



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

USAID Complied With the GONE Act but Still Has a High Risk of Delayed Grant Closeout

AUDIT REPORT 0-000-20-002-C
MARCH 31, 2020

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MEMORANDUM

DATE: March 31, 2020

TO: USAID, Bureau for Management, Office of Acquisition and Assistance, Director, Mark A. Walther

FROM: Deputy Assistant Inspector General for Audit, Alvin Brown /s/

SUBJECT: USAID Complied with the GONE Act but Still Has a High Risk of Delayed Grant Closeout (0-000-20-002-C)

Enclosed is the final audit report on the U.S. Agency for International Development (USAID's) grant closeout process and compliance with the requirements of the Grants Oversight and New Efficiency (GONE) Act. The USAID Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates, LLC (RMA) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and inquired of its representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which RMA did not comply, in all material respects, with applicable standards.

The audit objectives were to: (1) perform a risk assessment and performance audit of USAID's grant closeout process, and (2) issue a report that addresses the identified risks and makes recommendations to aid the agency with alleviating its challenges regarding the grant closeout process. To answer the audit objectives, the audit firm examined USAID's policies and procedures, interviewed USAID personnel, and assessed USAID's internal controls and compliance relevant to USAID's grant closeout process.

The audit firm concluded that the overall risk of delayed grant closeout is high. The audit firm identified the following weaknesses:

- USAID's grant closeout process lacked internal and central communication.
- The agency's grant closeout procedures and guidelines do not comply with the timeline established in 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g). Specifically, the Federal awarding agency or pass-through entity should

complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

- USAID had an unliquidated amount of \$178.3 million in 2,543 grants expired over 1 year and \$82.5 million in 1,540 grants expired over 2 years.
- USAID's application of the Contracting Officer's Representative (COR)/Agreement Officer's Representative (AOR) training policy was inconsistent.
- The closeout documents USAID provided to the audit firm did not match the documentation outlined in the agency's procedures, and USAID did not provide other closeout documents for the audit firm's one sample.

In addition, the audit firm concluded that USAID complied with the reporting requirements of the GONE Act in fiscal years 2017 and 2018.

To address the weaknesses identified in the report, we recommend that USAID, Bureau for Management, Office of Acquisition and Assistance:

Recommendation 1. Consolidate its grant closeout process.

Recommendation 2. Assign clear roles and responsibilities to individuals for the closeout process, and coordinate with other organizations on their grant closeout process.

Recommendation 3. Revise its procedures to develop control activities that align with the GONE Act criteria and 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g); and de-obligate grants in a timely fashion.

Recommendation 4. Conduct an analysis to close out and de-obligate the \$178.3 million obligated for expired awards and put the funds to better use, as applicable.

Recommendation 5. Remove the employee from the system as a COR until that individual has received the required training.

Recommendation 6. Conduct a thorough review to ensure that the employees assigned the COR role in the system have received the required training to be recognized as a COR.

Recommendation 7. Follow documented policies and procedures regarding training and career/professional development required for the COR role; ensure that the policy is implemented and followed by all staff members; and retain appropriate documentation, specifically, training certificates.

Recommendation 8. Follow documented policies and procedures regarding the closeout of grants.

Recommendation 9. Ensure that agency policy adequately addresses which type of closeout documentation is required for the type of grant being closed out.

In finalizing the report, the audit firm evaluated USAID's responses to findings and recommendations. USAID management agreed with all nine findings, but explained that they

need more time to develop a management decision and corrective action plan to address them. After reviewing the audit firm's evaluation, we consider recommendations one through nine open and unresolved.

We ask that you provide written notification of actions planned or taken to reach management decisions on recommendations one through nine, and copy the Audit Performance and Compliance Division.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



**U.S. Agency for International Development (USAID)
Grants Oversight and New Efficiency (GONE) Act Audit
Independent Auditor's Final Report
March 27, 2020**



March 27, 2020

Mr. Damian Wilson
Director, Financial Audit Division
United States Agency for International Development
Office of the Inspector General
1300 Pennsylvania Avenue, NW
Washington, DC 20005-2221

Dear Mr. Wilson:

RMA Associates, LLC (RMA) is pleased to present our final report on the United States Agency for International Development's (USAID) compliance with the Grants Oversight and New Efficiency (GONE) Act of 2016.

Thank you for the opportunity to serve your organization and the assistance provided by your staff and that of USAID. We will be happy to answer any questions you may have concerning the report.

