



441 G St. N.W.
Washington, DC 20548

Accessible Version

June 4, 2019

Congressional Committees

State and USAID: Status of GAO Recommendations Made in 2017

Senate Report 115-282 accompanying the Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2019, includes a provision for us to report on the status of all recommendations made to the U.S. Department of State (State) and the U.S. Agency for International Development (USAID) in GAO reports issued during calendar year 2017.¹ This report provides the total number of recommendations we made to State and to USAID in 2017, how many of those recommendations remain open for each agency, and which ones we consider priority recommendations. Priority recommendations are those that GAO believes warrant priority attention from heads of key departments and agencies.

To address our objective, we used GAO’s Business Analytics database to identify all recommendations made to State and USAID in 2017, how many of them GAO deemed priority recommendations, and the status of the recommendations as of their most recent updates. We shared this information with State and USAID to ascertain that the most recent State and USAID actions were reflected in the enclosures detailing the status of the individual recommendations. We will continue to update the status of open recommendations throughout the year at our website <https://www.gao.gov/reports-testimonies/recommendations-database/>.

We conducted this performance audit from March 2019 to May 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, during calendar year 2017, GAO made a combined 61 recommendations to State and USAID. Of the 41 recommendations made to State, 11 (almost 27 percent) were still open as of May 15, 2019, and 3 of those were priority recommendations (see table 1).

Table 1: Status of Recommendations Made to the U.S. Department of State in GAO Products Issued in Calendar Year 2017

	Number of recommendations (Priority recommendations)
Recommendations made	41 (9)
Recommendations implemented	30 (6)
Recommendations open	11 (3)

Source: GAO. | GAO-19-524R

Note: Status of recommendations, whether implemented or open, is as of May 15, 2019.

¹ S. Rep. No. 115-282, at 13 (2018).

Of the 20 recommendations made to USAID, 5 (25 percent) were still open as of May 15, 2019, and 2 were priority recommendations (see table 2).

Table 2: Status of Recommendations Made to the U.S. Agency for International Development in GAO Products Issued in Calendar Year 2017

	Number of recommendations (Priority recommendations)
Recommendations made	20 (2)
Recommendations implemented	15 (0)
Recommendations open	5 (2)

Source: GAO. | GAO-19-524R

Note: Status of recommendations, whether implemented or open, is as of May 15, 2019.

The enclosures of this report—enclosure I for State and enclosure II for USAID—present information about the recommendations that are still open, including what actions, if any, agencies have taken or planned in response to the recommendations.

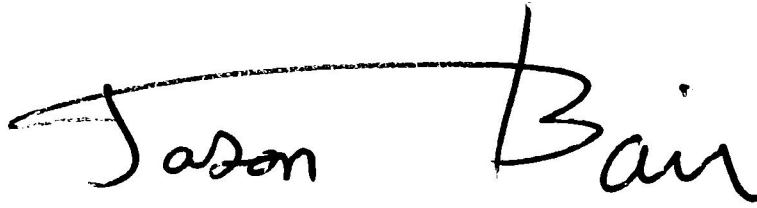
Agency Comments

We provided a draft of this product to State and USAID for comment. State and USAID provided technical comments which we addressed as appropriate. Both agencies also provided letters which are attached as enclosures III and IV. In its letter (enclosure III), State said it values our recommendations and will continue to work with us to close them as quickly as possible. In its letter (enclosure IV), USAID said it is committed to timely implementation of our recommendations.

USAID also provided further information about its efforts to implement the open recommendations discussed in enclosure II. For one of our food assistance recommendations, USAID asserted that it has provided enough evidence to close the recommendation as implemented. USAID maintained it had provided information that the types of financial reviews we recommended had occurred in 2018 and would occur in 2019. We, however, seek the demonstration of sustained effort by USAID before we can close this recommendation.

We are sending copies of this report to the appropriate congressional committees, the Secretary of State, the Administrator of USAID and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>. If you or your staff have any questions about this report, please contact me at (202) 512-6881 or BairJ@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this

report were Hynek Kalkus (Assistant Director), Eugene Beye (Analyst-in-Charge), and Aldo Salerno.

A handwritten signature in black ink that reads "Jason Bair". The signature is written in a cursive style with a long horizontal stroke over the word "Jason".

