Office of Inspector General

MEMORANDUM FOR THE ADMINISTRATOR

FROM: Michael Carroll
Acting Inspector General

SUBJECT: Most Serious Management and Performance Challenges for the U.S. Agency for International Development (USAID)

This memorandum transmits the Office of Inspector General's statement on the most serious management and performance challenges for the U.S. Agency for International Development in fiscal year 2013. The Reports Consolidation Act of 2000 (Public Law 106–531) requires that agency performance and accountability reports include a statement prepared by each agency's inspector general summarizing the most serious management and performance challenges facing the agency and an assessment of the agency's progress in addressing those challenges.

The management and performance challenge areas described in the memorandum are the same ones described in last year's memorandum, but there are some significant developments within the management challenge areas. For example, within the "Local Solutions" management challenge, this year's memorandum reports on difficulties that USAID—and OIG—face in protecting USAID's interests in foreign courts. Within the "Management of Information Technology (IT) Security" challenge, the memorandum reports on the need for USAID to develop an effective risk management program to ensure that policies and procedures are assessed and working as intended. A positive development within this same management challenge area is that risks discussed in last year's memorandum in connection with the consolidation of USAID's and the Department of State's IT infrastructure are no longer relevant, since the consolidation effort has been halted.

We have discussed the management and performance challenges summarized in this statement with the responsible USAID officials. If you have any questions or wish to discuss this document further, I would be happy to meet with you.

Attachment

Statement by the Office of the Inspector General on USAID's Most Serious Management and Performance Challenges[1]

Fiscal Year 2013

USAID faces enormous challenges in executing humanitarian assistance and development programs in some of the most complex environments in the world. Agency work reaches farmers, students, government officials, women, children, and others in all sectors to spur agriculture, economic growth, education, and global health. In addition, Agency operations in conflict and post-crisis settings in Afghanistan and Pakistan support and affect U.S. national security interests.

USAID faces its most serious management and performance challenges in six areas:

- Work in nonpermissive environments
- Sustainability
- Local Solutions (formerly called implementation and procurement reform)
- Performance management and reporting
- Management of information technology security
- Audits of U.S.-based for-profit entities

Work in Nonpermissive Environments

The Agency's missions face daunting challenges in implementing programs in countries like Afghanistan, Haiti, Iraq, Pakistan, Somalia, and South Sudan. Critical priority countries and fragile states are characterized by instability, insecurity, weak governance, and poor control of corruption. OIG audits have disclosed deficiencies in planning for program sustainability, weak contract and grant management, weak internal controls, and noncompliance with laws, regulations, and other legally binding requirements. Relations between the U.S. Government and the governments of some of these countries are challenging, and continuing violence complicates program monitoring and makes it hard to recruit qualified Foreign Service National employees. To help address these problems, USAID plans in fiscal year 2014 to: (1) catalog best practices for working in nonpermissive environments and (2) further develop the tools and training necessary to more safely and effectively carry out its worldwide mission.

Afghanistan. USAID/Afghanistan continues preparations to operate with a significantly reduced U.S. military and civilian presence by the end of 2014 as the country transitions to Afghan leadership under the Strategic Partnership Agreement signed in May 2012. As we have reported, the security situation in the country is a significant and continuing constraint on USAID/Afghanistan's program monitoring and evaluation. Because of this constraint, the mission uses several different approaches to monitoring progress. The mission and its interagency partners expect to continue using on-site monitors when staff can visit project sites,

[1] USAID OIG coordinates closely with the Special Inspector General for Afghanistan Reconstruction in planning and reporting to ensure efficiency within and between our offices. USAID also coordinates with the Government Accountability Office. We considered their work in preparing this report.

but they also plan to use third-party monitors to help train program recipients and report on progress.[2]

- USAID/Afghanistan's Kandahar Helmand Power Project, worth $266 million, was designed to increase the supply, quantity, and distribution of electrical power. About the same time the Agency made this award, the Afghan Government and the NATO-led International Security Assistance Force agreed that NATO combat troops would leave the country in 2014. Not only did the resulting transition change strategic priorities that affected the project's scope, security threats hampered the project's progress and construction costs escalated rapidly in part because of security costs. Moreover, monitoring was impaired because site visits were limited.

