

January 2003

Major Management Challenges and Program Risks

U.S. Agency for International Development



A Glance at the Agency Covered in This Report

The U.S. Agency for International Development, an independent federal government agency, is charged with implementing U.S. foreign economic and humanitarian assistance programs. The agency advances U.S. foreign policy objectives through three programmatic areas:

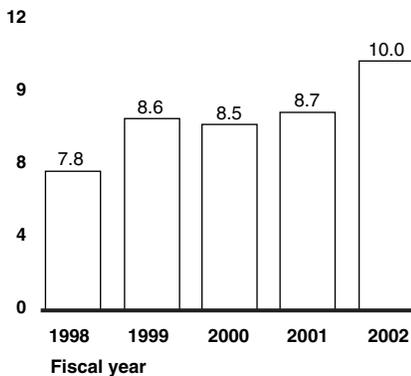
- economic growth, agriculture, and trade;
- global health issues, including HIV/AIDS and other infectious diseases; and
- democracy, conflict prevention, and humanitarian assistance.

The agency works with a wide array of public and private partners to implement its programs. It operates in more than 100 countries, with resident staff in approximately 75 countries in 4 regions of the world: sub-Saharan Africa, Asia and the Near East, Latin America and the Caribbean, and Europe and Eurasia. Agency staff often labors in difficult environments and under evolving program demands.

The U.S. Agency for International Development's Budgetary and Staff Resources

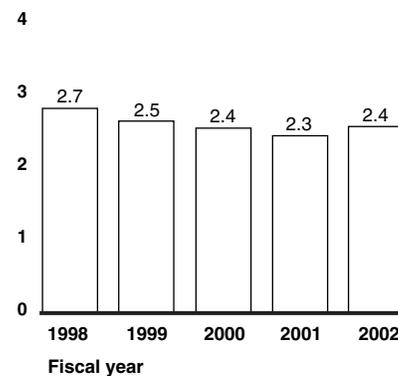
Budgetary Resources^{a, b}

Dollars in billions



Staff Resources^b

FTEs in thousands



Source: Budget of the United States Government.

^a Budgetary resources include new budget authority (BA) and unobligated balances of previous BA.

^b Budget and staff resources are actuals for FY 1998-2001. FY 2002 are estimates from the FY 2003 budget, which are the latest publicly available figures on a consistent basis as of January 2003. Actuals for FY 2002 will be contained in the President's FY 2004 budget to be released in February 2003.

This Series

This report is part of a special GAO series, first issued in 1999 and updated in 2001, entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks*. The 2003 Performance and Accountability Series contains separate reports covering each cabinet department, most major independent agencies, and the U.S. Postal Service. The series also includes a governmentwide perspective on transforming the way the government does business in order to meet 21st century challenges and address long-term fiscal needs. The companion 2003 *High-Risk Series: An Update* identifies areas at high risk due to either their greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness. A list of all of the reports in this series is included at the end of this report.



Highlights of [GAO-03-111](#), a report to Congress included as part of GAO's Performance and Accountability Series

Why GAO Did This Report

In its 2001 performance and accountability report on the U.S. Agency for International Development (USAID), GAO identified important management issues facing the agency. The information GAO presents in this report is intended to help sustain congressional and agency attention on continuing to make progress in addressing these challenges and ultimately overcoming them. This report is part of a special series of 23 reports on governmentwide and agency-specific issues.

What Remains to Be Done

GAO believes that USAID should

- complete a workforce strategy for its civil service employees and align its staff to systematically support the agency's mission, goals, and objectives;
- improve its ability to develop reliable performance measures that accurately report program outcomes; and
- make further improvements in its information technology systems, and ensure that its financial management systems comply with federal requirements.

www.gao.gov/cgi-bin/getrpt?GAO-03-111.

To view the full report, click on the link above. For more information, contact Jess T. Ford at (202) 512-4268 or fordj@gao.gov.

U.S. Agency for International Development

What GAO Found

USAID faces a number of performance and accountability challenges that affect its ability to implement its foreign economic and humanitarian assistance programs. USAID has recognized that it needs to address these problems and has made some progress, but further action is needed as follows:

- Since the early 1990s, GAO has reported that USAID has made limited progress in addressing its human capital management challenges. Some progress has been made, such as implementing annual foreign service recruitment plans. However, the agency has not established and integrated a comprehensive workforce plan with its strategic goals and objectives. Developing such a plan is critical due to a reduction in the agency's workforce during the 1990s.
- USAID faces difficulties in identifying and collecting data that would enable it to develop reliable performance measures and accurately report the results of its programs. USAID has taken several steps to try to overcome these difficulties, such as holding training seminars in field missions. However, although USAID has made a serious effort to develop improved performance measures, it continues to report numerical outputs that do not measure the impact of its programs.
- USAID's ability to become a high-performing organization is also affected by its information technology and financial management challenges. USAID has recognized these challenges and has demonstrated a commitment to address them, such as establishing a structure for the acquisition of information technology and improving its computer security deficiencies. However, USAID's agency managers continue to lack complete, reliable, and timely information needed to make sound, cost-effective decisions. In addition, the agency has had long-standing financial management weaknesses and has been unable to provide its managers with reliable financial information.

