



MEMORANDUM

DATE: July 27, 2020

TO: USAID Chief Financial Officer, Reginald W. Mitchell

FROM: Assistant Inspector General for Audit, Thomas E. Yatsco /s/

SUBJECT: USAID's Use of Appropriated Funds Prior to Expiration and Cancellation

In response to direction from the House Committee on Appropriations, the Office of Inspector General (OIG) assessed USAID's use of appropriated funds prior to expiration and cancellation.¹ OIG reviewed whether the Agency was using the funds that it received within the deadlines of the appropriations and whether it was complying with the Federal requirements for obligations using expired funds.

While planning an audit, we identified preliminary observations and are providing the results of our work. In short, USAID used most of its funds within required deadlines. From fiscal years 2010 to 2017, USAID received \$28.1 billion in appropriated funds that had statutory expiration between fiscal years 2016 and 2018. Of this amount, approximately \$5.7 million expired prior to obligation—approximately .02 percent over the 3-year period.² From fiscal years 2005 to 2012, USAID received \$21.8 billion in appropriated funds that had statutory cancellation between fiscal years 2016 and 2018. USAID used approximately \$21.6 billion of the \$21.8 billion appropriated to the Agency during this period.³ The difference of about \$114.8 million between these two amounts was canceled in fiscal years 2016 through 2018 based on required deadlines. Considering the low percentage of funds that expired or canceled, we do not believe that additional work on this engagement would provide significant insight into weaknesses in USAID's financial management policies and practices. Therefore, we are closing out the engagement with this memorandum. USAID provided technical comments to the draft, and we made changes where appropriate.

¹See House Report 115-829, (H. Rpt. 115-829 at 102 (2018)) accompanying H.R. 6385, State, Foreign Operations, and Related Programs Appropriations Bill, 2019. The explanatory statement, accompanying the Consolidated Appropriations Act, 2019 (Pub. L. 116-6, February 15, 2019), incorporated this direction by reference to the House Report.

²Our scope for expired funds consisted of USAID funds received during fiscal years 2010 through 2017. Once expired, funds may be adjusted and disbursed to fulfill an existing obligation but cannot be used for a new obligation.

³Our scope for canceled funds consisted of USAID funds received during fiscal years 2005 through 2012.

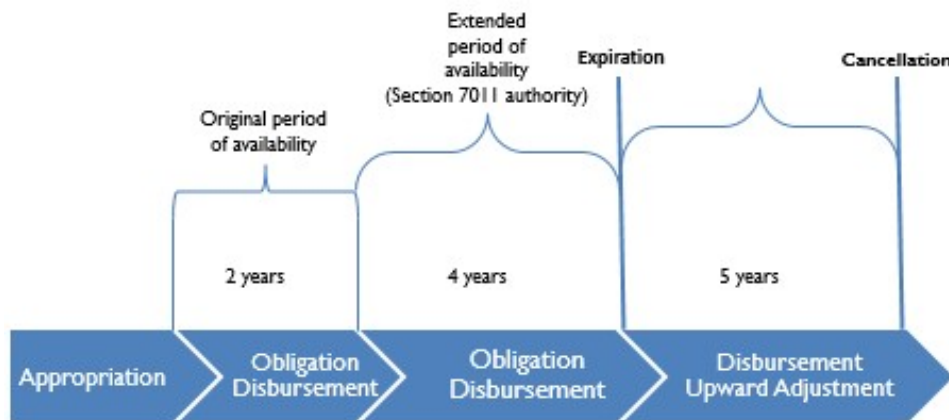
To conduct our work, we interviewed USAID officials, including officials with the Bureau for Management, Office of the Chief Financial Officer (CFO) in Washington, DC. We reviewed financial data from the CFO for fiscal years 2016 through 2018. We also reviewed the relevant Federal laws, regulations, and Agency policies and procedures that determine when USAID funds become available for use, and when USAID funds expire or cancel.

BACKGROUND

House Report 115-829, accompanying H.R. 6385, State, Foreign Operations, and Related Programs Appropriations Bill, 2019, directed USAID OIG to determine whether USAID "used appropriated funds within the deadlines of the appropriations [and] whether obligations using expired funds were made in accordance with Federal requirements."⁴

USAID's Automated Directives System (ADS) 621, "Obligations," incorporates statutory requirements and Federal guidelines related to the obligation and management of funds. The majority of funds under a new appropriation have an initial period of availability of 2 years—meaning they need to be obligated or committed in that period to pay for orders placed, contracts awarded, or services rendered.⁵ USAID's annual appropriations acts contain a provision that funds appropriated for the purposes identified in section 7011 remain available for an additional 4 years from the date on which the availability of the funds would otherwise have expired (initial period of availability), provided that the funds are initially obligated by the end of the initial period of availability.⁶ After the additional 4 years of availability, the funds expire and remain available only for expenditures and upward adjustments for another 5-year period. On September 30 of the 5th fiscal year after expiration, funds cancel. They are no longer available to obligate or disburse and are returned to the U.S. Treasury. See figure 1.

Figure 1. Life Cycle of a USAID Fund



Source: Graphic created by OIG, June 2020.

Note: Upward adjustments can be made throughout the life cycle of the funds provided certain criteria are met.

⁴ H. Rpt. 115-829 at 102.

⁵ Operating expenses under new appropriations generally have a shorter life cycle than program funds because of their initial period of availability of 1 year.

⁶ ADS 634.3.3, "Funds Availability."

APPROXIMATELY \$5.7 MILLION OUT OF \$28.1 BILLION IN USAID FUNDS EXPIRED DURING FISCAL YEARS 2016 THROUGH 2018

Out of the approximately \$28.1 billion that had statutory expiration during fiscal years 2016 through 2018, \$5.7 million expired prior to obligation—approximately .02 percent over the 3-year period.