- A review of USAID/Afghanistan's Monitoring and Evaluation System found that to address the challenges of monitoring and evaluating projects in a nonpermissive environment, USAID/Afghanistan had implemented an on-site monitoring program that trained and designated some field personnel to perform monitoring functions that would normally be performed by Agreement Officer Representatives (AORs) and Contracting Officer Representatives (CORs) traveling from Kabul. Although mission staff obtained and reviewed periodic reports, conducted site visits, and required implementers to submit photographs of accomplishments, the data were not always verified. Additionally, some AORs and CORs did not believe that all on-site monitors had the technical skills necessary to properly oversee their projects.[3]

Haiti. In the past 3 years, Haiti has endured a massive earthquake, a cholera epidemic, turbulent elections resulting in violent demonstrations, and increased food insecurity due to crop damage from Hurricane Sandy.

While USAID funds long-term reconstruction projects, the poor quality of Haitian infrastructure and the rural nature of many Agency projects make it challenging for partner and mission staff to visit project locations for oversight. Additionally, widespread corruption makes program accountability a challenge.

- USAID works to improve Haiti's long-term financial stability through partial loan guarantees that encourage private lenders to extend financing to underserved borrowers, including farmers and enterprises in rural areas. As of March 31, 2012, USAID/Haiti maintained seven active guarantees worth $37.5 million. However, two of three of those participating financial institutions examined during an audit were not implementing the loan program as quickly as planned.[4]

  Furthermore, USAID's internal controls were not adequate to confirm that all loans met lending criteria or that they were going to entities in targeted areas. For example, loan information was outdated, incomplete, and inaccurate. The mission did not perform portfolio reviews properly or take corrective action on deteriorating loans, nor did it confirm that financial institutions made sure that borrowers were not conducting activities that harmed the

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[2] "Audit of USAID/Afghanistan's Kandahar Helmand Power Project," No. F-306-13-001-P, September 25, 2013.
[3] "Review of USAID/Afghanistan's Monitoring and Evaluation System," No. F-306-12-002-S, September 26, 2012.
[4] "Audit of USAID/Haiti's Development Credit Authority Activities," No. 1-521-13-001-P, February 28, 2013.

environment.

Iraq. Monitoring assistance projects continues to be extremely difficult in Iraq. With the drawdown of the U.S. military, the U.S. Embassy disbanded its provincial reconstruction teams as of September 2011. Complicating the situation, because of the perceived danger, few Iraqi professionals who might be able to travel freely in the country, apply to fill positions with the U.S. Government or with implementing partners. When Iraqis seek U.S. Government employment, they face an extensive security vetting process including polygraph testing and routine revetting. These factors make it difficult to recruit and retain Iraqi professionals for key positions.

To improve its oversight and provide better accountability in this environment, USAID has hired contractors and relied on local counterparts to gather performance data to assist with reporting, analysis, and decision making. Notwithstanding these recent efforts, the following examples highlight the difficulties of working in Iraq.

- USAID/Iraq's $74.9 million Primary Health Care Project in Iraq[5] was to support Iraq's efforts to improve the quality of health care. The project had problems since its 2011 inception. Deliverables were late, targets were missed, non-Iraqi employees had trouble getting visas, and turnover was high. Activities in Kurdistan were not carried out in Kurdish, nor were project brochures and posters translated. Officials at health-care centers throughout the country did not receive the results of needs assessments that project employees carried out; therefore it was not clear exactly what equipment was required. The mission's COR did not maintain the project's files adequately or submit information regularly to the Agency's development information clearinghouse.