USAID's Major Challenges



Source: GAO.

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United States General Accounting Office
Washington, D.C. 20548

January 2003

The President of the Senate
The Speaker of the House of Representatives

This report addresses the major management challenges and program risks facing the U.S. Agency for International Development (USAID) as it works to carry out its foreign economic and humanitarian assistance programs. The report discusses the actions that USAID has taken and that are under way to address the challenges GAO identified in its Performance and Accountability Series 2 years ago, and major events that have occurred that significantly influence the environment in which the agency carries out its mission. Also, GAO summarizes the challenges that remain and further actions that GAO believes are needed.

This analysis should help the new Congress and the administration carry out their responsibilities and improve government for the benefit of the American people. For additional information about this report, please contact Jess T. Ford, Director, International Affairs and Trade, at (202) 512-4268 or fordj@gao.gov.

David M. Walker
Comptroller General
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Major Performance and Accountability Challenges

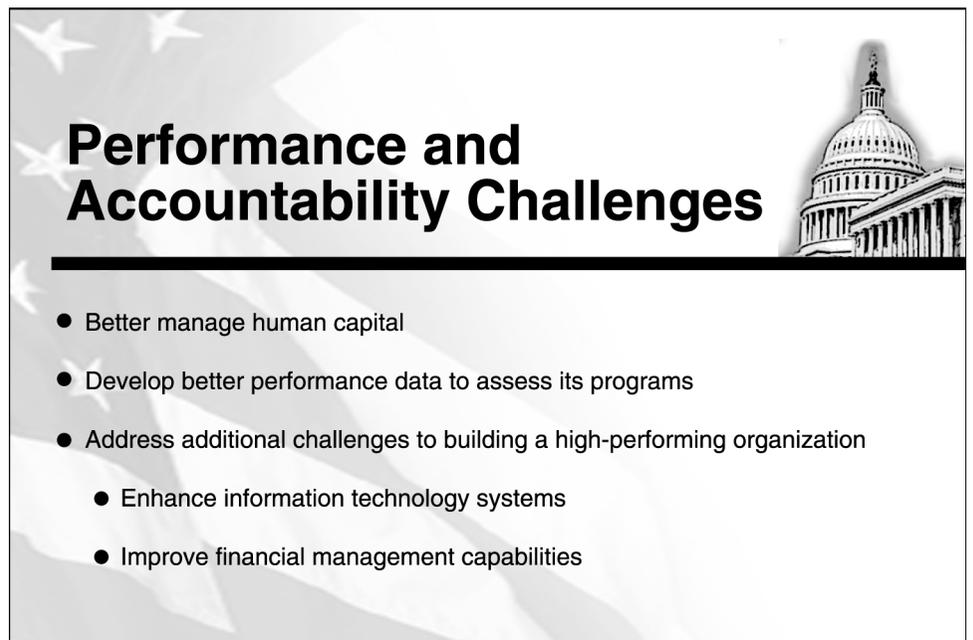
In our January 2001 management challenges report, we reported that the U.S. Agency for International Development (USAID) faced a number of performance and accountability issues that affected the efficiency and effectiveness of its programs.¹ We reported that USAID's human capital challenges affected its ability to effectively carry out its foreign assistance mission. In addition, we noted that USAID faced difficulties in identifying and collecting data that would enable it to develop reliable performance measures and accurately report the results of its programs. We also reported that USAID had not implemented an integrated information management system or improved its financial management systems to ensure that it has adequate internal controls.