Jason Bair
Acting Director, International Affairs and Trade

Enclosures – 4

List of Committees

The Honorable James E. Risch
Chairman
The Honorable Robert Menendez
Ranking Member
Committee on Foreign Relations
United States Senate

The Honorable Lindsey Graham
Chairman
The Honorable Patrick J. Leahy
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
United States Senate

The Honorable Eliot L. Engel
Chairman
The Honorable Michael T. McCaul
Ranking Member
Committee on Foreign Affairs
House of Representatives

The Honorable Nita M. Lowey
Chairwoman
The Honorable Hal Rogers
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
House of Representatives

ENCLOSURE I: GAO Recommendations Made to the U.S. Department of State in Calendar Years 2017 That Remained Open as of May 15, 2019

Priority Recommendations

	Recommendation text	Status summary
<p>GAO-17-715 Overseas Allowances: State Should Assess the Cost-Effectiveness of Its Hardship Pay Policies</p>	<p>The Undersecretary of Management should assess the cost-effectiveness of State's policies and procedures for stopping and starting hardship pay for employees who temporarily leave their assigned overseas posts.</p>	<p>State concurred with this recommendation, and reported that the department is assessing the cost-effectiveness of the current policy and working to identify changes in policy or execution that would result in greater efficiencies. To fully implement the recommendation, State needs to provide documentation that it has completed this effort.</p>
	<p>The Department's Comptroller should analyze available diplomatic cable data from overseas posts to identify posts at risk of improper payments for hardship pay, identify any improper payments, and take steps to recover and prevent them.</p>	<p>State concurred with this recommendation. According to State, it continues to identify and seek repayment of improper payments and communicate the importance of timely actions to the regional bureaus and posts to ensure improper payments do not occur. In addition, the Bureau of the Comptroller and Global Financial Services (CGFS) supports the roll out of the Overseas Personnel System, which will centralize the collection of arrival and departure data for the calculation of improper payment notification and risk analysis. To fully implement the recommendation, the Bureau of Human Resources (HR) must complete worldwide deployment of the Overseas Personnel System, and both HR and CGFS would need to complete integration work to enable arrival and departure data to flow in an automated fashion between the two systems. CGFS would then need to provide documentation that the system allows it to more easily identify and prevent improper payments.</p>

	Recommendation text	Status summary
<p data-bbox="188 264 326 289">GAO-18-136</p> <p data-bbox="188 327 397 663">Democracy Assistance: State Should Improve Accountability Over Funding; USAID Should Assess Whether New Processes Have Improved Award Documentation</p>	<p data-bbox="453 264 959 428">The Secretary of State should direct the Bureau of International Narcotics and Law Enforcement Affairs to identify and address factors that affect the reliability of its democracy assistance data, such as miscoded or missing data.</p>	<p data-bbox="1008 264 1531 947">Department of State concurred with this recommendation and said it would take steps to implement it. As of May 2019, Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) provided GAO with an overview of its newly established processes in its accounting system to improve data reliability, including ensuring that current and future transactions would maintain coding integrity. State has taken a number of steps to identify and address factors that affect the reliability of its democracy assistance data, such as miscoded data. However, State needs to provide information on steps taken to identify and address other factors, in particular missing data, which affect the reliability of its democracy assistance data. When we confirm what further actions Department of State has taken in response to this recommendation, we will provide updated information.</p>

Other Recommendations

	Recommendation text	Status summary
<p>GAO-17-296</p> <p>Embassy Construction: State Needs to Better Measure Performance of Its New Approach</p>	<p>To better assess OBO's performance, the Secretary of State should establish additional performance measures applicable to the new goals of the Excellence approach in support of the Capital Security Construction Program.</p>	<p>As of May 2019, OBO indicated that it is developing a new approach to standardize components, assemblies, processes and metrics used in embassy project development and design. According to OBO, this approach will increase the efficiency of project delivery and life cycle costs. OBO also expects to implement a methodology for assessing the level of standardization in project design by September 2019. GAO continues to monitor State's efforts to implement this recommendation.</p>
	<p>To better assess OBO's performance, the Secretary of State should finalize the mechanisms OBO will use to better track and evaluate the actual operations and maintenance performance of its buildings—whether Excellence or SED—and document through appropriate policies, procedures, or guidance.</p>	<p>As of May 2019, OBO indicated that as part of its life cycle asset management program, it is conducting independent Facility Performance Evaluations to validate the status of equipment, systems, and facilities at each Post as well as the current operations & maintenance requirements. This information will be compared with previously established operations and maintenance baselines to allow OBO to assess the actual operations and maintenance performance of OBO assets across the global portfolio and take necessary action. According to OBO, it is currently piloting the use of Facility Performance Evaluations and life-cycle cost analyses based on them. The goal is to complete Standard Operating Procedures (SOP) for this process as well as a "Playbook" of implementation guidance and training resources to ensure that principles of life cycle asset management are followed throughout the life of an asset. OBO has noted that the SOP and playbook are on track for completion by September 2019 for new major construction or rehabilitation projects and by September 2021 across its global portfolio. GAO continues to monitor State's efforts to implement this recommendation..</p>