Respectfully,

A handwritten signature in black ink that reads "Reza Mahbod". The signature is written in a cursive style.

Reza Mahbod, CPA, CISA, CGFM, CICA, CGMA, CDFM, CFE
President
RMA Associates, LLC



Inspector General
United States Agency for International Development

27 March 2020

RMA Associates, LLC (RMA) conducted a performance audit of the United States Agency for International Development's (USAID) compliance with the Grants Oversight and New Efficiency (GONE) Act of 2016 relevant to its grant closeout process from September 1, 2019 to March 5, 2020.

As part of our audit, we conducted a risk assessment that included assessments of procedures, compliance with Federal regulation, governance, the status of expired grants and internal controls. The performance audit included testing of training procedures and closeout documentation guideline.

We conducted this performance audit in accordance with auditing standards issued by the Comptroller General of the United States, referred to as *Generally Accepted Government Auditing Standards* (GAGAS). 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.

As a result of the assessment, we determined that USAID has a high risk of not closing grants that have been expired for two or more years timely as outlined in the GONE Act.

Additional information on our findings and recommendations are included in the accompanying report.

Respectfully,


RMA Associates, LLC

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Background

The United States Agency for International Development (USAID) is an independent Federal agency headquartered in Washington, DC, and has a presence in 87 countries across the world. It was established in November 1961 and is the lead Federal agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential.

Government Accountability Office (GAO) reports in 2012 and 2016 identified nearly \$1 billion of undisbursed funding in expired grant accounts. The Grants Oversight and New Efficiency (GONE) Act was passed in 2016 and its goal is to direct Federal agencies to close out expired grants efficiently, including de-obligation of any remaining expired funding. In addition, the effort intends to provide oversight to the grant closeout process of Federal agencies, improve grant closeout procedures, and enhance fiscal responsibility throughout the government.

The GONE Act of 2016 addresses the issues associated with expired grant accounts not being closed out properly and timely by requiring agencies such as USAID to sequentially report to Congress their number of expired grant accounts and the challenges impeding them from timely closeout, provide Congress with the progress made on efficient grant closure, and perform a subsequent risk assessment of the process.

This engagement satisfies the GONE Act requirement for the Office of Inspector General (OIG) to perform a risk assessment of its grant closeout process.

Objective

The objective of the engagement was to perform a (1) risk assessment and performance audit of USAID's grant closeout process and (2) issue a report that addresses the identified risks and makes a recommendation to aid the agency with alleviating its challenges regarding the grant closeout process.

Summary of Results

Risk Assessment Results

RMA Associates, LLC (RMA) performed a risk assessment to determine the level of risk in the grant closeout process by identifying and understanding the inherent risk and reviewing controls used to mitigate it. In addition, we reviewed the grant closeout process and identified challenges and deficiencies. We categorized the risk assessment by reviewing the following controls/parameters:

1. Grant closeout procedures;
2. Compliance with Federal regulations;
3. Governance;
4. Status of expired grants;
5. Internal controls;
6. Closeout training; and
7. Closeout documentation.

The following procedures were completed to assess the risk in USAID's grant closeout process:

1. Evaluated the nature and type of grants issued to recipients.
2. Examined agency policy and procedures related to grant closeout.
3. Reviewed consistency of procedures with Federal regulation, industry standards, other guidance, including but not limited to:
 - Evaluated the complexities of procedures in the grant closeout process;
 - Assessed the population of expired grant accounts;
 - Reviewed information systems used to process grant data;
 - Assessed challenges; and
 - Assessed internal controls.

As a result of the assessment, we determined USAID has a high risk of not closing grants that have been expired for two or more years timely as outlined in the GONE Act.

Audit Results

As a part of our audit procedures, RMA performed attribute testing on the entire population while testing for the status of expired grants. Additionally, we obtained samples based on the assessed risk categories. During our testing, we determined:

Compliance with Federal Regulations: USAID complied with the GONE Act requirements as reported on its fiscal year (FY)2017 and FY2018 Agency Financial Reports (AFR) including the number of expired grants that remain open, amount of undisbursed funds, and challenges with closing out the 30 oldest grants.

Performance of Internal Controls: Controls were found to be present in the closeout process. USAID generates several reports and performs periodic reviews of funds. USAID generates several reports such as Pipeline reports, Average Monthly Expenditure Reports, and Accrual Reports, all of which grant officers are required to compile monthly, periodically, and quarterly.