Since our 2001 report, USAID has continued to take the following steps to address these issues:

- USAID developed a workforce analysis in June 2001 that highlighted several human capital challenges facing the agency, including the agency's aging workforce and the resulting expected high rate of attrition due to retirement. The workforce analysis was submitted to the Office of Management and Budget as the first step in implementing the President's initiative for agencies to restructure their workforces. Although some improvements have been made, workforce planning is not yet integrated into USAID's strategic plans.
- USAID has taken several steps to try to overcome its difficulties in developing reliable performance measures that accurately report program outcomes. For example, the agency is holding training seminars in field missions and has reported that more than 1,200 people have been trained either in programming or in performance management. However, USAID continues to have problems with the timeliness and reliability of performance measures.
- USAID's ability to become a high-performing organization continues to be affected by challenges in information technology and financial management. The agency has recognized that it needs to address its problems and has made some progress, but further action is needed. USAID's information technology systems do not provide managers with accurate information, its processes for procurement of information

¹U.S. General Accounting Office, *Major Management Challenges and Program Risks: U.S. Agency for International Development*, [GAO-01-256](#) (Washington, D.C.: January 2001).

technology have not followed established guidelines, and its computer systems need better security controls. Until USAID can fully resolve its information technology issues, it will not be able to routinely provide agency managers with the complete, reliable, and timely information they need to make sound, cost-effective decisions. In addition, USAID needs to continue to make improvements to ensure that its financial systems comply with federal requirements and that the systems provide reliable financial information.



Performance and Accountability Challenges

- Better manage human capital
- Develop better performance data to assess its programs
- Address additional challenges to building a high-performing organization
 - Enhance information technology systems
 - Improve financial management capabilities

Better Manage Human Capital

Since the early 1990s, we have reported that USAID has made limited progress in addressing its human capital management issues. In 2001, we reported that these issues could affect its ability to deliver assistance efficiently, specifically in postemergency humanitarian situations. A major concern is USAID's inability to establish and integrate a comprehensive workforce plan with its strategic goals and objectives. Developing such a plan is critical due to a reduction in the agency's workforce during the 1990s and an expected high continuing attrition. For example, as of September 30, 2002, 31 percent of USAID's civil service workforce and 54 percent of its U.S. foreign service employees were eligible to retire

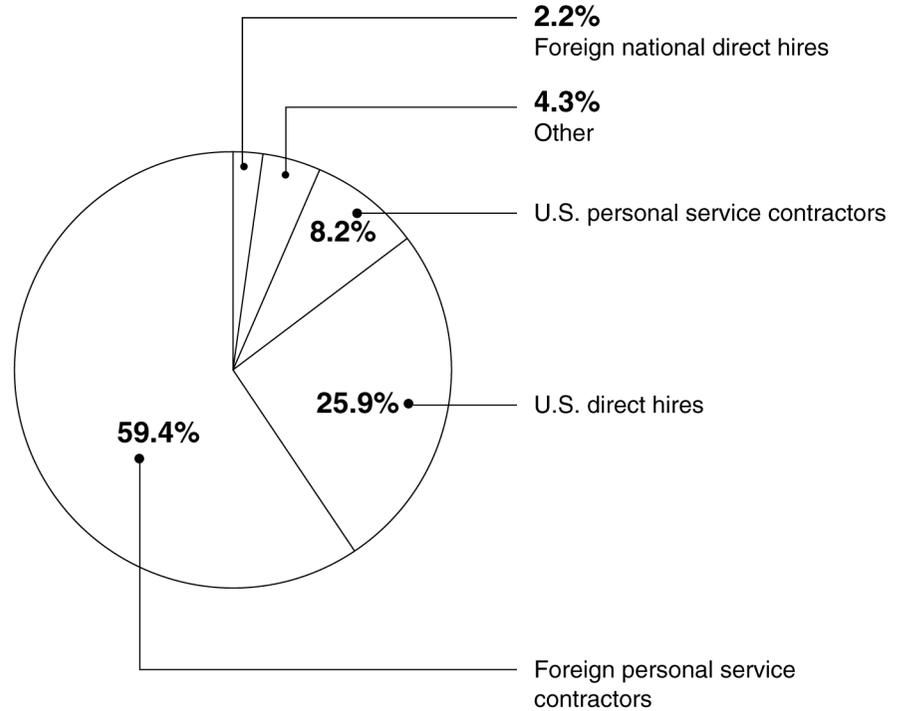
immediately or by September 30, 2007. USAID has acknowledged that workforce planning remains a challenge for the agency, especially since downsizing and budgetary constraints during the 1990s took precedence over strategic workforce planning.

**Lack of Comprehensive
Workforce Plan Affects
USAID's Human Capital
Management**

USAID has not integrated a comprehensive workforce plan with its strategic goals and objectives. As its U.S. direct-hire staff levels have declined, USAID has had to evolve from an agency that directly implements projects to one that plans and monitors them. Mission directors have become increasingly reliant on other types of employees, such as personal service contractors, to manage mission projects implemented by third parties. For example, as of September 2002, foreign personal service contractors made up approximately 60 percent of USAID's workforce and U.S. direct hires made up about 26 percent of its workforce.² (See fig. 1.) USAID's workforce includes several other employment categories, such as U.S. personal service contractors and foreign national direct hires.