- USAID/Iraq's Legislative Strengthening Program[6] was instituted to support a parliamentary institute and develop the capacity of members of Parliament and staff. However, in September 2011, Parliament's leaders evicted USAID's implementing partner from its office space and reneged on the memorandum of understanding with USAID that authorized the program to operate. The mission terminated the implementing partner's contract in November 2011, nearly 3 years before the program was scheduled to conclude and after spending $42 million.

  A number of problems had plagued the project. The partner did not establish the institute or complete tasks on time. Additionally, not all IT systems were operating, training programs were not always effective, and the partner's senior management for the program changed several times. In addition, USAID/Iraq's COR did not monitor spending closely, and the mission did not commission a third-party assessment of the program's performance in time to be useful.

- A primary objective of USAID/Iraq's $62.9 million Access to Justice Program[7] was improving vulnerable and disadvantaged Iraqis' access to the legal system. The target population included the poor, women, widows, orphans, detainees and prison inmates,

[5] "Audit of USAID/Iraq's Primary Health Care Project in Iraq," Report No. 6-267-13-013-P, June 16, 2013.
[6] "Audit of USAID/Iraq's Legislative Strengthening Program," Report No. E-267-13-001-P, October 3, 2012.
[7] "Audit of USAID/Iraq's Access to Justice Program," Report No. 6-267-13-004-P, December 16, 2012.

religious and ethnic minorities, internally displaced people, and former refugees.

However, the mission did not achieve its objective because of a variety of problems. It did not determine baselines for two performance indicators, results reported for six indicators were not accurate, and targets for five others were unrealistic.

Pakistan. OIG performance audits and reviews conducted in recent years have noted the need for improvements in a range of management and performance areas. Most of the reports issued from October 1, 2010, through September 30, 2013, have identified contract or project management deficiencies. Many have also found internal control weaknesses and noncompliance with relevant procedures or regulations. An example follows:

- The Gender Equity Program, a $40 million program, was designed to encourage citizens' active participation in social change and governance and help enable women get control over their lives through greater access to information and resources.[8] To accomplish its goals, the program was to award 400 grants of varying amounts over 5 years. As of November 2012, the implementer had awarded approximately 150 grants to organizations throughout the country, of which 110 (73 percent) were awarded to assist in combating gender-based violence.

  Although the program was making progress, USAID/Pakistan did not make enough site visits to verify that progress. Mission officials made only 11 site visits, a majority of which occurred after OIG began auditing the program. Moreover, the site visits made covered less than 10 percent of the grantees. Consequently, the mission did not provide adequate oversight to verify the results reported by the prime implementer and did not discover that there was a need to limit the number of grants and work with the grantees for longer periods to sustain progress.

Somalia. Widespread violence, the presence of terrorists, and the absence of an effective central government prevent USAID from adequately monitoring its humanitarian assistance in Somalia. This is a challenge requiring coordination among various U.S. Government agencies.[9]

- Persistent food insecurity and widespread violence have plagued Somalia since 1991. In 2011, the U.S. Government determined that humanitarian assistance for Somalia was necessary. However, general insecurity and limited access for humanitarian groups persist since clashes continue with a militant group linked to a foreign terrorist organization. Consequently, Agency officials rarely travel to project locations in Somalia and rely entirely on reports from implementing partners that face their own limitations in obtaining information.

South Sudan. South Sudan's second year of independence has seen a continuation of the conflicts that have plagued northern and southern Sudan for decades. While insecurity and resulting travel restrictions continue to impede project implementation and monitoring, frequent USAID staff turnover and inadequate handover procedures have exacerbated the situation.

[8] "Audit of USAID/Pakistan's Gender Equity Program," No. G391-13-002-P, March 28, 2013.
[9] "Audit of USAID's Compliance With Executive Order 13-536 Prohibiting Support to al-Shabaab," No. 4-649-13-011-P, September 17, 2013.