	Recommendation text	Status summary
	<p>To better assess OBO's performance, the Secretary of State should finalize the mechanisms OBO will use to centrally manage project management data (to include project cost and schedule information), currently termed the Ideal Operational State, and document through appropriate policies, procedures, or guidance.</p>	<p>As of May 2019, OBO reported several efforts underway to address this recommendation. These include: 1) Development of a master integrated project schedule and a formalized baseline to improve consistency in the management of project schedules; 2) Standardization of project management data in its internal systems to improve its analytical and reporting capabilities; 3) Roll-out of training on new digital design review software to reduce conflicts and inconsistencies in review notes and clearly communicate needed corrections to contractors; 4) Piloting collaborative design review methods that may reduce project timelines and improve stakeholder engagement in key decision-making processes; and 5) Development of a methodology to conduct its weekly regional project performance reviews from a digital platform. OBO plans for these efforts to produce deliverables in 2019 and 2020. GAO continues to monitor State's efforts to implement this recommendation.</p>
<p>GAO-17-706</p> <p>Refugees: Actions Needed by State Department and DHS to Further Strengthen Applicant Screening Process and Assess Fraud Risks</p>	<p>To provide reasonable assurance that USRAP applicant fraud prevention and detection controls are adequate and effectively implemented, the Secretaries of Homeland Security and State should conduct regular joint assessments of applicant fraud risk across USRAP.</p>	<p>We reported that the Department of State and DHS's U.S. Citizenship and Immigration Services (USCIS) have not jointly assessed applicant fraud risks across the U.S. Refugee Admissions Program (USRAP), consistent with federal internal control standards and leading practices for fraud risk management. Specifically, we reported that although State and USCIS perform a number of fraud risk management activities and have responded to individual instances of applicant fraud in the program, these efforts do not position State and USCIS to assess fraud risks program-wide for USRAP or know if their controls are appropriately targeted to the areas of highest risk in the program. Therefore, we recommended that the Secretaries of Homeland Security and State conduct regular joint assessments of applicant fraud risk across USRAP. USCIS concurred with our recommendation. In response, State reported that it will work together with USCIS to conduct joint risk assessments by jointly developing a risk assessment framework. According to DHS and State documentation, the departments finalized a joint framework in January 2018. In February 2019, DHS and State provided us with the interim progress report on their efforts to conduct an assessment of applicant fraud risk across USRAP. DHS and State officials estimated that the agencies will complete the joint assessment by June 30, 2019. To fully address the recommendation, State and USCIS should jointly conduct regular fraud risk assessments across USRAP.</p>

	Recommendation text	Status summary
<p>GAO-17-448</p> <p>Data Center Optimization: Agencies Need to Address Challenges and Improve Progress to Achieve Cost Savings Goal</p>	<p>The Secretaries of Agriculture, Commerce, Defense, Homeland Security, Energy, HHS, Interior, Labor, State, Transportation, Treasury, and VA; the Attorney General of the United States; the Administrators of EPA, GSA, and SBA; the Director of OPM; and the Chairman of NRC should take action to, within existing OMB reporting mechanisms, complete plans describing how the agency will achieve OMB's requirement to implement automated monitoring tools at all agency-owned data centers by the end of fiscal year 2018.</p>	<p>The Department of State agreed with our recommendation and described completed and planned actions to address it. Specifically, the department stated that it performed an analysis of tools, including shared services and commercial-off-the-shelf products. The department also stated that it was developing an acquisition strategy based on its research and planned to pursue a commercially available product. However, the department noted that budgetary constraints may delay the acquisition until fiscal year 2019 or later. In April 2019, the department provided an update data center inventory that showed automated monitoring tools had been installed at 49 of 84 open data centers (about 58 percent as opposed to the 65 percent target). However, the remaining 35 data centers did not have a target date for either installation of the automated monitoring tools or closure of the data center. We will continue to monitor the department's efforts to address this recommendation.</p>
<p>GAO-17-715</p> <p>Overseas Allowances: State Should Assess the Cost-Effectiveness of Its Hardship Pay Policies</p>	<p>The Director of the Office of Allowances (ALS) should clearly document how the conditions at relevant posts meet the criteria for Director Points to ensure that hardship pay rates for overseas posts are consistently determined across posts and tenures of ALS Directors.</p>	<p>In commenting on our report, State concurred with our recommendation. As of April 2019, the Director of ALS has not granted any Director Points since the subject GAO review was completed. According to State officials, should points be necessary in the future, ALS will document why the conditions at relevant posts require the use of Director Points connected with hardship pay rates. We will continue to follow-up on this.</p>
<p>GAO-17-738</p> <p>Federal Contracting: Additional Management Attention and Action Needed to Close Contracts and Reduce Audit Backlog</p>	<p>To enhance management attention to closing out contracts, the Secretary of State should develop a means at the agency level to track data on the entirety of the number and type of contracts eligible for closeout, where the contracts are in the closeout process, and establish goals and performance measures for closing contracts.</p>	<p>The Department of State agreed with the recommendation and is utilizing contracting system to manually identify and close inactive contracts. Also, the Department updated its procurement writing system to include a contract closeout field that will assist in identifying contracts requiring closeout. The new field can be queried and is manually completed upon closeout of contract to label the record as completed. In addition, the Department also plans to expand the system in the future to include tracking of contract administration and closeout milestones, and estimates to implement the tracking functionality by December 2019.</p>