²Foreign personal service contractors are non-U.S. citizens contracted by the U.S. government. U.S. direct hires are U.S. citizens employed under the civil or foreign service personnel systems.

Figure 1: USAID Workforce Profile, as of September 2002



Source: USAID.

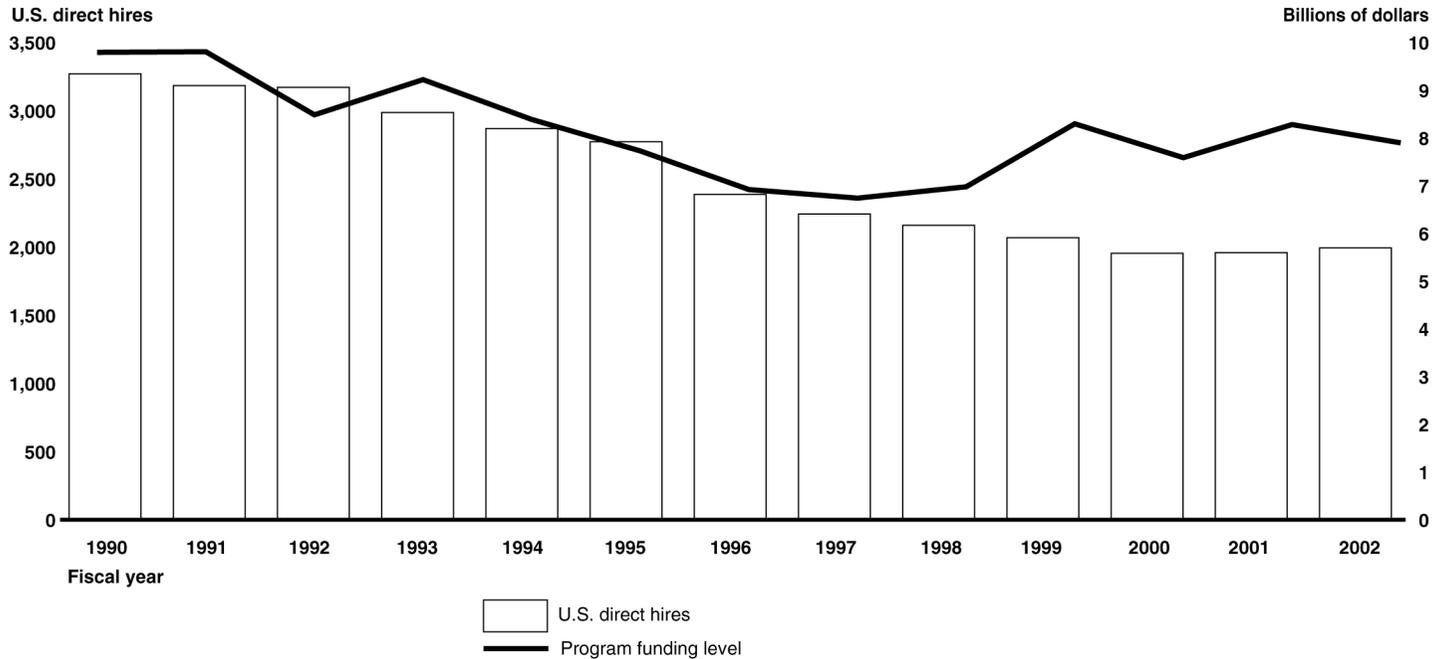
Notes:

“Other” includes fellows and those employed under participating agency service agreements and resource support service agreements.

This figure excludes the Office of the Inspector General.

Also, as figure 2 shows, USAID has had to adapt to a significant decrease in the number of its U.S. direct-hire employees over the past 12 years while continuing to take on new responsibilities. For example, as funding levels remained relatively stable, the number of U.S. direct hires decreased from 3,262 in fiscal year 1990 to 1,947 in fiscal year 2000. In fiscal year 2001, the agency saw its first increase in U.S. direct hires in more than a decade, and current employment of U.S. direct hires is close to the agency’s target level of approximately 2,000. In addition, USAID reported that employment targets for fiscal year 2002 were not met because of a late start in recruiting, a lack of medical or security clearances for new hires, and insufficient qualified candidates.

Figure 2: USAID U.S. Direct-Hire Workforce Trends, Fiscal Years 1990 through 2002, and Program Funding Levels, Fiscal Years 1990 through 2002



Source: USAID.

Notes:

Workforce data exclude the Office of the Inspector General.

