



Highlights of [GAO-03-1170T](#), a testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

GAO has long reported that the U.S. Agency for International Development (USAID) faces a number of performance and accountability challenges that affect its ability to implement its foreign economic and humanitarian assistance programs. These major challenges include human capital, performance measurement, information technology, and financial management. Effective financial management as envisioned by the Chief Financial Officers Act of 1990 (CFO Act) and other financial management reform laws is an important factor to the achievement of USAID's mission. USAID is one of the federal agencies subject to the CFO Act.

In light of these circumstances, the Subcommittee asked GAO to testify on the financial management challenges facing USAID, as well as the keys to reforming USAID's financial management and business practices and the status of ongoing improvement efforts.

www.gao.gov/cgi-bin/getrpt?GAO-03-1170T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9505 or kutzg@gao.gov.

FINANCIAL MANAGEMENT

Sustained Effort Needed to Resolve Long-Standing Problems at U.S. Agency for International Development

What GAO Found

USAID has made some progress to improve financial management, primarily in achieving audit opinions on its financial statements. Through the rigors of the financial statement audit process and the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), USAID has gained a better understanding of its financial management weaknesses. However, pervasive internal control weaknesses continue to prevent USAID management from achieving the objective of the CFO Act, which is to have timely, accurate financial information for day-to-day decision making.

USAID's inadequate accounting systems make it difficult for the agency to accurately account for activity costs and measure its program results. Compounding USAID's systems difficulties has been the lack of adequate financial management personnel. Since the early 1990s, we have reported that USAID has made limited progress in addressing its human capital management issues.

While some improvements have been made over the past several years, significant challenges remain. Transforming USAID's financial and business environment into an efficient and effective operation that is capable of providing timely and accurate information will require a sustained effort. USAID has acknowledged the challenges it faces to reform its financial management problems and has initiatives underway to improve its systems, processes, and internal controls. USAID has also recognized the need for a specific human capital action plan that addresses financial management personnel shortfalls.