When reviewing the other controls/parameters, RMA identified five findings that impact USAID's timely grant closeout.

Summary of Findings

Finding 1 – Establishment of Governance: RMA found USAID's closeout process lacked internal and central communication. Closeout responsibility is disbursed to regional offices without central oversight with ineffective communication between fields and administrative offices.

Finding 2 – Assessment of Procedures: RMA found USAID procedures and guidelines for grant closeout do not align with the timeline established in 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g) for closeouts. The procedures also required referencing several linked documents internally and externally to the ADS directives to understand a single procedure and contained inactive linking and incorrect link destinations.

Finding 3 – Status of Expired Grants: RMA determined out of the grant population, 2,543 grants are over a year expired with an unliquidated amount of \$178.3M while 1,540 grants are two years expired or more with an unliquidated amount of \$82.5M as of January 31, 2020. The population of expired grants has increased 24% from the \$66.7M reported in the FY2018 AFR.

Finding 4 – Completion of Closeout Training: Through sample testing, RMA found an inconsistent application of the Contract Officer's Representative / Agreement Officer's Representative (COR/AOR) training policy.

Finding 5 – Availability of Closeout Documentation: USAID provided closeout documentation that did not match the documentation outlined in the procedures and did not provide documentation for one sample.

Recommendations

RMA recommends USAID implement the following:

- Consolidate its grant closeout process;
- Assign clear roles and responsibilities to individuals and coordinate with other organizations on their grant closeout procedures;
- Revise its procedures to develop control activities that align with the GONE Act criteria and 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g) and de-obligate grants in a timely fashion;

- Conduct an analysis to close out and de-obligate the \$178.3 million obligated for expired awards and put the funds to better use, as applicable;
- Remove the employee from the system as a COR until they have received the required training;
- Conduct a thorough review to ensure that the employees assigned the COR roles in the system have received the required training to be recognized as a COR;
- Follow documented policies and procedures regarding training and career/professional development required as a COR. USAID should ensure the policy is implemented and followed by all staff members and should retain appropriate documentation, specifically, training certificates;
- Follow documented policies and procedures regarding the closeout of grants; and
- Ensure that policy adequately addresses which type of closeout documentation is required for the type of grant.

For details, see the “Findings” section of the report.

Status of Prior Recommendations

USAID did not have any previous recommendations that were examined by RMA for the current scope of the audit.

Findings

During our audit, we communicated our observations and issued five Notices of Findings and Recommendations (NFRs) to USAID. These were the basis of the official recommendations reflected in the “Recommendations” section.

Finding 1: Establishment of Governance (GONE-USAID-20-01)

Condition

USAID administers many grants that range in size and are planned and executed in different time periods and locations. The responsibility of grant closeout is with the office that administers the grant. There has been confusion as to who is responsible for closeout when multiple funding sources are involved in a single grant. No single office centrally oversees grant administration for USAID.

Criteria

United States Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) states:

Principle 3 – Establish Structure, Responsibility, and Authority

Assignment of Responsibility and Delegation of Authority

3.06 To achieve the entity's objectives, management assigns responsibility and delegates authority to key roles throughout the entity. A key role is a position in the organizational structure that is assigned overall responsibility of the entity. Generally, key roles relate to senior management positions within an entity.

3.07 Management considers the overall responsibilities assigned to each unit, determines what key roles are needed to fulfill the assigned responsibilities, and establishes the key roles. Those in key roles can further assign responsibility for internal control to roles below them in the organizational structure but retain ownership for fulfilling the overall responsibilities assigned to the unit.

3.08 Management determines what level of authority each key role needs to fulfill a responsibility. Management delegates authority only to the extent required to achieve the entity's objectives. As part of delegating authority, management evaluates the delegation for proper segregation of duties within the unit and in the organizational structure. Segregation of duties helps prevent fraud, waste, and abuse in the entity by considering the need to separate authority, custody, and accounting in the organizational structure. As with assigning responsibility, those in key roles can delegate their authority for internal control to roles below them in the organizational structure.

United States Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) states:

Principle 14 – Communicate Internally

14.01 Management should internally communicate the necessary quality information to achieve the entity's objectives.

Cause

USAID's closeout process lacked internal and central communication. Closeout responsibility is disbursed to regional offices without central oversight with ineffective communication between fields and administrative offices. Grants with multiple funding sources cause confusion as to which office is responsible for closeout.