Program funding information is in constant fiscal year 2002 dollars.

Program funding includes money appropriated to the U.S. Department of Agriculture for Title II, and Title III food programs administered by USAID. Fiscal year 1990 also includes Title I funding, but after January 1, 1991, the funds were administered by the U.S. Department of Agriculture.

Program funding also includes supplementals.

Program funding does not include operating expenses and is not adjusted for deobligations/reobligations, rescissions, transfers, or miscellaneous trust funds.

Developing a comprehensive workforce plan is critical for USAID given the reductions in personnel during the 1990s and the high number of employees eligible to retire. According to the Inspector General, the steady decline in the number of foreign service and civil service employees with specialized technical expertise resulted in an insufficient number of personnel with needed skills and experience.³ Further, the Inspector General also reported that less experienced personnel are managing increasingly complex overseas programs. In addition, these issues affect USAID's ability to effectively carry out its programs. For example, we reported in July 2002 that insufficient numbers of contract officers initially affected USAID's ability to deliver reconstruction assistance in Central America and the Caribbean.⁴

Corrective Actions Under Way

Recognizing these problems, USAID started implementing annual foreign service recruitment plans that enable the agency to replace the number of employees who are departing through attrition or retirement. In June 2001, USAID also submitted to the Office of Management and Budget a workforce analysis that addressed issues such as the agency's aging workforce and the expected high rate of attrition due to retirement. In addition, the agency began hiring junior foreign service officers and recruiting civil service professionals in key skill areas, such as information technology, financial management, and contracting. USAID also increased external training for senior managers and developed internal training programs in leadership, operations management, supervisory skills, and performance management.

USAID is addressing its lack of flexibility in reassigning staff and hiring personal service contractors in postemergency situations. In mid-2000, USAID's Bureau for Latin America and the Caribbean drafted a "lessons learned" analysis of the disaster recovery program's start-up and offered recommendations for changes needed for a similar response in the future. The USAID Administrator subsequently formed the Emergency Response Council to conduct an agencywide review of its experiences with international emergencies. In December 2001, the council proposed several

³USAID Office of the Inspector General, *Semiannual Report to Congress* (Washington, D.C.: Oct. 31, 2001).

⁴U.S. General Accounting Office, *Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes, but USAID Needs Greater Flexibility to Improve Its Response Capability*, [GAO-02-787](#) (Washington, D.C.: July 24, 2002).

program and procedural reforms to provide more flexibility in planning and implementing activities in postcrisis or postemergency situations. In May 2002, the USAID Administrator approved the council's recommendations in the areas of strategic planning and programming, funding alternatives, and staffing.

To overcome staffing constraints in postemergency situations, a USAID working group identified several existing mechanisms that could make human resources more readily available for design, implementation, and oversight. For example, in June 2002, USAID reported that the working group identified two existing contracting mechanisms for procuring short-term services and staff. In addition, to facilitate the availability of USAID staff for reconstruction activities, the agency has contracted with a firm to establish a skills database of all agency personnel that would be available on short notice for deployment to the field.

USAID has taken several steps to improve its human capital management, but according to the Office of Management and Budget, much remains to be done. For example, the agency has to complete a workforce strategy for its civil service employees and align its staff to systematically support the agency's mission, goals, and objectives. To help assist USAID with its human capital concerns, the Inspector General is conducting audits of the agency's human capital management. In addition, we are currently conducting a comprehensive review of USAID's workforce planning and management.

Develop Better Performance Data to Assess Its Programs

USAID continues to face difficulties in identifying and collecting the data that will enable it to develop reliable performance measures and accurately report the results of its programs. Our work, and that of the USAID Inspector General, has identified a number of problems with the annual results data that USAID's operating units have been reporting. USAID has acknowledged these concerns and has undertaken several initiatives to correct them. Although USAID has made a serious effort to develop improved performance measures, it continues to report numerical outputs that do not measure the impact of its programs.

The Government Performance and Results Act of 1993⁵ requires federal agencies to prepare performance plans that set program goals, measure program performance against those goals, and report on programs' progress. In 1995, USAID developed a performance reporting system that monitored the progress of a program, process, or activity toward its objective over time. USAID's performance monitoring system required managers to (1) establish performance indicators, (2) prepare performance monitoring plans, (3) set performance baselines, (4) collect performance data, and (5) periodically assess data quality. As reported by the Inspector General in April 2002, however, USAID continues to struggle to develop performance measurement and reporting systems that meet internal and external reporting requirements.⁶

Recent Inspector General reports have noted inadequacies in the quality of the data reported as well as areas for improvement in the performance monitoring plans of individual operating units. For example, a 2001 Inspector General report concluded that all seven of the units audited needed to improve their performance monitoring plans; in one case, a unit's plan had not been updated since 1995.⁷ In addition, USAID's data for performance management reports are not current, covering the previous year rather than the year under review. For example, in reviewing USAID's fiscal 2001 consolidated financial statements, the Inspector General reported that program results related to years prior to fiscal 2001, not to fiscal year 2001 itself. Although, the reported results were based on the operating units' self-assessments of programs meeting certain strategic objectives, USAID did not disclose which or how many strategic objectives were not reported or assessed.

