energy and Infrastructure Office is working to compile data from the Construction Risk Assessment Tool. Coupled with the Acquisition and Assistance Plan System data, the tool's data could provide bureau and mission decision makers with information on planned construction activities, including estimated value, type, source of design, and performance measures.

The fact that mission and bureau personnel do not systematically collect data on the type of construction, where it took place, the amount spent, the source of engineering design, or operation and maintenance performance hinders Agency decision makers from learning what works best and using that information to make "informed decisions and evaluate . . . performance in achieving key objectives and addressing risks."<sup>7</sup> Further, the lack of comprehensive, reliable, and easily accessible data on construction under cooperative agreements and grants prevents the Agency from effectively deploying its technical expertise, including staff engineers, to mitigate risks that could raise costs, cause delays, and lower construction quality.

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## CONCLUSION

Missions use construction under cooperative agreements and grants as a tool to advance country-specific goals. Although these tend to be small-scale activities, collectively they represent a significant investment for the Agency. Despite this investment, USAID has no single source of readily available data on basic things such as location and type of construction. Until the Agency improves data collection, it will be hindered in its ability to make informed decisions about when, where, and how to fund construction, and when funded, the success of those activities. While developing DIS, USAID has an opportunity to plug data gaps in the near term by drawing on current systems to make comprehensive construction data readily available to bureau and mission decision makers.

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## RECOMMENDATION

We recommend that E3 take the following action:

- I. Implement a process using the Acquisition and Assistance Plan System and the Construction Risk Assessment Tool to compile accurate data on construction activities and provide the data to bureau and mission decision makers.

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<sup>7</sup> GAO's Standards for Internal Control in the Federal Government, Principle 13.05, "Data Processed into Quality Information."

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## **OIG RESPONSE TO AGENCY COMMENTS**

We provided our draft report to USAID on September 25, 2018, and on November 21, 2018, received its response which is included as appendix C.

The agency agreed with our one recommendation and is proactively implementing broader activities to further improve construction data and oversight. USAID also provided technical comments, which we incorporated where appropriate. USAID noted that while our audit's scope was limited to grants and cooperative agreements, the findings apply to USAID's broader portfolio. The Agency therefore decided to implement corrective actions that go beyond our recommendations. USAID will implement activities to improve compliance with data collection and construction oversight requirements for both assistance and acquisition awards. Activities include expanding training, including the Office of Energy and Infrastructure on the contract review board, and updating policies and procedures. We acknowledge the management decision and consider the recommendation resolved but open pending completion of planned activities, which USAID anticipates by November 30, 2019.

We appreciate the Agency's attention to our recommendation and will continue to monitor its implementation and any related developments.

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## APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from March 2017 through September 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 audit objective was to determine what informs USAID decisions concerning construction activities under cooperative agreements and grants.

To answer our audit objective, we first reviewed the 2014 Construction Assessment, which was the most comprehensive information available to us in the absence of an Agency-wide system to track construction activities. We judgmentally selected 4 missions out of 76 bureaus, offices and missions, included in the assessment—Jordan, Georgia, Kenya, and Colombia—based on the amount of funds expended on infrastructure, number of cooperative agreements and grants, geographic location, and security. We then looked at all the cooperative agreements and grants made by those four that included construction activities and eliminated awards with end dates that did not fit within our audit scope: January 1, 2012, to December 31, 2016. The resulting 30 awards reportedly contained construction activities worth \$56.43 million. Because we used a judgmental sample, we cannot project our results to the full universe of USAID's construction activities. Bureau officials corroborated our findings Agency-wide.

We interviewed Agency personnel from the E3, Global Health, Asia, Africa, Food Security, Middle East, Latin America and the Caribbean, and Europe and Eurasia bureaus to understand if construction is an activity that is considered at a higher level of management, what informs management decisions on construction, and what data managers have and use to make those decisions, among other questions.

We identified and assessed internal controls significant to our audit objective. Specifically, we reviewed construction primers and USAID's Automated Directives System 201 and 303 mandatory references, and chapter 303. Further, we compared award information with information in GLAAS and the USAID mission information on construction activities. We reviewed the CDCS for each of the selected missions to understand if construction fit with the strategy. We requested Phoenix accounting data from the four selected missions to understand how the selected awards were funded and if there were trends, such as the majority of funding coming from a specific account. Finally, we developed a questionnaire that we emailed to the four selected missions to inquire about the following:

- Any mission-specific construction strategies apart from the CDCS.
- Any factors that influence whether or not construction will be performed under a cooperative agreement or grant.

