MEMORANDUM

DATE: June 23, 2021

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

FROM: USAID Office of Inspector General, Counselor, Justin H. Brown /s/

SUBJECT: Observations on Risk in the Pre-Award Process for Assistance Awards

This memorandum transmits the presentation used in OIG's May 18, 2021, briefing to the Agency on our limited-scope review of USAID's pre-award process for assistance awards.

USAID relies on implementers to carry out foreign assistance activities in support of its mission. It is vital that the Agency perform appropriate due diligence when selecting these implementers and assessing risk. Due diligence measures are important to safeguarding taxpayer dollars, as information obtained in the pre-award stage can result in not using a particular implementer or adding specific conditions to an award to minimize identified risks.

Building on past OIG work on award oversight, OIG held interviews with five agreement officers (AOs) and in October 2020, developed and deployed a survey to all active USAID AOs to better understand USAID's pre-award process for assistance awards and the tools available to AOs to mitigate risks associated with potential implementers. In total, the survey was distributed to USAID's 190 active AOs. OIG received 94 survey responses, yielding a 49 percent response rate with a 7 percent margin of error and 95 percent confidence interval. We briefed Agency leadership in the Office of Acquisition and Assistance on the survey results and the information obtained will be used to inform OIG's future oversight work.

While USAID is precluded by policy and law from funding entities that have been excluded via the U.S. suspension and debarment process or subject to sanctions schemes, our work noted there may be additional risks posed by prospective implementers. Through this limited-scope review, participating AOs noted limitations

related to performance information access and challenges with existing guidance on how to handle negative information. Additionally, according to the survey results, AOs continue to experience pressure during the award process from implementing organizations and due to time constraints and political considerations.

We appreciate the assistance you and your staff provided to us during this engagement. For more information please contact our office at 202-712-1150.

Observations on Risk in the Pre-Award Process for Assistance Awards

May 18, 2021

Agenda

Executive Summary

Scope and Methodology

Agreement Officer's Pre-Award Risk-Mitigation Tools

Pre-Award Process Risk Areas

Conclusion

Executive Summary

1. OIG Work: Research, interviews, and a survey were conducted to identify pre-award process areas of improvement

2. Agreement officers (AOs) have tools in the pre-award process to mitigate implementer risk

3. Three observed risk areas in the pre-award process

Scope and Methodology

Scope

Building on past OIG work on award oversight, we identified additional opportunities to address risks associated with the existing pre-award process for assistance awards. We did not include awards to public international organizations within our scope.

Methodology

Research – Obtained and reviewed relevant documents, gained understanding of suspension and debarment and exclusion lists, gained understanding of related work by other agencies and donors

Interviews – Judgmentally selected 5 AOs and conducted interviews

Survey – Distributed to all of USAID's 190 active AOs. OIG received 94 survey responses, yielding a 49 percent response rate with a 7 percent margin of error

Tools for AOs

1

Suspension and Debarment

- The System for Award Management (SAM) contains information on entities excluded from doing business with the USG

- For implementers or non-governmental organizations (NGOs), USAID guidance requires AOs to check SAM.gov to ensure they are not actively suspended or debarred

- AOs must also verify that the applicant does not appear on the Specially Designated Nationals (SDN) and Blocked Persons Lists, maintained by the Office of Foreign Assets Control; and the United Nations Security designation list

2

Other Relevant Information

- AOs can consider other types of information in risk assessments under 2 CFR §200.206 for grantees

- Federal Awardee Performance and Integrity Information System (FAPIIS): database to track suspensions and debarments, administrative actions, terminations, and integrity issues

Of the AO respondents that did not select an implementer for a USAID award, **90%** did not use the implementer due to negative information reported from places other than exclusion lists

Three Areas Identified

1 **Data**

2 **Guidance**

3 **Pressure**

Current Performance Tracking

Agency Security Image and Storage Tracking System (ASIST)

OAA created a template for gathering performance information in 2019. These forms are filled out as part of the post-award process then used as part of the risk assessment AOs conduct on potential implementers for future awards.