	Recommendation text	Status summary
<p>GAO-18-136</p> <p>Democracy Assistance: State Should Improve Accountability Over Funding; USAID Should Assess Whether New Processes Have Improved Award Documentation</p>	<p>The Secretary of State should direct the Director of the Office of U.S. Foreign Assistance Resources to implement a process to improve the reliability, accessibility, and standardization of democracy assistance data across the geographic regions of the Bureaus of European and Eurasian Affairs and South and Central Asian Affairs, such as utilizing a centralized database for award data.</p>	<p>Department of State concurred with this recommendation and said it would take steps to implement it. In March 2019, Department of State reported that democracy assistance data for all bureaus, including the Bureaus of European and Eurasian Affairs (EUR) and South and Central Asian Affairs (SCA), are being tracked and its quality is being improved through the Department's Foreign Assistance Data Review (FADR) process, an ongoing process chartered in September 2014 to understand and document the Department's challenges with capturing all foreign assistance activities from budget planning and allocation through obligation and disbursement in multiple State-owned budget, financial, and program management systems. State reported that through the FADR process, the Office of U.S. Foreign Assistance Resources (F) has been working with the Bureau of the Comptroller and Global Financial Services (CGFS), the Bureau of Administration (A), and bureaus that administer Foreign Assistance to better capture transaction data for all types of foreign assistance-including democracy, human rights, and governance data. State also reported that 13 U.S. Embassy Public Affairs Sections in EUR that receive assistance funding to carry out democracy programs and all 11 posts in SCA are recording their assistance funding awards in the centralized State Assistance Management System (SAMS), which is one of the Department's financial management systems that is used for reporting foreign assistance transactions to ForeignAssistance.gov. As part of the FY 2019 appropriation, State was tasked with submitting a report on FADR progress to the Congressional committees on appropriation. After the report is sent to Congress, State plans to provide GAO the final report as well. When we confirm what further actions Department of State has taken in response to this recommendation, we will provide updated information.</p>

Legend:

DCOI=Data Center Optimization Initiative, DHS=Department of Homeland Security, EPA=Environmental Protection Agency, GSA=General Services Administration, HHS=Department of Health and Human Services, OBO=Department of State Bureau of Overseas Buildings Operations, OMB=Office of Management and Budget, OPM=Office of Personnel Management, SBA=Small Business Administration, SED=Standard Embassy Design, VA=Department of Veterans Affairs

Source: GAO. | GAO-19-524R

ENCLOSURE II: GAO Recommendations Made to the U.S. Agency for International Development (USAID) in Calendar Years 2017 That Remained Open as of May 15, 2019

Priority Recommendations

	Recommendation text	Status summary
<p>GAO-17-224</p> <p>International Food Assistance: USAID Has Controls for Implementation and Support Costs but Should Strengthen Financial Oversight</p>	<p>To enhance USAID's financial oversight of implementing partners' spending to implement and support Title II development and emergency projects, the USAID Administrator should develop, document, and implement a process for periodically conducting systematic, targeted financial reviews of Title II development and emergency projects. Such reviews should include efforts to verify that actual costs incurred for these projects align with planned budgets.</p>	<p>In December 2017, USAID informed us that it planned to conduct a limited number of systematic, targeted financial reviews in FY 2018, and that it planned to establish a compliance/review team to undertake these reviews in an ongoing basis in the future. In March and April 2019, USAID provided documentation of its procedures for selecting projects and for conducting these reviews, as well as evidence that it had conducted one review for a Title II development project and another for a Title II emergency project in fiscal year 2018. USAID also noted that it has hired a grants auditor who will lead the financial review efforts. USAID also provided evidence that it plans to conduct financial reviews for two Title II development projects in fiscal year 2019. As of April 2019, we are continuing to monitor USAID's actions in response to the recommendation.</p>
	<p>To enhance USAID's financial oversight of implementing partners' spending to implement and support Title II development and emergency projects, the USAID Administrator should take steps to ensure that it collects complete and consistent monitoring data from implementing partners for Title II development and emergency projects on the use of 202(e) funding for cash transfers, food vouchers, and local and regional procurement as well as data on the use of Title II funding for internal transportation, storage, and handling (ITSH) costs, in accordance with established requirements.</p>	<p>In December 2017, USAID informed us that new Title II development awards would require partners to adhere to a requirement that it added in July 2017 to the Food for Peace development award template, which requires programs to provide quarterly performance reports on actual cash transfers, food vouchers, and local and regional procurement activities. USAID also noted that it had developed a new WFP emergency award template with reporting requirements for monitoring data on cash transfers, food vouchers, and local and regional procurement activities. In February 2018, USAID provided support that it has developed training and standardized oversight staff roles and responsibilities to help ensure that complete and consistent monitoring data is collected for Title II development and emergency projects. However, USAID still needs to provide evidence that it collects complete and consistent monitoring data from implementing partners for Title II projects, in accordance with established requirements. As of April 2019, we continue to monitor USAID's ongoing actions taken in response to this recommendation.</p>