- Any mission-specific notices or guidance concerning construction that the staff follows.
- Any data that would be helpful for the mission to have when making decisions about construction activities.

The audit did not rely on computer-processed data from the Agency's acquisition system to support its findings because accurate construction data was not available when we queried for awards containing construction. Instead, we manually reviewed all awards within our scope and determined which ones contained construction. We then sent a list of the awards we believed contained construction to the missions. The missions either provided documentation that a modification was used to remove construction or confirmed that the award did have construction.

## APPENDIX B. FINDINGS REGARDING USAID CONSTRUCTION ACTIVITIES FROM OIG AND GAO ENGAGEMENTS

Audit Entity	Date	Title
USAID OIG	22-Feb-16	Audit of USAID/West Bank and Gaza Construction Programs <ul style="list-style-type: none"> <li>• The quality of materials and work was poor at several projects.</li> <li>• Contractors did not follow safe construction practices in seismic zones.</li> </ul>
GAO	Jun-15	HAITI RECONSTRUCTION: USAID Has Achieved Mixed Results and Should Enhance Sustainability Planning <ul style="list-style-type: none"> <li>• Activities faced delays, leading USAID to extend its Haiti reconstruction timeframe by 3 years.</li> <li>• USAID headquarters had not provided missions with guidance for completing required certifications of large infrastructure activities' sustainability.</li> </ul>
USAID OIG	19-Jun-14	Review of Sustainability of Operations at Afghanistan's Tarakhil Power Plant <ul style="list-style-type: none"> <li>• Plant operations and maintenance continued to depend on external technical assistance for repairs.</li> <li>• Plant staff required further training.</li> <li>• The plant was not being used as intended, operating at a level far below what it was designed for.</li> </ul>
USAID OIG	25-Apr-14	Audit of USAID/Haiti's Health Infrastructure Program <ul style="list-style-type: none"> <li>• USAID/Haiti manages \$800 million in infrastructure projects without consolidated engineering services.</li> <li>• The mission takes an ad hoc approach to planning and managing construction and infrastructure projects.</li> <li>• Not enough contracting staff had construction experience.</li> <li>• The Agency's April 2012 construction policy does not have specific guidelines for project design, implementation, and oversight.</li> </ul>
USAID OIG	14-Apr-14	Audit of USAID/Haiti's New Settlement Construction Activities <ul style="list-style-type: none"> <li>• Construction was significantly behind schedule.</li> <li>• Quality control plans did not ensure that contractors documented, tracked, and corrected deficiencies.</li> </ul>
USAID OIG	14-Apr-14	Audit of USAID/Haiti's New Settlement Construction Activities - Management Letter <ul style="list-style-type: none"> <li>• The mission should consider implementing clear procedures and policies for handling these types of construction contracts.</li> </ul>
USAID OIG	25-Sep-13	Audit of USAID/Afghanistan's Kandahar Helmand Power Project <ul style="list-style-type: none"> <li>• Security threats hampered progress.</li> <li>• OIG found weaknesses in the mission's project oversight, compliance with environmental requirements, and sustainability planning.</li> </ul>

<b>Audit Entity</b>	<b>Date</b>	<b>Title</b>
GAO	Jun-13	<p>HAITI RECONSTRUCTION: USAID Infrastructure Projects Have Had Mixed Results and Face Sustainability Challenges</p> <ul style="list-style-type: none"> <li>• GAO recommended that USAID hire a port engineer to oversee port planning and construction.</li> <li>• It also recommended that the Agency provide community support mechanisms to help ensure settlements' sustainability.</li> </ul>
USAID OIG	27-Jan-13	<p>Audit of USAID/West Bank and Gaza's Design for Sustainability for Selected Local Government and Infrastructure Program Activities</p> <ul style="list-style-type: none"> <li>• USAID/West Bank and Gaza did not do the following: <ul style="list-style-type: none"> <li>– Assess beneficiaries' capacity to sustain projects.</li> <li>– Always follow environmental procedures.</li> <li>– Include the mandatory human trafficking provision in subcontracts.</li> </ul> </li> </ul>
USAID OIG	29-Aug-12	<p>Review of USAID/Caucasus's Public Hospital Infrastructure Project</p> <ul style="list-style-type: none"> <li>• USAID and the mission lacked the policies, procedures, checklists, and reporting mechanisms needed to help technical staff monitor infrastructure projects.</li> </ul>
USAID OIG	16-Aug-12	<p>Audit of USAID/Pakistan's Reconstruction Program in Earthquake-Affected Areas</p> <ul style="list-style-type: none"> <li>• Roof tiles needed replacement.</li> <li>• A completed healthcare facility was not being used.</li> <li>• The contractor did not submit financial audit reports to the mission.</li> </ul>
USAID OIG	13-Jun-12	<p>Follow-Up Audit of USAID/South Sudan's Road Infrastructure Activities</p> <ul style="list-style-type: none"> <li>• The road was neither on track nor within the budget that was set as of the end of the last audit.</li> <li>• The benefits from the road were not apt to be sustained because the Government of South Sudan was unlikely to maintain the road.</li> </ul>
USAID OIG	20-Apr-12	<p>Review of Selected USAID/Caucasus's School Rehabilitation Activities</p> <ul style="list-style-type: none"> <li>• Schools refurbished under the USAID-funded programs met the Georgian Ministry of Education and Science's minimum standards for partial renovation, but the risk of asbestos exposure remained at eight refurbished schools.</li> </ul>