LIMITATIONS:

1. ADS 303 does not provide guidance on what performance information warrants specific conditions to an award
2. Form only requires qualitative data
3. Two interviewees noted limited search ability – e.g. AOs can only search within their own region
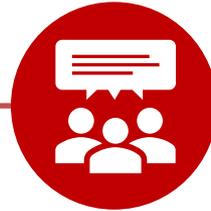
88% of AO survey respondents showed interest in creating a system like the

Contractor Performance Assessment Reporting System (CPARS)

Access to Information

CPARS Capabilities
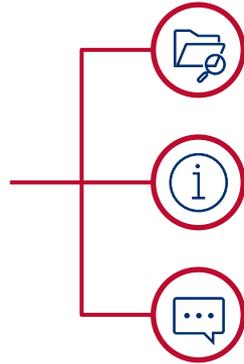
Searchable – database needs to be searchable by implementer

Performance Information – a clear process to fill out performance information

Implementer Response – opportunity for implementer to respond to negative feedback

Additional Resources for Due Diligence
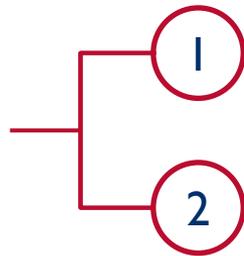
1 **Case Management System for Sexual Abuse -** USAID reported plans to set up a case management system to receive adverse information from implementers related to sexual exploitation and abuse allegations.

2 **Office of Investigations Information -** OIG's Office of Investigations provides pertinent case information to USAID's Compliance Division so that Compliance may consider suspension and debarment actions.

Current Guidance on Negative Information

Current Guidance

- AO must evaluate risk using USAID and Office of Management and Budget principles

- 2020 Update: six examples of conditions that can be added to the award to minimize risk to the Agency

Unclear and/or lack of additional guidance on what performance information warrants specific conditions to an award

~30% of AO respondents reported that they had few options to document and/or mitigate negative information about an implementer
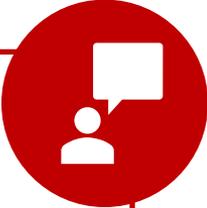
An interviewed AO said:

"if the technical application was really strong and capable but there was one piece of derogatory information, it is not obvious what needs to be done"

AOs Experience Pressure from All Sides

Program Office

Implementer

Mission Leadership

AO

Time

Ambassador

Staffing
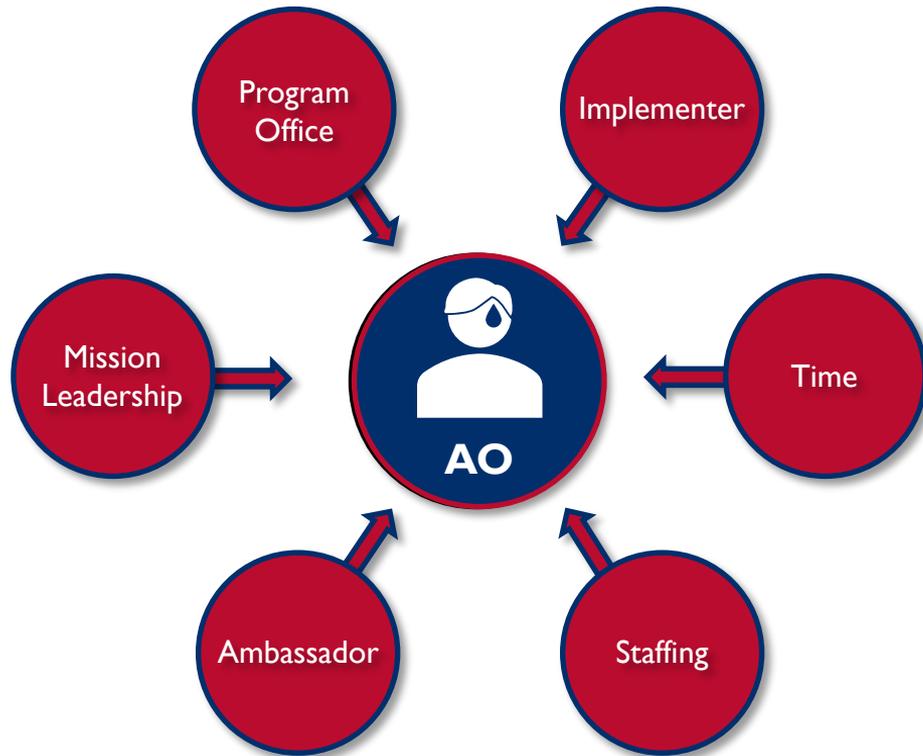
2019 Audit survey showed 43 out of 50 procurement officials reported *internal* and/or *external* pressures to move awards forward