Without accurate and reliable performance data, USAID has little assurance that its programs achieve their program objectives and related

⁵P.L. 103-62.

⁶In fiscal 2002, USAID changed its reporting requirements and a new annual report replaced the *Results Review and Resource Request* reports that had been a significant part of USAID's performance management system. According to USAID, the new report is supposed to provide a simplified reporting format for other required agency reports, including a streamlined *Congressional Budget Justification*. Since this is a recent reporting change, we cannot determine whether it is an improvement.

⁷USAID Office of the Inspector General, *Audit of Performance Monitoring for Indicators Appearing in Selected USAID Operating Units' Results Review and Resources Request Reports*, 9-000-01-005-P (Washington, D.C.: Sept. 27, 2001).

targets. In July 1999, we commented on USAID's fiscal year 2000 performance plan and noted that because USAID is dependent on international organizations and thousands of partner institutions for data, it does not have full control over how data are collected, reported, or verified. Further, in April 2002, we reported that USAID had conducted few evaluations of its experience in using various funding mechanisms and types of organizations to achieve its objectives around the world.⁸ Some of the essential information that USAID would need to conduct such evaluations, such as data on the types of implementing organizations, funding mechanisms, and objectives in its various program areas and bureaus, is not complete or sufficiently detailed. We concluded that with better data on these aspects of the agency's operations, USAID managers and congressional overseers would be better equipped to analyze whether USAID's mix of approaches takes full advantage of nongovernmental organizations to achieve the agency's objectives.

⁸U.S. General Accounting Office, *Foreign Assistance: USAID Relies Heavily on Nongovernmental Organizations, but Better Data Needed to Evaluate Approaches*, [GAO-02-471](#) (Washington, D.C.: Apr. 25, 2002).

For some activities, developing performance indicators and assessing results are inherently difficult. According to the Office of Management and Budget, numerical output does not indicate the quality of the program, and USAID needs to improve its ability to use this information for decision-making. In 2001, we reported that, historically, USAID has not spent much effort on assessing the results of its democracy and governance programs, including its subsectors, such as rule of law programs.⁹ For example, in April 2001, we reported that the results of USAID's rule of law projects in the new independent states of the former Soviet Union were not always apparent.¹⁰ Most of the USAID projects we reviewed were reported in terms of project outputs instead of results and sustainability. For 6 of the 11 major projects we reviewed in Russia and Ukraine, available documentation indicated that implementers reported project results almost exclusively in terms of outputs. These outputs included the number of USAID-sponsored conferences or training courses held, the number and types of publications produced with project funding, or the amount of computer and other equipment provided to courts. Short-term measures and indicators alone do not enable USAID to monitor and evaluate the sustainability and overall impact of the projects.

Corrective Actions Under Way

USAID has taken a number of steps to correct the problems with its reporting of performance results. In fiscal 2000, USAID revised its automated directives system by rewriting policy guidance on strategic planning, program implementation, and performance management and reporting. In June 2000, we reported that USAID had made progress in establishing outcome-oriented goals and developing indicators and targets that help measure overall results.¹¹ In January 2001, we reported that USAID's corrective actions included (1) developing and disseminating lists of indicators that can be used by its overseas offices seeking appropriate tools to measure performance, (2) sending annual reporting guidance cables to operating units on the types of data needed and the documentation required, (3) expanding the publication of supplementary

⁹GAO-01-256.

¹⁰U.S. General Accounting Office, *Former Soviet Union: U.S. Rule of Law Assistance Has Had Limited Impact*, GAO-01-354 (Washington, D.C.: Apr. 17, 2001).

¹¹U.S. General Accounting Office, *Observations on the U.S. Agency for International Development's Fiscal Year 1999 Performance Report and Fiscal Years 2000 and 2001 Performance Plans*, GAO/NSIAD-00-195R (Washington, D.C.: June 30, 2000).

guidance to missions on managing data for maximum quality and utility, and (4) holding training seminars for field officers on managing for results. USAID continues to implement these solutions. For example, USAID reported that in fiscal year 2001, 750 personnel were trained in the overview course on USAID programming policies and nearly 500 had received performance management training.