When the funds are broken out by type, \$25.6 billion (91 percent) represented program funds and \$2.5 billion represented operating expense funds (9 percent). Program funds made up 62 percent (\$3.55 million) and operating expense funds made up 38 percent (\$2.18 million) of the total \$5.7 million in expired funds.

The three bureaus with the highest dollar value of expired funds were the Bureau for Africa, Bureau for the Middle East, and Bureau for Asia (\$1.5 million, \$1.2 million, and \$693,537, respectively), while the Office of the General Counsel, the Bureau for Foreign Assistance, and Office of Faith-based and Community Initiatives had the highest percentages of expired funds (16.80 percent, .95 percent, and .64 percent, respectively). See tables 1 and 2 below.

Table 1. Bureaus With the Highest Dollars Expired Relative to Appropriations Received, Fiscal Years 2016-2018

Bureau	Total Amount Appropriated for Funds Subject to Expiration (\$)	Amount of Funds that Expired (\$)	Expired of Total Appropriated (%)
Bureau for Africa	5,523,697,547	1,496,681	0.03
Bureau for the Middle East	4,428,413,305	1,167,890	0.03
Bureau for Asia	1,966,735,827	693,537	0.04

Source: USAID OIG generated from data provided by USAID's Bureau for Management/Office of the Chief Financial Officer/Financial Systems Division.

Table 2. Bureaus or Independent Offices With the Highest Percentages of Funds Expired Relative to Appropriations Received, Fiscal Years 2016-2018

Bureau/Independent Office	Total Amount Appropriated for Funds Subject to Expiration (\$)	Amount of Funds that Expired (\$)	Expired of Total Appropriated (%)
Office of the General Counsel	1,853,831	311,446	16.80
Bureau for Foreign Assistance	6,052,729	57,636	0.95
Office of Faith-based and Community Initiatives	1,243,997	7,985	0.64

Source: USAID OIG generated from data provided by USAID's Bureau for Management/Office of the Chief Financial Officer/Financial Systems Division.

Once funds expire, they are no longer available for obligation. Rather, they can only be used for limited purposes. However, during fiscal years 2016 through 2018, USAID identified two transactions that used expired funds: one was a new obligation using expired funds for employee travel for \$184, and a second transaction was for a credit card purchase order of \$19,965. USAID said that the second transaction could have been an upward adjustment and not a new obligation. OIG could not make a determination of this transaction because USAID did not provide additional supporting documentation on this matter. Both were from operating expense funds, which are used for administrative support for the Agency. This issue was brought to the attention of the CFO.

APPROXIMATELY \$114.8 MILLION IN USAID FUNDS WERE CANCELED FOR FISCAL YEARS 2016 THROUGH 2018

Of the \$21.8 billion having a statutory cancellation during fiscal years 2016 through 2018, approximately \$114.8 million were canceled. During that period, the percentage of canceled funds out of the appropriated funds subject to cancellation was .53 percent. This accounts for all program funds and operational expense funds. Across the 3 fiscal years, the percentage of canceled funds remained consistent at around half a percent per year.

For fiscal years 2016 through 2018, program funds made up about 93 percent (\$20.2 billion) and operating expense funds made up 7 percent (\$1.6 billion) of the total \$21.8 billion in funds that could potentially be canceled. Of the approximate \$114.8 million in funds canceled, program funds made up 89 percent (\$102.2 million) with operating expense funds comprising the remaining 11 percent (\$12.6 million).

The three bureaus/independent offices with the highest dollar value of canceled funds were the Bureau for Africa, Bureau for the Middle East, and the Office of Afghanistan and Pakistan Affairs (\$26.8 million, \$15.2 million, and \$14.6 million, respectively). The Office of Small and Disadvantaged Business Utilization, the Bureau for Foreign Assistance, and the Bureau for Policy and Program Coordination had the highest percentage of canceled funds (8.66 percent, 7.10 percent, and 5.04 percent, respectively). See tables 3 and 4 below.

Table 3. Bureaus or Independent Offices With the Highest Dollars Canceled Relative to Appropriations Received, Fiscal Years 2016-2018

Bureau/Independent Office	Total Amount Appropriated for Funds Subject to Cancellation (\$)	Amount of Funds that Canceled (\$)	Canceled of Total Appropriated (%)
Bureau for Africa	3,505,773,072	26,775,017	0.76
Bureau for the Middle East	4,477,993,179	15,215,287	0.34
Office of Afghanistan and Pakistan Affairs	4,743,556,714	14,553,499	0.31

Source: USAID OIG generated from data provided by USAID's Bureau for Management/Office of the Chief Financial Officer/Financial Systems Division.

Table 4. Bureaus or Independent Offices With the Highest Percentage of Funds Canceled Relative to Appropriations Received, Fiscal Years 2016-2018

Bureau/Independent Office	Total Amount Appropriated for Funds Subject to Cancellation (\$)	Amount of Funds that Canceled (\$)	Canceled of Total Appropriated (%)
Office of Small and Disadvantaged Business Utilization	174,231	15,088	8.66
Bureau for Foreign Assistance	2,044,525	145,226	7.10
Bureau for Policy and Program Coordination	19,968,859	1,006,657	5.04

Source: USAID OIG generated from data provided by USAID’s Bureau for Management/Office of the Chief Financial Officer/Financial Systems Division.

We hope this information provides insight into USAID’s use of appropriated funds prior to expiration and cancellation. We will continue to carefully monitor USAID’s management of financial resources through other audit work, including the annual audit of USAID’s financial statements. We appreciate the assistance you and your staff extended to us during this engagement. If you have any questions, please feel free to contact Nathan Lokos, OIG’s Deputy Assistant Inspector General for Audit, at 202-712-1150.