Other Recommendations

	Recommendation text	Status summary
<p data-bbox="188 327 326 354">GAO-17-224</p> <p data-bbox="188 392 401 625">International Food Assistance: USAID Has Controls for Implementation and Support Costs but Should Strengthen Financial Oversight</p>	<p data-bbox="453 327 976 663">To enhance USAID's financial oversight of implementing partners' spending to implement and support Title II development and emergency projects, the USAID Administrator should ensure that its requirements for implementing partners to provide monitoring data on an ongoing basis on the use of 202(e) funding for cash transfers, food vouchers, and local and regional procurement are consistent for Title II development and emergency projects</p>	<p data-bbox="1008 327 1531 1318">In December 2017, USAID informed us that new Title II development awards would require partners to adhere to a requirement that it added in July 2017 to the Food for Peace development award template, which requires programs to provide quarterly performance reports on actual cash transfers, food vouchers, and local and regional procurement activities. USAID also noted that it had developed a new WFP emergency award template with reporting requirements for monitoring data on cash transfers, food vouchers, and local and regional procurement activities. In February 2018, USAID provided support that it has developed training and standardized oversight staff roles and responsibilities to help ensure that complete and consistent monitoring data is collected for Title II development and emergency projects. In October 2018, USAID provided additional support that it has incorporated the requirement into recent Title II development awards. As of April 2019, USAID noted that they have not yet made any Title II emergency awards with 202(e) funding for cash transfers, food vouchers, or locally or regionally procured food in fiscal year 2019, which could demonstrate that they have incorporated the requirement into emergency awards. We continue to monitor USAID's ongoing actions taken in response to this recommendation.</p>
<p data-bbox="188 1356 315 1383">GAO-18-58</p> <p data-bbox="188 1421 427 1654">Syrian Refugees: U.S. Agencies Conduct Financial Oversight Activities for Humanitarian Assistance but Should Strengthen Monitoring</p>	<p data-bbox="453 1356 959 1520">USAID's Office of Food for Peace (FFP) should identify and implement a mechanism to conduct in-person monitoring visits in countries where security conditions limit such visits by FFP officers.</p>	<p data-bbox="1008 1356 1511 1625">USAID concurred with GAO's recommendation and noted that both Food for Peace Officer positions based in Jordan are fully staffed, increasing staff and monitoring capacity in the region. As of April 2019, USAID stated that the agency is still exploring options to increase oversight of Food for Peace programs in Lebanon.</p>

	Recommendation text	Status summary
<p>GAO-18-148</p> <p>Information Technology Reform: Agencies Need to Improve Certification of Incremental Development</p>	<p>The Administrator of the U.S. Agency for International Development (USAID) should ensure that the CIO of USAID establishes an agency-wide policy and process for the CIO's certification of major IT investments' adequate use of incremental development, in accordance with OMB's guidance on the implementation of FITARA, and confirm that it includes: a description of the CIO's role in the certification process; a description of how CIO certification will be documented; and a definition of incremental development and time frames for delivering functionality, consistent with OMB guidance.</p>	<p>The U.S. Agency for International Development (USAID) concurred with our recommendation and reported that it is in the process of establishing an agency-wide policy and process for the CIO's certification of adequate incremental development. Specifically, USAID officials reported in April 2019 that guidance on CIO certification was being developed but did not provide a time frame for when it will be finalized. We will continue to monitor USAID's progress in this effort.</p>

Legend:

CIO=chief information officer, FITARA=Federal IT Acquisition Reform Act, IT=Information Technology, USAID=U.S. Agency for International Development, WFP=World Food Program

Source: GAO. | GAO-19-524R

ENCLOSURE III: Department of State Comments on GAO Draft Report



United States Department of State
Comptroller
Washington, DC 20520

MAY 17 2019

Thomas Melito
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Mr. Melito:

We appreciate the opportunity to review your draft report,
“STATE AND USAID: Status of GAO Recommendations Made in 2017”
GAO Job Code 103400.

The enclosed Department of State comments are provided for
incorporation with this letter as an appendix to the final report.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey C. Mounts".