The Office of Management and Budget also reported in fiscal year 2002 that USAID made progress in developing a systematic approach to performance measurement; however, challenges remain. The structure, included in the agency's annual performance plan, includes agency-level indicators of general performance, such as increased economic growth, reduced rates of HIV/AIDS, free and fair elections, and lower mortality rates in disasters. In addition to monitoring performance related to these higher level outcomes, USAID missions track "intermediate results" that are more directly linked to its programs. Examples include the number of small businesses receiving USAID-supported loans or the number of people receiving emergency food relief. However, these numerical outputs do not measure how well a program functions.

In 2001, USAID's Bureau for Policy and Program Coordination worked closely with the Office of the Inspector General to develop an appropriate performance management audit methodology for providing guidance on needed improvements. However, USAID continues to struggle with developing performance measurements and accurately reporting the results of its programs. For example, in fiscal years 2001 and 2002, the Inspector General conducted eight performance audits of selected HIV/AIDS programs and in all instances found weaknesses at the mission level.

Address Additional Challenges to Building a High-Performing Organization

USAID faces other agencywide challenges that hamper its ability to become a high-performing organization. These challenges are to (1) improve its information technology systems and (2) provide managers with reliable financial information. USAID has recognized these challenges and has demonstrated a commitment to address them.

Enhance Information Technology Systems

USAID's information systems do not provide managers with the accurate information they need to make sound and cost-effective decisions. The USAID Inspector General has reported that its processes for procuring

information technology have not followed established guidelines, which require executive agencies to implement a process that maximizes the value and assesses the risks of information technology investments. In addition, USAID's computer systems are vulnerable and need better security controls. USAID management has acknowledged these weaknesses and the agency is making efforts to correct them.

The information systems at USAID do not fully support its planning and reporting requirements. According to the Inspector General, USAID managers have had difficulty in consistently obtaining timely, reliable, and complete financial and performance data. In 2001, we reported that USAID did not have an integrated information management system to effectively manage its programs.¹² To correct this weakness, the agency has deployed a new financial management and accounting system at its headquarters. However, the Inspector General reported that system users were not always able to readily obtain data to manage operations because USAID focused its limited resources primarily on implementation and operations rather than on reporting. To address this concern, the agency has begun to implement a user-friendly reporting tool and plans to focus more on reporting.

¹²[GAO-01-256](#).

According to the Inspector General, USAID's processes for procuring information technology have not followed established federal guidelines.¹³ In addition, in 2001, we reported that USAID did not have a process for prioritizing information technology investments. Without such a process, the agency is at risk of allocating resources for projects that do not minimize risk and maximize return on investment. To assist in correcting this weakness, the agency established a structure for the acquisition of information technology. USAID's Business Transformation Executive Committee, staffed with senior management members, is tasked with recommending, coordinating, and overseeing agencywide investments in information technology. The committee also is tasked with ensuring that the agency has reliable systems that provide the information its management needs to make informed decisions and facilitate compliance with legislative requirements. The Inspector General continues to monitor USAID's progress, but more work is needed. For example, the Inspector General conducted a review of software development practices and recommended that USAID's overseas missions (1) develop policies and procedures for controlling the installation of software, (2) develop a process to maintain a current inventory list, and (3) conduct an inventory of locally developed software and submit it to headquarters.¹⁴

USAID does not have adequate computer security controls in place to mitigate the risks to its critical information systems. In 2002, the Office of the Inspector General reported that computer security deficiencies expose USAID resources and data to loss, theft, alterations, or destruction.¹⁵ To improve its computer security, the agency has taken steps that include updating security policies and expanding security training. However, more work is needed to ensure effective security.

Improve Financial Management Capabilities

Although USAID has improved some areas of its financial management, it needs to make additional improvements to produce timely and accurate

¹³The Clinger-Cohen Act of 1996 requires executive agencies to implement a process that maximizes the value and assesses management risks involved in information technology investments.

¹⁴USAID Office of the Inspector General, *Semiannual Report to Congress* (Washington, D.C.: Oct. 31, 2002).

¹⁵See footnote 14.

financial information for use by USAID managers in carrying out the agency's programs around the world.

Fiscal year 2001 marked the first time that the USAID Inspector General was able to express an opinion on three of USAID's financial statements—the Balance Sheet, Statement of Changes in Net Position, and Statement of Budgetary Resources. However, the opinions were qualified and achieved only through extensive efforts to overcome material internal control weaknesses. Thus, the progress made is not necessarily sustainable. Further, the Inspector General remained unable to express an opinion on USAID's Statement of Net Cost and Statement of Financing, because the agency's financial management systems could not produce accurate, complete, reliable, timely, and consistent financial statement and performance information. USAID's inadequate accounting systems make it difficult for the agency to accurately account for activity costs and measure its program results.