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## APPENDIX C. AGENCY COMMENTS



November 21, 2018

### MEMORANDUM

**TO:** Global and Strategic Audits Division Director – Van Nguyen  
**FROM:** E3/SDAA – Michelle Bekkering  
**SUBJECT:** Management Response to the Draft Audit Report entitled, “USAID Lacks Data to Inform Decisions About Construction Under Cooperative Agreements” (9-000- 18-00X-P)

The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on draft report 9-000-18-00X-P. The Agency agrees with the report’s recommendation, and herein provides plans for implementing it.

**Recommendation 1:** *Implement a process using the Acquisition and Assistance (A&A) Plan System and the Construction Risk Assessment Tool to compile accurate data on construction activities, and provide the data to bureau and mission decision makers.*

**Management Decision:** USAID agrees with this recommendation, and has prepared a detailed action plan that documents the steps to collect, compile and disseminate data on construction activity to decision-makers in Bureaus and Missions (**Attachment**).

Since the scope of the OIG’s audit was limited in terms of USAID’s broader role in improving the performance and oversight of the Agency’s construction activities, USAID has elected to include additional items in the action plan that extend beyond the requirements of the report’s recommendation, but provide a more complete solution to using data to improve the oversight and management of construction at USAID.

USAID’s plan for responding to the audit recommendation includes the following:

- The creation of a Construction-Management Information System by using data gathered from the Agency’s A&A Plan, Construction-Risk Tool and Global Acquisition and Assistance System (GLAAS);
- The implementation of an outreach plan to provide better policy guidance to Operating Units (OU) on construction and improve their quality-assurance of construction related data; and.



- The creation of Construction Data Dashboards to inform Missions and Bureaus of planned and ongoing construction activities in a fully transparent manor.

Additional actions included in the action plan to enhance the Agency's broader compliance with data-collection and the oversight of construction include the following:

- Implementing key policy changes to improve the identification and management of construction activities, include the following:
  - Introducing new mandatory training requirements for all Contracting Officers (Cos)/Agreement Officers (AOs): Construction Awareness, So You Want to Build Something? (Construction under Cooperative Agreements) and Engineering and Construction Contract Management (ECCM).
  - Including the Office of Energy and Infrastructure (E&I) within the Bureau of Economic Growth, Education and the Environment (E3) as a permanent member of the Contract Review Board;
  - Including E3/E&I participation in all global and regional AO/CO conferences and workshops; and
  - Integrate training and managing construction risk in the Agency's COR/AOR certification course.
- Updating Automated Directives System (ADS) Chapter 201 (Program Cycle Operational Policy) to make screening for construction related risk, by using the Agency-supported construction risk assessment tool, mandatory for all Operating Units and mechanisms;
- Include automated (electronic) checks in the activity-implementation process to require the filing of the results of screening for construction-related risk in the Agency Secure Image Storage and Tracking database (ASIST) prior to the obligation of funding in GLAAS;
- Updating ADS 201 (Program Cycle) to require the notification of E3/E&I of all Initial Environmental Examinations that identify construction as an activity or sub-activity; and
- Explore opportunities on the process mandated by Part 216 of Title 22 of the Code of Federal Regulations for the Agency to review all projects for environmental impact to identify projects that could involve construction

**Target Completion Date:** November 30, 2019.

**Attachments:**

- 1- Background
- 2- USAID Technical Input
- 3- Data Collection Presentation
- 4- Audit Resolution Action Plan (detailed)

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

The following people were major contributors to this report: Van Nguyen, director; Brianna Schletz, assistant director; Erika Ersland, auditor; John Nelson, auditor; Marianne Soliman, auditor; and Allison Tarmann, writer-editor.