In addition, the South Sudanese Government's dearth of experienced employees remains an impediment to USAID's efforts to bring about lasting development in the young nation, as exemplified by the following:

- One program designed to support the comprehensive peace agreement and increase the capacity of civil society and local government entities did not achieve its main goals. An audit[10] requested by USAID/Sudan found that key deliverables such as radio stations, resource centers, and annual state conferences were not completed on time.

  Performance targets for training, textbooks, and related activities were not met, sometimes because of factors like insecurity that were outside the control of the implementer and USAID, but also because of mismanagement. For example, the implementer undertook activities without first obtaining USAID's approval, leading to $1.2 million in questioned costs; the implementer charged another $339,015 in costs using questionable methods of allocating management costs and overhead to the USAID project. Furthermore, the implementer evacuated staff from insecure areas along the border between Sudan and South Sudan, leaving behind incomplete and unmonitored USAID investments. Because of these staff departures, the organization was unable to complete training and capacity building for local government entities.

Yemen. The country has endured political strife and secessionist movements since the 1960s, which have hurt safety and stability. Currently, the security threat level in Yemen is extremely high. In September 2012, a mob attacked the U.S. Embassy compound and demonstrations, which may quickly escalate and turn violent, continue to take place in various parts of the country. Violent crime and kidnapping is also a growing problem. Finally, terrorist organizations, including Al-Qaida in the Arabian Peninsula, are active in Yemen. These factors can make the successful delivery of assistance and the achievement of results more difficult.

Sustainability

The President, Secretary of State, and the USAID Administrator have stressed the importance of sustaining benefits from development projects, and USAID has launched several efforts to address sustainability. The challenge is to implement projects that improve the ability of countries receiving aid to sustain benefits after U.S. Government funding ends.

Specific difficulties in managing projects for sustainability are discussed below.

- USAID/Pakistan's Design for Sustainability in the Jamshoro Thermal Power Station Repair and Rehabilitation Project was designed to help the Pakistani Government improve the energy sector and two other thermal projects worth $19.3 million. Although USAID/Pakistan built sustainability into the project's design, the power station may not be financially sustainable unless the Pakistani Government reforms its energy policies.[11] More funds will be needed to cover increased operating costs, and the mission will need to implement a plan to engage the Pakistani Government to promote policy reform in the energy sector.

[10] "Audit of USAID/South Sudan's Programs Implemented by Mercy Corps," No. 4-668-12-009-P, May 25, 2012.
[11] "Audit of USAID/Pakistan's Design for Sustainability in the Jamshoro Thermal Power Station Repair and Rehabilitation Project," Report No. G-391-13-001-P, January 17, 2013.

The need for policy reform arose because rather than permitting power rates to be set by the market, the government established those rates and provided subsidies. In addition, a government policy to use alternative fuels undermined sustainability efforts because the government limits the amount of natural gas provided to the power station, which caused the station to use more expensive furnace oil to generate power. Finally, the project did not complete any capacity-building activities. As a result of this slow progress, power station staff continue to lack the management skills necessary to provide sustainability after the project ends.

- USAID/Egypt's Education Support Program[12] was designed to strengthen local education systems to support professional development and community involvement in educational decision-making and quality improvement. To implement the program, the mission awarded a cooperative agreement worth about $18.6 million. The program's designers, however, did not address how to work with teachers and administrators at the local level, who resisted the training. Nor did the design include coordination with a potentially key Ministry of Education office. Some assistant teachers said they would have been able to use the skills they learned in program training if senior teachers or school principals had been trained as well. However, because the Ministry of Education's primary interest was to train the newly hired assistant teachers, the mission chose not to include training for other school employees.

- USAID/Lebanon implemented a $34.4 million Water and Wastewater Sector Support Program.[13] The goal was to help the Lebanese Government improve water and wastewater services. However, the sustainability of equipment and infrastructure projects in the program was not certain because of staff shortages and the government's inability to hire enough competent people who could operate and maintain the equipment. For example, the project installed 33 water meters, measuring the flow of water in various areas. However, the head of operations for water supply indicated that none of the meters were working or being read, and that the government did not have the funds to repair or replace them.