Effect

Without well-defined responsibilities and coordination with other organizations, USAID increases the risk grant closeout process may not be performed accurately and completely, and funds may not be properly de-obligated.

Recommendation

We recommend USAID:

- Consolidate its grant closeout process; and
- Assign clear roles and responsibilities to individuals and coordinate with other organizations on their grant closeout procedures.

Finding 2: Assessment of Procedures (GONE-USAID-20-02)

Condition

USAID procedures and guidelines for grant closeout do not align with the timeline established in 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g) for closeouts. The procedures also required referencing several linked documents internally and externally to the ADS directives to understand a single procedure and contained inactive linking and incorrect link destinations.

Criteria

Code of Federal Regulation

PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

2 CFR Subpart D—Post Federal Award Requirements

§200.343 Closeout (g) states: The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

United States Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) states:

Principle 12 - Implement Control Activities

12.01 Management should implement control activities through policies.

Attributes

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Documentation of Responsibilities through Policies
- Periodic Review of Control Activities

Documentation of Responsibilities through Policies

12.02 Management documents in policies the internal control responsibilities of the organization.

12.03 Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow

management to effectively monitor the control activity.

12.04 Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Cause

The grant administration process lacks revision to procedures or clear alignment to the GONE Act requirements. The lack of standardization and clarity makes it imperative to have clear and concise procedures from inception to closeout as well as clearly communicated roles and responsibilities.

Effect

Without well-defined procedures and responsibilities, USAID increases the risk grant closeout process may not be performed accurately and/or completely, and funds may not be properly de-obligated and available for other use.

Recommendation

We recommend USAID revise its procedures to develop control activities that align with the GONE Act criteria and 2 CFR Subpart D–Post Federal Award Requirements, §200.343 Closeout, paragraph (g) and de-obligate grants in a timely fashion.

Finding 3: Status of Expired Grants (GONE-USAID-20-03)

Condition

As of January 31, 2020, RMA performed an aging analysis on the total population to display unliquidated amounts relative to years past the performance end date. RMA determined out of the population of 4,088 grants, 2,543 grants are over a year expired with an unliquidated amount of \$178.3M while 1,540 grants met the GONE Act criteria of two years expired or more with an unliquidated amount of \$82.5M.

Per USAID's FY2018 AFR, USAID had a total of 758 grants/cooperative agreements with an undisbursed balance of \$66.7M for which the period of performance elapsed more than two years ago. Since September 30, 2018 USAID unliquidated grants outstanding for more than two years have increased by \$15.7M (24%).

Criteria

Code of Federal Regulation

PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

2 CFR Subpart D—Post Federal Award Requirements

§200.343 Closeout (g) states: The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

United States Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) states:

Principle 15 – Communicate Externally

15.01 Management should externally communicate the necessary quality information to achieve the entity's objectives.

Attributes

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Communication with External Parties
- Appropriate Methods of Communication

15.02 Management communicates with and obtains quality information from, external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public.

15.03 Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these communications information relating to the entity's events and activities that impact the internal control system.

15.04 Management receives information through reporting lines from external parties. Information communicated to management includes significant matters relating to risks, changes, or issues that impact the entity's internal control system. This communication is necessary for the effective operation of internal control. Management evaluates external information received against the characteristics of quality information and information processing objectives and takes any necessary actions so that the information is quality information.

15.05 The oversight body receives information through reporting lines from external parties. Information communicated to the oversight body includes significant matters relating to risks, changes, or issues that impact the entity's internal control system. This communication is necessary for the effective oversight of internal control.

Cause

Per discussion with senior leadership within the USAID CFO office, USAID has not been de-obligating grants timely as defined by the GONE Act criteria due to other agency priorities and staffing shortages.

Effect

Without adherence to the GONE Act, USAID funds are not properly de-obligated and available for other use.

Recommendation

We recommend USAID conduct an analysis to close out and de-obligate the \$178.3 million obligated for expired awards and put the funds to better use, as applicable.

Finding 4: Completion of Closeout Training (GONE-USAID-20-04)

Condition

USAID did not provide a training certificate to demonstrate grant closeout training was completed by one of ten total individuals in the sample selection. One Contracting/Agreement Officer's Representative (COR/AOR) did not complete the required grant closeout training per the individual's Cornerstone Transcript Report, dated 02/26/2020.