AOs surveyed in 2020 shared that some pressures still exist

Survey Responses Reflect Pressure

34% of respondents <u>disagreed</u> with the statement that they are

"given adequate time and resources to perform sufficient pre-award due diligence on implementer applications"

59% of AO respondents reported they had received pressure to use a certain type of award mechanism, and this number increased to **65.7%** for those posted overseas

72% of AO respondents believe that AORs or technical teams choose one type of award mechanism over another to avoid triggering due diligence requirements *"sometimes"* or more frequently

Observations

A centralized database with implementer histories would be a valuable tool for AOs

Guidance on how to use negative information in AO decision making could help mitigate risks

AOs feel pressure from a variety of demands

Executive Summary | Scope and Methodology | AO Tools | Areas of Risk | Observations

If anyone is aware of any fraud, waste, or abuse in the subject area, please contact the **OIG Hotline** as soon as possible.

OIG Hotline:
1-800-230-6539 or 202-712-1023
ig.hotline@usaid.gov

Appendix: Survey Results

Have you found negative information about an implementing organization during the pre-award process that has led you to not use that implementer?

Yes, 21% | No, 79%

Was the decision not to use the implementer because they appeared on an excluded list (SAM, OFAC sanctions, and United Nations Security designation list)?

10% | 90%

How frequently have you found negative information about an implementing organization that has led you to not use that implementer?

Rarely, 80% | Sometimes, 20%

Survey Results

Have you found negative information about an implementing organization that has led you to add special provisions into the award?

Yes, 71%	No, 29%

How frequently have you found negative information about an implementing organization that has led you to add special provisions into the award?

| Rarely, 36%	Sometimes, 48%	Often, 16%

Survey Results

When conducting pre-award due diligence for assistance awards that are not new partners, in addition to checking the mandatory lists, select the databases or information that you review (multiple).
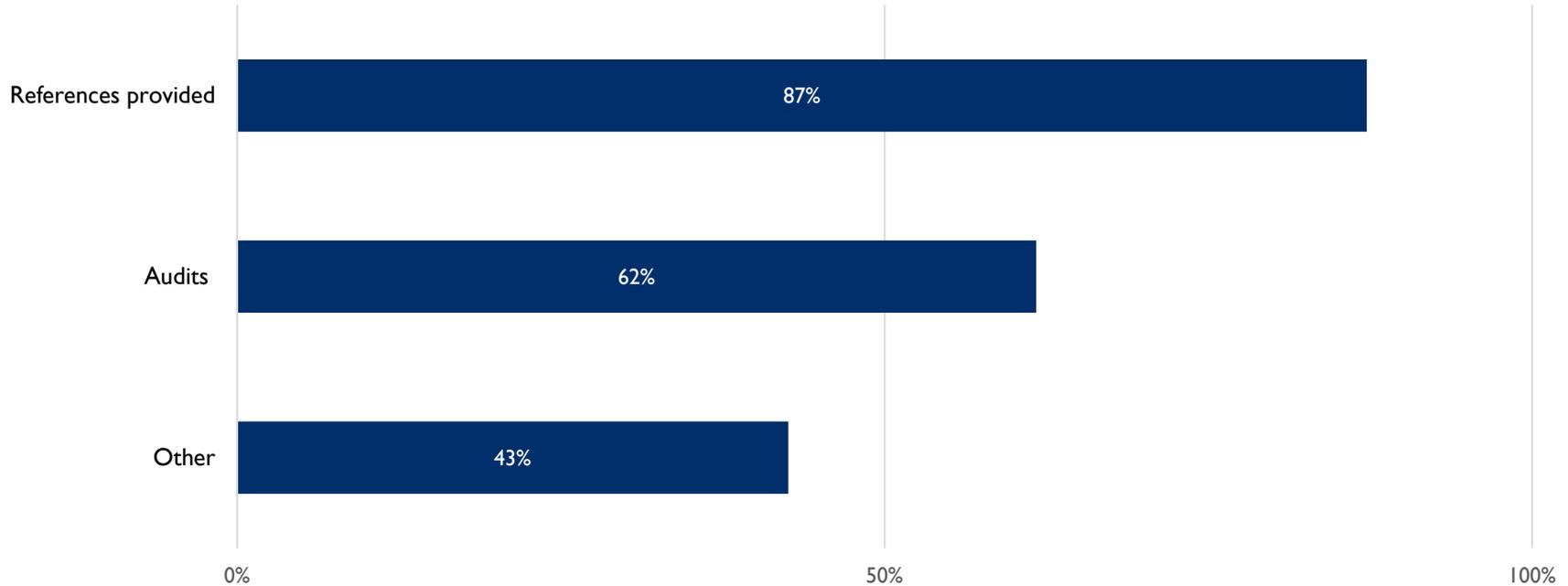
Survey Results