- On September 10, 2010, USAID/West Bank and Gaza initiated a 5-year, $100 million Local Government and Infrastructure Program.[14] The goal of the program is to encourage good local governance and provide basic infrastructure necessary to improve the quality of life for Palestinians in West Bank and Gaza. Under the program, USAID/West Bank and Gaza constructed and renovated several schools for the Palestinian Authority's Ministry of Education and Higher Education but did not assess whether it had the staff and financial resources to sustain the projects after completion. Mission officials said they did not do the assessments because they focused on other things, such as making sure that communities participated in the program activities and provided matching contributions. This despite the fact that the program description itself noted that the Palestinian Authority "has struggled to allocate sufficient resources to fully support the maintenance of existing infrastructure."

[12] "Audit of USAID/Egypt's Education Support Program," No. 6-263-13-008-P, February 24, 2013.
[13] "Audit of USAID/Lebanon's Water and Wastewater Sector Support Program," No. 6-268-13-014-P, June 23, 2013.
[14] "Audit of USAID/West Bank and Gaza's Design for Sustainability for Selected Local Government and Infrastructure Program Activities," No. 6-294-13-005-P, January 27, 2013.

Local Solutions (formerly called Implementation and Procurement Reform)

USAID's Local Solutions initiative is a part of the USAID Forward reform effort, designed to make USAID's assistance programs more efficient, effective, and sustainable. By the end of FY 2015, USAID plans to deliver 30 percent of its missions' assistance programs through partner-country systems in government ministries, local NGOs, and local for-profit firms. Some of the management challenges associated with the Local Solutions initiative are discussed below:

- USAID has implemented a number of assessment and monitoring procedures to help ensure that local partners will responsibly manage USAID resources entrusted to them. But no system of internal control is perfect, and USAID must be able to sanction individuals and organizations that misuse USAID funds. While USAID has supported rule-of-law strengthening programs for many years, the reality is that, in many countries where USAID operates, justice system strengthening is a work in progress. In these circumstances, it may be difficult for USAID to defend its interests by successfully seeking application of civil or criminal penalties.

  For example, despite ample evidence of fraud involving an NGO in the Philippines, the ensuing prosecution effort was stalled by a requirement that a USAID official waive, or partially waive, diplomatic immunity to provide testimony in the case, potentially exposing the official to counterclaims that would be adjudicated in a local court. Meanwhile, local witnesses in the case have been intimidated by a series of lawsuits filed by the NGO that allegedly committed the fraud.

  As another example, after allegations of fraud led to the dismissal of an employee of a local NGO in Pakistan, the employee sued the NGO, a USAID mission official, and an OIG employee in Pakistani civil court. Although the court eventually dismissed the lawsuit against the USAID mission employee, an accredited diplomat with associated privileges and immunities, the OIG employee, a local hire, was required to appear in court. The U.S. Government will cover the cost of counsel for the OIG local hire employee, but at this time, civil proceedings against the employee continue.

- Given the critical role that assessments play in determining the adequacy of host country systems, OIG conducted a review of USAID's Partner-Country and Local Organization Assessments.[15] USAID missions had successfully conducted 23 high-level rapid assessments of partner-country public financial management systems. Moreover, 17 more detailed risk assessments of partner-country public financial systems (Stage 2 assessments) conducted by five USAID missions provided a reasonable basis for using those systems. However, the Stage 2 assessments conducted by two other USAID mission did not provide a reasonable basis for deciding whether to use partner-country public financial systems. In addition, USAID had not adequately established oversight governing the assessment process and guidance concerning the assessment process did not effectively address three key issues: (1) the relationship between project design and the assessment process and how these inform one another, (2) consideration of the technical capacity of the proposed entity to implement the

[15] "Review of USAID's Partner-Country and Local Organization Assessments Under Implementation and Procurement Reform," Report No. 9-000-13-003-S, June 7, 2013.

specific type of program, and (3) the appropriate type and extent of testing in Stage 2 risk assessments, as well as documentation of that testing.