Jeffrey C. Mounts (Acting)

Enclosure:
As stated

cc: OIG - Norman Brown

Department of State Comments on GAO Draft Report

STATE AND USAID: Status of GAO Recommendations
Made in 2017
(GAO-19-524R, GAO Code 103400)

Thank you for providing the Department with the opportunity to respond to GAO's draft correspondence "*State and USAID: Status of GAO Recommendations Made in 2017.*" In response to the same congressional mandate, the Department is finalizing a similar report on actions taken, or to be taken, on these GAO recommendations. The Department has also provided this information as an appendix to the FY 2020 Congressional Budget Justification, pursuant to Public Law 115-414, *Good Accounting Obligation in Government Act*.

As you know, we value GAO recommendations to improve our programs and operations. The Department has been providing timely updates throughout the year and GAO has been posting them on its website, <https://www.gao.gov/reports-testimonies/recommendations-database/>. The Department will continue to work with GAO to assure that recommendations are closed as quickly as possible.

Text of Agency Comment Letter ENCLOSURE III: Department of State Comments on GAO Draft Report

Page 1

Thomas Melito Managing Director

International Affairs and Trade Government Accountability Office 441 G Street, N.W.

Washington, D.C. 20548-0001

Dear Mr. Melito:

We appreciate the opportunity to review your draft report,

"STATE AND USAID: Status of GAO Recommendations Made in 2017" GAO Job Code 103400.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

Sincerely,

Jeffrey C. Mounts (Acting)

Enclosure:

As stated

cc: OIG - Norman Brown

Page 2

Department of State Comments on GAO Draft Report

STATE AND USAID: Status of GAO Recommendations Made in 2017

(GAO-19-524R, GAO Code 103400)

Thank you for providing the Department with the opportunity to respond to GAO's draft correspondence "State and USAID: Status of GAO Recommendations Made in 2017." In response to the same congressional mandate, the Department is finalizing a similar report on actions taken, or to be taken, on these GAO recommendations. The Department has also provided this information as an appendix to the FY 2020 Congressional Budget Justification, pursuant to Public Law 115-414, Good Accounting Obligation in Government Act.

As you know, we value GAO recommendations to improve our programs and operations. The Department has been providing timely updates throughout the year and GAO has been posting them on its website, <https://www.gao.gov/reports-testimonies/recommendations-database/>. The Department will continue to work with GAO to assure that recommendations are closed as quickly as possible.

ENCLOSURE IV: United States Agency for International Development Comments on GAO Draft Report



Jason Bair
Acting Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20226

Re: State and USAID: Status of GAO Recommendations Made in 2017 (GAO-19-524R)

Dear Mr. Bair:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, *State and USAID: Status of GAO Recommendations Made in 2017*, (GAO-19-524R).

USAID is committed to the timely implementation of the GAO's recommendations. Beginning in December of 2017, the USAID Transformation Task Team (T3) instituted new procedures and best practices that have led to a 40-percent reduction in our response time to adopt and close GAO recommendations when compared to Calendar Years 2015 to 2017. USAID takes each of GAO's recommendations seriously, and we recognize the importance of respecting taxpayer investments in development by improving the economy, efficiency, and effectiveness of USAID's programming and operations. USAID has engaged extensively with the GAO to work towards the implementation of all outstanding recommendations from 2017, including by inviting GAO staff to view updated systems developed in response to audits of our food assistance. USAID continues to work with the GAO to provide additional evidence of our implementation of these recommendations.

I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of our fulfillment of the GAO's recommendations made in 2017.

Sincerely,

A handwritten signature in blue ink that reads "Frederick M. Nutt".

Frederick M. Nutt
Assistant Administrator
Bureau for Management

Enclosure: a/s

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
(USAID) ON THE DRAFT REPORT PRODUCED BY THE U.S. GOVERNMENT
ACCOUNTABILITY OFFICE (GAO) TITLED, “State and USAID: Status of GAO
Recommendations Made in 2017” (GAO-19-524R)**

The U.S. Agency for International Development (USAID) thanks the U.S. Government Accountability Office (GAO) for the opportunity to respond to this draft report. We appreciate the extensive work of the GAO engagement team and the specific findings that will help USAID achieve greater effectiveness in enhancing our financial oversight of implementing partners’ spending, the certification of our information-technology (IT) investment, and our in-person monitoring mechanisms of food assistance in security-constrained countries.

In response to each of the outstanding recommendations made in 2017, we provide the following updates:

GAO-17-224 (International Food Assistance): *To enhance USAID’s financial oversight of implementing partners’ spending to implement and support Title II development and emergency projects, the USAID Administrator should develop, document, and implement a process for periodically conducting systematic, targeted financial reviews of Title II development and emergency projects. Such reviews should include efforts to verify that actual costs incurred for these projects align with planned budgets. (Rec. 1)*

- USAID concurred with the recommendation. The Agency submitted a closure request to the GAO in March 2019, and has provided further documentation related to Title II development projects in response to recent questions.
- USAID has developed, documented, and implemented a process, including new award templates, for periodically conducting systematic, targeted financial reviews of Title II development and emergency projects, and undertook two reviews in Fiscal Year (FY) 2018.
- USAID has also provided evidence of plans to conduct financial reviews for two Title II development projects in FY 2019. The GAO has requested that USAID submit the 2019 financial reviews when they are available to close out the recommendation.
- USAID would like to note that, while the additional financial reviews will be for different awards, they will not demonstrate any new information on the processes USAID uses to conduct the reviews. Therefore, USAID believes that it has provided all of the necessary documentation to fulfill the recommendation, and we reiterate our request that the GAO close it as soon as possible.