Criteria

Training curriculum defined in, *USAID ADS Chapter 458: Training and Career/Professional Development* (pp. 22-24), dated 10/15/2015 which specifies *Acquisition and Assistance Management for COR/AORs* course (A&A 104) as a mandatory course.

United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) states:

Principle 4 – Demonstrate Commitment to Competence

4.01 Management should demonstrate a commitment to recruit, develop, and retain competent individuals.

Attributes

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Expectations of Competence
- Recruitment, Development, and Retention of Individuals
- Succession and Contingency Plans and Preparation

4.02 Management establishes expectations of competence for key roles, and other roles at management's discretion, to help the entity achieve its objectives. Competence is the qualification to carry out assigned responsibilities. It requires relevant knowledge, skills, and abilities, which are gained largely from professional experience, training, and certifications. It is demonstrated by the behavior of individuals as they carry out their responsibilities.

4.03 Management considers standards of conduct, assigned responsibility, and delegated authority when establishing expectations. Management establishes expectations of competence for key roles. Management may also establish expectations of competence for all personnel through policies within the entity's internal control system.

4.04 Personnel need to possess and maintain a level of competence that allows them to accomplish their assigned responsibilities, as well as understand the importance of effective internal control. Holding individuals accountable to established policies by evaluating

personnel's competence is integral to attracting, developing, and retaining individuals. Management evaluates the competence of personnel across the entity in relation to established policies. Management acts as necessary to address any deviations from the established policies. The oversight body evaluates the competence of management as well as the competence overall of entity personnel.

Cause

USAID did not consistently apply Training Policy (ADS 458).

Effect

Failure to complete required trainings and continuing to serve as a COR may result in inadequate Acquisition and Assistance management.

Recommendation

We recommend USAID:

- Remove the employee from the system as a COR until they have received the required training;
- Conduct a thorough review to ensure that the employees assigned the COR roles in the system have received the required training to be recognized as a COR; and
- Follow documented policies and procedures regarding training and career/professional development required as a COR. USAID should ensure the policy is implemented and followed by all staff members and should retain appropriate documentation, specifically, training certificates.

Finding 5: Availability of Closeout Documentation (GONE-USAID-20-05)

Condition

USAID provided closeout documentation that did not match the documentation outlined in the procedures. In addition, USAID did not provide documentation for one of five sampled grants.

Criteria

USAID Guidance on Closeout Procedures for Acquisition and Assistance (A&A) Awards, An Additional Help Document for ADS Chapters 302, 303, and 309 (pp. 11-14), dated 10/06/2010

United States Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) states:

Principle 14 – Communicate Internally

Attributes

14.01 Management should internally communicate the necessary quality information to achieve the entity's objectives.

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Communication throughout the Entity
- Appropriate Methods of Communication

14.02 Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

14.03 Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.

14.04 Management receives quality information about the entity's operational processes that flows up the reporting lines from personnel to help management achieve the entity's objectives.

14.05 The oversight body receives quality information that flows up the reporting lines from management and personnel. Information relating to internal control communicated to the oversight body includes significant matters about adherence to, changes in, or issues arising from the internal control system. This upward communication is necessary for the effective oversight of internal control.

14.06 Personnel use separate reporting lines to go around upward reporting lines when these lines are compromised. Laws and regulations may require entities to establish separate lines of communication, such as whistleblower and ethics hotlines, for communicating confidential information. Management informs employees of these separate reporting lines, how they operate, how they are to be used, and how the information will remain confidential.

14.07 Management selects appropriate methods to communicate internally. Management considers a variety of factors in selecting an appropriate method of communication. Some factors to consider follow:

- Audience – The intended recipients of the communication
- Nature of information – The purpose and type of information being communicated
- Availability – Information readily available to the audience when needed
- Cost – The resources used to communicate the information
- Legal or regulatory requirements – Requirements in laws and regulations that may impact communication

14.08 Based on consideration of the factors, management selects appropriate methods of communication, such as a written document—in hard copy or electronic format—or a face-to-face meeting. Management periodically evaluates the entity’s methods of communication so that the organization has the appropriate tools to communicate quality information throughout the entity on a timely basis.

Principle 15 - Communicate Externally

15.01 Management should externally communicate the necessary quality information to achieve the entity’s objectives.

Attributes

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Communication with External Parties
- Appropriate Methods of Communication

15.02 Management communicates with and obtains quality information from, external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public.

15.03 Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks.