- To advance the overall Local Solutions strategy, USAID/Pakistan launched the Assessment and Strengthening Program in October 2010. Its goals were to help potential Pakistani implementing partners (1) increase capacity to manage and account for U.S. Government development assistance funds, (2) reduce the vulnerability of the funds to waste and misuse, and (3) increase speed and efficiency in getting USAID development resources to the intended beneficiaries. To initiate the process of capacity building, the mission conducted risk assessments with selected partners. Following the assessments, USAID developed a program to help Pakistani implementers to increase the capacity of local organizations and government entities to manage USAID funds. However the results framework and preliminary performance management plan for that program both needed improvements. Furthermore, the USAID/Pakistan office managing the program lacked experience designing, planning, and implementing programs that build capacity in areas other than finance.[16]

- OIG led a joint OIG-USAID team in performing a risk assessment of the Ministry of Environment and Natural Resources in El Salvador.[17] The team assessed the ministry as a high-risk because it had vulnerabilities directly affecting its operations and programs. The risk assessment also identified actions that MARN and stakeholders might adopt to address those vulnerabilities.

Performance Management and Reporting

Performance management and reporting remains a management challenge. Program managers are responsible for approving performance management plans that support the objectives of each program and provide measures or indicators and targets for monitoring overall progress. Creating the plans is a time-consuming process, involving research and the collection of baseline data. Monitoring requires making site visits to confirm that scheduled activities are taking place and that targeted groups are receiving the intended benefits. It requires managers to assess data quality and check the numbers reported by implementers, not just against targets and previous reports but also against what is possible in the local context. Reporting results means compiling data from many implementers, in some cases from manual records, and verifying the compiled information under tight deadlines.

Performance Management. According to USAID's Automated Directives System 200.2, a mission's performance management responsibilities include planning, designing, and managing development programs, projects, and activities. USAID's challenges in project monitoring result from causes both internal and external to USAID. During the planning phase, USAID does not always assess and document external weaknesses that could impair project execution. Often weaknesses in local institutions or implementing partners do not become evident until the project monitoring phase. The following examples highlight planning and monitoring difficulties:

[16] "Audit of USAID/Pakistan's Assessment and Strengthening Program," No. G-391-12-009-P, September 30, 2012.
[17] "Stage II Risk Assessment for the Ministry of Environment and Natural Resources of El Salvador (MARN)," Report No. 1-519-13-001-S, December 31, 2012.

- Feed the Future activities in Ethiopia include projects aimed at developing the agriculture sector in ways that deliver resiliency and ultimately deliver growth. OIG's audit[18] of four Feed the Future projects found that while some of the related activities were showing positive results, they were difficult to quantify because baselines were not established nor were targets set (USAID and its partners are responsible for establishing baselines and targets). In the absence of finalized baselines and targets, USAID/Ethiopia could not measure the impact of $15 million spent to achieve increased growth with resiliency in rural Ethiopia. In addition, the standard contract provision on antiterrorism was omitted from an award; that provision, which helps guard against funds being diverted to terrorist purposes, was also missing from subcontracts.

- USAID's Local Development Program in Kyrgyzstan is a 3-year, $27 million project. OIG's audit[19] found that activities completed or in progress as of May 31, 2012, were not producing the economic results envisioned in the target municipalities largely because most of the program's activities started later than planned. As a result, many activities were not expected to achieve their full potential for generating economic growth until the program is over, assuming they are sustainable. USAID's ability to measure the program's overall performance and progress was not certain as data on results were overstated and could not be attributed clearly to the USAID program.