To enhance USAID’s financial oversight of implementing partners’ spending to implement and support Title II development and emergency projects, the USAID Administrator should ensure that its requirements for implementing partners to provide monitoring data on an ongoing basis on the use of 202(e) funding for cash transfers, food vouchers, and local and regional procurement are consistent for Title II development and emergency projects. (Rec. 2)

- USAID concurred with the recommendation. In September 2017, the Agency submitted a request to close this recommendation, and received a request for additional information from the GAO, followed by four further requests in December 2017, June 2018, October 2018, and January 2019.
- USAID has provided documents from multiple awards to demonstrate our financial oversight of implementing partners' spending on Title II development and emergency projects, specifically on Section 202(e) funding for cash transfers, food vouchers, and local and regional procurement.
- To fulfill the most recent request for additional information, USAID awaits finalization of an award modification. Once the Office of Food for Peace (FFP) in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) has signed the award, USAID will submit the final document to the GAO.
- Following this submission, USAID hopes the GAO will agree to close the recommendation as soon as possible.

To enhance USAID's financial oversight of implementing partners' spending to implement and support Title II development and emergency projects, the USAID Administrator should take steps to ensure that it collects complete and consistent monitoring data from implementing partners for Title II development and emergency projects on the use of 202(e) funding for cash transfers, food vouchers, and local and regional procurement as well as data on the use of Title II funding for internal transportation, storage, and handling (ITSH) costs, in accordance with established requirements. (Rec. 3)

- USAID concurred with the recommendation. After submitting a request to close the recommendation, USAID received additional requests for information from the GAO in January, March, and June 2018.
- In response to the most recent request, USAID will submit two additional partner reports to further demonstrate our reporting on Section 202(e) funding for cash transfers, food vouchers, and local and regional procurement:
 - Because only a small number of awards include funding for these Section 202(e) activities, USAID must wait for partners to submit additional relevant reports to satisfy this request.
- USAID will submit two additional partner reports when they become available in the Summer of 2019. USAID previously submitted detailed internal guidance, awards, and five partner reports, including monitoring data from implementing partners, for Title II development and emergency projects on the use of Section 202(e) funding for cash transfers, food vouchers, and local and regional procurement.
- Following this submission, USAID hopes the GAO will agree to close the recommendation as soon as possible.

GAO-18-58 (Syrian Refugees): *USAID's Office of Food for Peace (FFP) should identify and implement a mechanism to conduct in-person monitoring visits in countries where security conditions limit such visits by FFP officers (Rec. 1)*

- USAID concurred with the recommendation, and plans to submit a closure request in June 2019.

- DCHA/FFP is now proceeding with a contract for third-party monitoring, and is conducting quarterly, senior-level staff visits to increase our oversight of our programming.
- Since the GAO published its audit, DCHA/FFP has taken the following specific steps:
 - Initiated Temporary Duty Assignments (TDYs):
 - To date, staff from Washington, D.C., traveled to Lebanon in November 2017, June 2018 and March 2019, and planning for the next trip is in progress.
 - DCHA/FFP notes that travel schedules must be flexible because of security constraints in the region, but is aiming to travel quarterly.
 - Investigated other staffing, TDY, and oversight mechanisms:
 - DCHA/FFP attempted to secure a dedicated Foreign Service National (FSN) position at the USAID Mission in Amman, Jordan:
 - However, the initial classification of the FSN position by USAID's Office of Human Capital and Talent-Management (HCTM) was not acceptable to DCHA/FFP, given the position's responsibilities, and DCHA/FFP appealed to HCTM.
 - On February 8, 2019, DCHA/FFP received notice that HCTM denied the appeal of the classification.
 - DCHA/FFP has attempted to secure TDYs by three different FSNs from USAID's Mission for West Bank/Gaza, but they will not be able to conduct regular monitoring because of visa and security challenges.
 - DCHA/FFP explored the use of a third-party monitoring (TPM) to provide regular oversight of activities in Lebanon. In light of other staffing challenges, this has been identified as the best solution to fulfill the GAO's recommendation.
 - Proceeded with internal approvals to use TPM to make regular site visits to activities funded by DCHA/FFP in the Middle East:
 - USAID has decided to buy into an existing TPM agreement, and the contract modification is in process.
 - With the TPM agreement, DCHA/FFP believes it will have addressed the recommendation, and the Agency will proceed to submit a request to the GAO to close it.