Management includes in these communications information relating to the entity's events and activities that impact the internal control system.

15.04 Management receives information through reporting lines from external parties. Information communicated to management includes significant matters relating to risks, changes, or issues that impact the entity's internal control system. This communication is necessary for the effective operation of internal control. Management evaluates external information received against the characteristics of quality information and information processing objectives and takes any necessary actions so that the information is quality information.

15.05 The oversight body receives information through reporting lines from external parties. Information communicated to the oversight body includes significant matters relating to risks, changes, or issues that impact the entity's internal control system. This communication is necessary for the effective oversight of internal control.

15.06 External parties use separate reporting lines when external reporting lines are compromised. Laws and regulations may require entities to establish separate lines of communication, such as whistleblower and ethics hotlines, for communicating confidential information. Management informs external parties of these separate reporting lines, how they operate, how they are to be used, and how the information will remain confidential.

15.07 Management selects appropriate methods to communicate externally. Management considers a variety of factors in selecting an appropriate method of communication. Some factors to consider follow:

- Audience - The intended recipients of the communication
- Nature of information - The purpose and type of information being communicated
- Availability - Information readily available to the audience when needed
- Cost - The resources used to communicate the information
- Legal or regulatory requirements - Requirements in laws and regulations that may impact communication.

15.08 Based on consideration of the factors, management selects appropriate methods of communication, such as a written document—in hard copy or electronic format—or a face-to-face meeting. Management periodically evaluates the entity's methods of communication so that the organization has the appropriate tools to communicate quality information throughout and outside of the entity on a timely basis.

15.09 Government entities not only report to the head of the government, legislators, and regulators but to the general public as well. In the Federal government, entities not only report to the President and Congress but also to the general public. Entities consider appropriate methods when communicating with such a broad audience.

Cause

USAID management did not provide closeout documentation to match the closeout procedures stating many of the requested documentation were not applicable.

Effect

Failure to follow closeout policies and procedures may result in discrepancies of advance/reimbursement amounts, inaccurate property inventories, and/or financial reporting.

Recommendation

We recommend USAID:

- Follow documented policies and procedures regarding the closeout of grants; and
- Ensure that policy adequately addresses which type of closeout documentation is required for the type of grant.

Appendix I – USAID Management Comments



USAID
FROM THE AMERICAN PEOPLE

March 26, 2020

MEMORANDUM

TO: Thomas E. Yatsco, Assistant Inspector General for Audit

FROM: Mark Walther, Office of Acquisition and Assistance, Director

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Compliance with the Grant Oversight and New Efficiency (GONE) Act of 2016

MARK ANTHONY
WALTHER
(affiliate)

Digitally signed by
MARK ANTHONY
WALTHER (affiliate)
Date: 2020.03.26
17:54:05 -04'00'

Thank you for your draft report on the Audit of USAID's compliance with the Grant Oversight and New Efficiency (GONE) Act of 2016; and for the professionalism exhibited by your staff throughout this process.

The following are management's comments regarding the audit findings:

Finding 1: Establishment of Governance (GONE-USAID-20-01)

USAID administers many grants that range in size and are planned and executed in different time periods and locations. The responsibility of grant closeout is with the office that administers the grant. There has been confusion as to who is responsible for closeout when multiple funding sources are involved in a single grant. No single office centrally oversees grant administration for USAID.

Recommendation 1. Consolidate its grant closeout process.

Management Comments:

While management agrees to consolidate its Grant reporting process, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Recommendation 2. Assign clear roles and responsibilities to individuals and coordinate with other organizations on their grant closeout procedures.

Management Comments:

While management agrees to assign clear roles and responsibilities to individuals and coordinate with other organizations on their grant closeout procedures, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Finding 2: Assessment of Procedures (GONE-USAID-20-02)

USAID procedures and guidelines for grant closeout do not align with the timeline established in 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g) for closeouts. The procedures also required referencing several linked documents internally and externally to the ADS directives to understand a single procedure and contained inactive linking and incorrect link destinations.

Recommendation 3. Revise its procedures to develop control activities that align with the GONE Act criteria and 2 CFR Subpart D—Post Federal Award Requirements, §200.343 Closeout, paragraph (g) and de-obligate grants in a timely fashion.