- USAID's Global Climate Change Program with Mexico supports a 2009 bilateral agreement on clean energy and climate change. The OIG audit[20] covered two components of the program valued at $49 million. It found that these components of the program were beset with delays, some unavoidable. They occurred because USAID/Mexico did not identify potential problems or provide timely assistance and coordination. Specific weaknesses were identified in the areas of lack of start-up plans and problems hiring personnel. Performance management difficulties were found in monitoring work plans. Further, indicator and results reporting were not always accurate or complete. Data for some indicators were missing, and results reported at the program level did not always match the results included in the mission's performance plan and report.

- An audit of USAID/Liberia's Malaria Interventions[21] found that expected results were not realized. The lack of adequate oversight and of communication between principals, as well as incomplete reports and records contributed to difficulties in work with pharmacies, training workers, and having medicine on hand. Auditors noted that while the company charged with implementing the program in the United States provided some technical support, management was not sufficient to make sure the project succeeded.

Reporting. Quality, reliability, and sufficiency of program data are essential to assess whether projects are making adequate progress and having the intended impact. USAID guidance stresses that data must be of high enough quality to support decision making. Even though USAID has extensive guidance to help manage projects, accurate and supported results continues to be problematic, as demonstrated in the following examples.

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[18] "Audit of Feed the Future Activities in Ethiopia," Report No. 4-663-13-005-P, March 1, 2013.
[19] "Audit of USAID/Kyrgyzstan's Local Development Program," Report No. 5-116-13-001-P, November 8, 2012.
[20] "Audit of USAID/Mexico's Global Climate Change Program," Report No. 1-523-13-006-P, June 20, 2013.
[21] "Audit of USAID/Liberia's Malaria Interventions," Report No. 7-668-13-002-P, May 14, 2013.

- Under the President's Malaria Initiative (PMI), the U.S. Government reported delivering $17.9 million in PMI-funded commodities to Zambia. OIG conducted an audit of these commodities and determined that some of USAID/Zambia's reporting on its malaria-related performance indicators did not meet data quality standards. For example, the mission reported that 1.7 million artemisinin-based combination treatments for malaria had been purchased with U.S. Government support. In contrast, the mission's implementing partners had reported that only 324,690 had been purchased. Similarly, USAID/Zambia reported that 1.8 million insecticide treated mosquito nets had been distributed or sold with U.S. Government funds; but it had actually distributed only 1.4 million such nets.[22]

- Reported data is sometimes not adequately supported. This was the case with USAID's $50 million education assistance program in Jordan,[23] which was designed to support the Jordanian Government's Knowledge Economy Initiative of 2003. For example, USAID's implementing partner reported that it there were 1,564 newly hired teachers who had successfully completed the Induction Professional Development program (a performance indicator for the project). Nevertheless, the partner only had documentation that 443 newly hired teachers had completed this training. In addition, this partner had reported that 432 Management Information Stream teachers had been trained and had implemented Management Information Stream-Online, when the partner's documentation only indicated that 224 teachers had done so (another performance indicator for the project).

Management of Information Technology Security

It is critical for USAID to have an overall information technology security program that protects information and information systems from unauthorized use, disclosure, disruption, unauthorized modification, or destruction. The Agency has related challenges in the following areas.

- The Federal Information Security Management Act of 2002 (FISMA) requires agencies to develop, document, and implement an agency-wide information security program to protect their information and information systems, including those provided or managed by another agency, contractor, or other source. The act also requires agencies to have an annual assessment of their information systems. In November 2012, OIG reported that USAID has not established an effective risk management program to ensure that policies and procedures are assessed and working as intended.[24] The lack of an effective risk management program, combined with a substantial number of open FISMA-related recommendations from prior audits represents a significant deficiency in the security of enterprise-wide information systems, including USAID's financial systems. In response to the significant deficiency, USAID developed a three-phase action plan to improve its information security that is expected to be complete in June 2015.