GAO-18-148 (Information Technology Reform): *The Administrator of the U.S. Agency for International Development (USAID) should ensure that the CIO of USAID establishes an agency-wide policy and process for the CIO's certification of major IT investments' adequate use of incremental development, in accordance with OMB's guidance on the implementation of FITARA, and confirm that it includes: a description of the CIO's role in the certification process; a description of how CIO certification will be documented; and a definition of incremental development and time frames for delivering functionality, consistent with OMB guidance. (Rec. 1)*

- In a February 2018 General Notice to all USAID staff, the Office of the Chief Information Officer (CIO) updated prior guidance on the requirement to use agile

development in compliance with the mandates of the Federal Information Technology Acquisition Reform Act (FITARA).

- On May 17, 2019, the Deputy Administrator approved a new Chapter of the Agency's Automated Directives System (ADS) making it effective immediately. Chapter 509 formalizes the CIO's role in certifying that the Agency's major IT investments are making adequate use of incremental development; describes how the CIO will document this certification; and defines "incremental development" and the time frames for delivering functionality, consistent with guidance from the Office of Management and Budget (OMB). The new Chapter also establishes that the CIO reports directly to the Administrator, in accordance with requirements established in the [Clinger-Cohen Act](#), [FITARA](#), the [E-Government Act of 2002](#), and [OMB Circular A-130](#), with daily oversight from the Assistant Administrator for Management.
- USAID now considers the recommendation implemented, and will immediately submit a request to the GAO to close it.

Text of Agency Comment, ENCLOSURE IV: United States Agency for International Development Comments on GAO Draft Report

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Jason Bair

Acting Director, International Affairs and Trade

U.S. Government Accountability Office 441 G Street, N.W.

Washington, D.C. 20226

Re: State and USAID: Status of GAO Recommendations Made in 2017 (GAO-19-524R) Dear Mr. Bair:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, State and USAID: Status of GAO Recommendations Made in 2017, (GAO- 19-524R).

USAID is committed to the timely implementation of the GAO's recommendations. Beginning in December of 2017, the USAID Transformation Task Team (T3) instituted new procedures and best practices that have led to a 40-percent reduction in our response time to adopt and close GAO recommendations when compared to Calendar Years 2015 to 2017.

USAID takes each of GAO's recommendations seriously, and we recognize the importance of respecting taxpayer investments in development by improving the economy, efficiency, and effectiveness of USAID's programming and operations. USAID has engaged extensively with the GAO to work towards the implementation of all outstanding recommendations from 2017, including by inviting GAO staff to view updated systems developed in response to audits of our food assistance. USAID continues to work with the GAO to provide additional evidence of our implementation of these recommendations.

I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of our fulfillment of the GAO's recommendations made in 2017.

Frederick M. Nutt

Assistant Administrator Bureau for Management

Enclosure: a/s

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COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE DRAFT REPORT PRODUCED BY THE U.S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO) TITLED, "State and USAID: Status of GAO

Recommendations Made in 2017" (GAO-19-524R)

The U.S. Agency for International Development (USAID) thanks the U.S. Government Accountability Office (GAO) for the opportunity to respond to this draft report. We appreciate the extensive work of the GAO engagement team and the specific findings that will help USAID achieve greater effectiveness in enhancing our financial oversight of implementing partners' spending, the certification of our information-technology (IT) investment, and our in-person monitoring mechanisms of food assistance in security-constrained countries.

In response to each of the outstanding recommendations made in 2017, we provide the following updates:

GAO-17-224 (International Food Assistance): To enhance USAID's financial oversight of implementing partners' spending to implement and support Title II development and emergency projects, the USAID Administrator should develop, document, and implement a process for periodically conducting systematic, targeted financial reviews of Title II development and emergency projects. Such reviews should include efforts to verify that actual costs incurred for these projects align with planned budgets. (Rec. 1)

- USAID concurred with the recommendation. The Agency submitted a closure request to the GAO in March 2019, and has provided further documentation related to Title II development projects in response to recent questions.
- USAID has developed, documented, and implemented a process, including new award templates, for periodically conducting systematic, targeted financial reviews of Title II development and emergency projects, and undertook two reviews in Fiscal Year (FY) 2018.
- USAID has also provided evidence of plans to conduct financial reviews for two Title II development projects in FY 2019. The GAO has requested that USAID submit the 2019 financial reviews when they are available to close out the recommendation.
- USAID would like to note that, while the additional financial reviews will be for different awards, they will not demonstrate any new information on the processes USAID uses to conduct the reviews. Therefore, USAID believes that it has provided all of the necessary documentation to fulfill the recommendation, and we reiterate our request that the GAO close it as soon as possible.

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GAO Job code (103400)