Management Comments:

While management agrees to remind cognizant Agreement Officers and cognizant organization heads of contracting activities of their responsibility for closeout and deobligating funds timely; management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Finding 3: Status of Expired Grants (GONE-USAID-20-03)

As of January 31, 2020, RMA performed an aging analysis on the total population to display unliquidated amounts relative to years past the performance end date. RMA determined out of the population of 4,088 grants, 2,543 grants are over a year expired with an unliquidated amount of \$178.3M while 1,540 grants met the GONE Act criteria of two years expired or more with an unliquidated amount of \$82.5M.

Per USAID's FY2018 AFR, USAID had a total of 758 grants/cooperative agreements with an undisbursed balance of \$66.7M for which the period of performance elapsed more than two years ago. Since September 30, 2018 USAID unliquidated grants outstanding for more than two years have increased by \$15.7M (24%).

Recommendation 4. Conduct an analysis to close out and de-obligate the \$178.3 million obligated for expired awards and put the funds to better use, as applicable,

Management Comments:

While management agrees to conduct an analysis, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Finding 4: Completion of Closeout Training (GONE-USAID-20-04)

USAID did not provide a training certificate to demonstrate grant closeout training was completed by one of ten total individuals in the sample selection. One Contracting/Agreement Officer's Representative (COR/AOR) did not complete the required grant closeout training per the individual's Cornerstone Transcript Report, dated 02/26/2020.

Recommendation 5. Remove the employee from the system as a COR until they have received the required training.

Management Comments:

While management agrees CORs must have completed required training and be certified, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Recommendation 6. Conduct a thorough review to ensure that the employees assigned the COR roles in the system have received the required training to be recognized as a COR.

Management Comments:

While management agrees to conduct a thorough review, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Recommendation 7. Follow documented policies and procedures regarding training and career/professional development required as a COR. USAID should ensure the policy is implemented and followed by all staff members and should retain appropriate documentation, specifically, training certificates.

Management Comments:

While management agrees to follow our documented policies and procedures, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Finding 5: Availability of Closeout Documentation (GONE-USAID-20-05)

USAID provided closeout documentation that did not match the documentation outlined in the procedures. In addition, USAID did not provide documentation for one of five sampled grants.

Recommendation 8. Follow documented policies and procedures regarding the closeout of grants.

Management Comments:

While management agrees to follow our documented procedures to close out grants, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Recommendation 9. Ensure that policy adequately addresses which type of closeout documentation is required for the type of grant.

Management Comments:

While management agrees to ensure that we have adequate policies, management is unable to reach a decision at this time due to current Agency priority activities. The Agency will provide a management decision and where appropriate a corrective action plan within the six months period allowed.

Target Completion Date: September 30, 2020

Appendix II – Scope and Methodology

Scope

The audit was conducted in Washington D.C. during September 30, 2019 through March 5, 2020. We conducted this performance audit in accordance with generally accepted government auditing standards. These 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.

A risk assessment was performed by RMA Associates, LLC (RMA) to determine the level of risk in the grant closeout process by identifying and understanding the inherent risk and reviewing controls used to mitigate it. We categorized the risk assessment with reviews of policies and procedures, interviews with subject matter experts, and testing of samples (where applicable):

1. Grant closeout procedures;
2. Compliance with Federal regulations;
3. Governance;
4. Status of expired grants;
5. Internal controls;
6. Closeout training; and
7. Closeout documentation.

Methodology

RMA developed complete and accurate work papers that document all work performed and support all conclusions reached. In addition, our work papers document the results of all test procedures performed in connection with the audit program and document all audit findings and their required elements in accordance with *Generally Accepted Government Auditing Standards*.

Our tests include interviews with appropriate management, supervisory, and staff personnel; inspection of USAID’s close-out process policies and procedures; and observation of USAID’s grant close-out processes.

Sampling methods were risk-based, in the sense that where current control testing has indicated low risk, we use that information to reduce what otherwise would have been a larger test of details sample size under purely data-driven formulas for statistical projection. Thus, the sample size is not driven by dollar value alone, but also the risk assessed to each process. RMA performed attribute testing on the entire population while testing for status of expired grants. RMA obtained stratified random samples of five closeout grants and ten training certifications. The testing attributes addressed the risks assessment as noted above.

As a part of the audit RMA reviewed USAID's FY2017 and FY2018 unliquidated expired grant amounts for GONE Act compliance.

We prepared working papers in accordance with quality control standards defined within our Quality Control plan to capture results from our testing. We have developed an extensive internal quality control plan to meet GAGAS and AICPA requirements.