In 2002, the Inspector General continued to report that USAID's financial management systems do not meet federal financial system requirements.¹⁶ Currently, USAID uses a variety of nonintegrated systems that require data reentry, supplementary accounting records, and lengthy and burdensome reconciliation processes. In an attempt to mitigate this long-standing problem, USAID recently deployed an off-the-shelf accounting system as a component of its financial management system. However, USAID still lacks a fully integrated financial management system and places a greater reliance on manual processes, such as reconciliations, because data for the same transactions are entered into multiple systems.

The Inspector General also reported in 2002 that while USAID had made improvements in its processes and procedures, it still has several material weaknesses and reportable conditions concerning internal controls that impair the integrity of its financial information. Specifically, the Inspector General reported that USAID's material weaknesses include

- financial systems that did not meet federal financial systems requirements, applicable federal accounting standards, and standard general ledger requirements at the transaction level;

¹⁶USAID Office of Inspector General, *Report on USAID's Consolidated Financial Statements, Internal Controls and Compliance for Fiscal Year 2001*, No. 0-000-02-006-F (Washington, D.C.: Feb. 25, 2002).

- internal controls that did not provide reasonable assurance that the Fund Balance with Treasury accounts were accurate and reliable; and
- advances to grantees that were not properly controlled.

The Inspector General also reported that the agency needs to improve its process for recognizing and reporting accounts receivable and its internal controls over the processing of accounts payable at overseas missions.

Effective financial systems and controls are necessary to ensure that USAID management has timely and reliable information to make effective, informed decisions and that assets are safeguarded. USAID has made progress in correcting some of its systems and internal control deficiencies and is in the process of revising its plan to remedy financial management weaknesses as required by the Federal Financial Management Improvement Act of 1996.¹⁷ To obtain its goal, however, USAID needs to continue its efforts to resolve its internal control weaknesses and to ensure that the planned upgrades to its financial systems are in compliance with federal financial system requirements.

¹⁷P.L. 104-208.

GAO Contacts

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Related GAO Products

Performance and Accountability

U.S. Agency for International Development: Status of Achieving Key Outcomes and Addressing Major Management Challenges. [GAO-01-721](#). Washington, D.C.: August 17, 2001.

Major Management Challenges and Program Risks: U.S. Agency for International Development. [GAO-01-256](#). Washington, D.C.: January 2001.

Observations on the U.S. Agency for International Development's Fiscal Year 1999 Performance Report and Fiscal Years 2000 and 2001 Performance Plans. [GAO/NSIAD-00-195R](#). Washington, D.C.: June 30, 2000.

Observations on the U.S. Agency for International Development's Fiscal Year 2000 Performance Plan. [GAO/NSIAD-99-188R](#). Washington, D.C.: July 20, 1999.

Major Management Challenges and Program Risks: U.S. Agency for International Development. [GAO/OCG-99-16](#). Washington, D.C.: January 1999

AID Management: Strategic Management Can Help AID Face Current and Future Challenges. [GAO/NSIAD-92-100](#). Washington, D.C.: March 6, 1992.

Foreign Assistance

Foreign Assistance: Disaster Recovery Program Addressed Intended Purposes, but USAID Needs Greater Flexibility to Improve Its Response Capability. [GAO-02-787](#). Washington, D.C.: July 24, 2002.

Foreign Assistance: USAID Relies Heavily on Nongovernmental Organizations, but Better Data Needed to Evaluate Approaches. [GAO-02-471](#). Washington, D.C.: April 25, 2002.

Former Soviet Union: U.S. Rule of Law Assistance Has Had Limited Impact. [GAO-01-354](#). Washington, D.C.: April 17, 2001.

Foreign Assistance: Any Further Aid to Haitian Justice System Should Be Linked to Performance-Related Conditions. [GAO-01-24](#). Washington, D.C.: October 17, 2000.

Foreign Assistance: Status of USAID's Reforms. [GAO/NSIAD-96-241BR](#). Washington, D.C.: September 24, 1996.

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed. [GAO/NSIAD-93-106](#). Washington, D.C.: June 11, 1993.

Information Technology

Critical Infrastructure Protection: Significant Challenges Need to Be Addressed. [GAO-02-961T](#). Washington, D.C.: July 24, 2002.

Information Security: Additional Actions Needed to Implement Reform Legislation. [GAO-02-470T](#). Washington, D.C.: March 6, 2002.

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