To what degree do you agree or disagree with the following statement?

■ Strongly Disagree ■ Somewhat Disagree ■ Neither Agree Nor Disagree ■ Somewhat Agree ■ Strongly Agree

When there is negative information found about an applicant there are few options available for me to document, and or mitigate the negative information.
23% | 33% | 14% | 19% | 11%

A central database that stores past performance and financial information about implementer organizations, (similar to CPARs) would be useful in assisting me in award decision-making?
2% | 5% | 4% | 27% | 62%

I am given adequate time and resources to perform sufficient pre-award due diligence on implementer applications?
7% | 27% | 14% | 36% | 16%

With respect to sub-implementers, I should have more ability to conduct oversight prior to, and throughout the lifecycle of a subimplementer award.
20% | 32% | 17% | 20% | 11%

80% 60% 40% 20% 0% 20% 40% 60% 80% 100%

Survey Results

Have you ever received pressure to use a certain type of award mechanism?

Yes, 59%	No, 41%

Were any of the following pressures impacting your decision-making (multiple)?

Time constraints	48%
Political considerations	39%
Other	21%
Implementing organization	18%
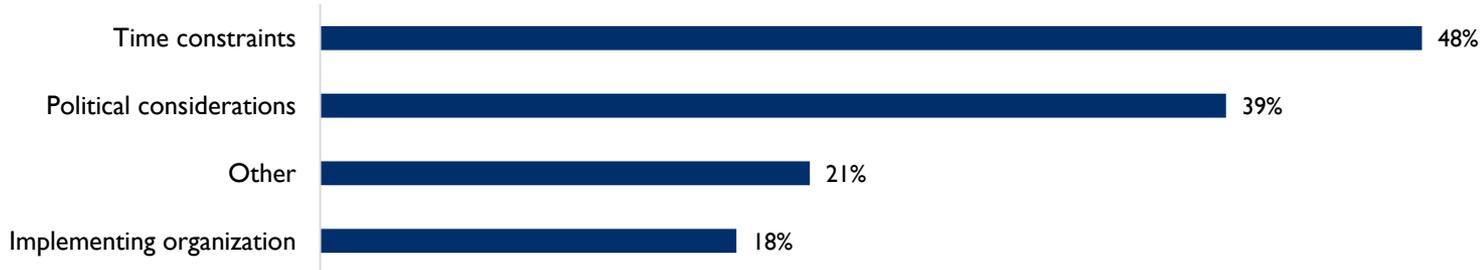
Survey Results

How frequently do you believe AORs or technical teams selectively choose one type of award mechanism over another to avoid triggering additional due-diligence requirements, such as pre-award surveys?

■ Never ■ Sometimes ■ About half the time ■ Most of the time ■ Always

28%	52%	10%	9%	2%

Do you believe you have adequate tools at your disposal to mitigate risks of awards to large U.S. or international NGOs that you have determined pose performance, financial management, or reputational risks?

Yes, 67%	No, 33%

Photo Information
Slide 6: IOM Hygiene Kits at the HAITI-IOM Emergency Supply Warehouse. Photo: USAID/Ellie Van Houtte (August 3, 2016)