- USAID continues to face challenges in implementing Homeland Security Presidential Directive 12 (HSPD-12), which requires agencies to implement a common identification standard for federal employees and contractors. OIG reported that USAID lacked the

[22] "Audit of Commodities Funded Under the President's Malaria Initiative in Zambia", Report No. 4-611-13-002-P, November 8, 2012.
[23] "Audit of USAID Jordan's Education Reform Support Program," Report No. 6-278-13-007-P, February 18, 2013.
[24] "Audit of USAID's Fiscal Year 2012 Compliance With the Federal Information Security Management Act of 2002," Report No. A-000-13-003-P, November 14, 2012.

resources to comply with this U.S. Government-wide directive.[25] Although USAID reported that in 2009 the Agency met the requirements for credentials that allow access to buildings at headquarters, it has not yet met requirements for credentials that enable access to information systems. The Agency completed a pilot program to use the credentials at select locations in Washington, D.C., and plans to use the program in all of its headquarters offices. Nevertheless, complying with HSPD-12 at overseas locations, where USAID plans to follow the direction of the State Department, will continue to be a challenge because USAID's progress will be dependent upon that of State.

- In January 2013, OIG reported that USAID did not implement selected controls over its badges to prevent unauthorized access to facilities for former employees.[26] Agency officials acknowledged that this problem will continue until it implements a solution in which all Agency entities provide USAID's Office of Security with data for employees who leave the Agency. Officials report that they have begun efforts to identify badges that may no longer be needed.

- In 2011, USAID conducted a self-assessment and OIG conducted a review of the Agency's handling of classified material to safeguard classified information from improper disclosure.[27] At USAID's request, the Information Security Oversight Office and the Office of the National Counterintelligence Executive also conducted assessments. All three assessments found areas in which USAID could strengthen its procedures. During FY 2013, OIG examined USAID's implementation of recommendations made in the external assessment and review.[28] The Agency reported that final action had been completed on 37 of the 60 recommendations. However, OIG found that some closed recommendations had not been implemented. Although USAID has made progress to address the remaining recommendations, many of them require coordination with the State Department.

Audits of U.S.-Based For-Profit Entities

Audits of USAID's for-profit contractors traditionally are conducted by the Defense Contract Audit Agency (DCAA) under a reimbursable agreement with USAID. However, USAID has not made timely requests for many of these audits, and DCAA has been slow to respond to audit requests. As a result, as of September 2013, USAID has a backlog of about 210 incurred-cost audits; in FY 2012, the backlog was about 370.

To clear the backlog, the Agency has taken or plans to take several actions. First, it provided increased funding for incurred-cost audits and proposes to create a working capital fund to finance future audits, setting aside a small percentage of program funds each time a contract award is made. Second, USAID is using contracts with public accounting firms to augment DCAA's audit efforts. Third, USAID has funded a liaison position within DCAA to monitor

[25] "Audit of USAID's Implementation of Selected Homeland Security Presidential Directive 12 Requirements for Personal Identity Verification of Federal Employees and Contractors," No. A-000-08-004-P, February 6, 2008.
[26] "Audit of Selected Controls Over USAID Badges Used to Access USAID Facilities," Report No. A-000-13-004-P, January 30, 2013.
[27] "USAID Self-Assessment Report on Handling of Classified Information, January 28, 2011, and "Review of Selected Controls Over the Removal of Classified Electronic Material," No. 2-000-11-003-S, June 8, 2011.
[28] "Assessment of Safeguarding and Counterintelligence Postures for Classified National Security Information on Automated Systems," October 3, 2011.

audits requested by USAID, bring valid issues to the attention of appropriate DCAA management officials for resolution, and see that USAID receives periodic status reports. Finally, DCAA has dedicated three teams of five auditors in its Columbia, Maryland, branch office solely to USAID audits.

During FY 2013, USAID established a goal to fund audits of 75 percent of the complete audit submissions provided by contractors and accepted by the Office of Acquisitions and Assistance within 18 months. USAID also established a goal of clearing the incurred cost audit backlog within the next 4 years.