



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

**FOLLOWUP AUDIT ON
RECOMMENDATIONS
INCLUDED IN THE AUDIT OF
SELECTED USAID BUREAUS'
TRAINING, USE AND
ACCOUNTABILITY OF
COGNIZANT TECHNICAL
OFFICERS**

AUDIT REPORT NO. 9-000-08-004-P
January 24, 2008

WASHINGTON, DC

January 24, 2008

MEMORANDUM

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FROM: IG/A/PA Director, Steven H. Bernstein /s/

SUBJECT: Followup Audit on Recommendations Included in the Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers Audit Report No. 9-000-03-009-P, dated September 22, 2003. (Audit Report No. 9-000-08-004-P)

This memorandum transmits our final report on the subject audit. We have carefully considered your comments on the draft report and have included them in their entirety in appendix II of this report.

This report includes seven recommendations to help strengthen the bureaus' ability to provide training to their cognizant technical officers and hold them accountable for performing their duties. For recommendation 3, the Office of Human Resources provided evidence that corrective actions have been implemented. Therefore, we consider recommendation 3 to have received final action upon issuance of this report. For recommendations¹ 1, 2, 4, 5, 6, and 7, the bureaus provided agreement, corrective action plans, and target completion dates. Therefore, we consider that management decisions have been reached for recommendations 1, 2, 4, 5, 6, and 7. Please provide the Office of Audit, Performance, and Compliance Division with evidence of final action in order to close recommendations 1, 2, 4, 5, 6, and 7.

I appreciate the cooperation and courtesy extended to my staff during the audit.

¹ For recommendation 1, the Asia and Near East Bureau provided evidence that corrective actions have been implemented. Therefore, we consider recommendation 1 directed to the Asia and Near East Bureau to have received final action upon issuance of this report.

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SUMMARY OF RESULTS

On September 22, 2003, the Office of Inspector General (OIG) issued audit report No. 9-000-03-009-P, titled *Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers*. The audit report concluded that the USAID bureaus had not provided cognizant technical officers (CTOs) enough training to acquire core competencies or to understand and perform the full range of tasks assigned to them, and had not held them accountable for performing their critical acquisition and assistance responsibilities. To help strengthen the bureaus' ability to provide training to their CTOs and hold them accountable for performing their duties, the OIG made five recommendations. USAID bureaus concurred with all five recommendations. In a memorandum dated September 29, 2004, the Audit, Performance and Compliance Division determined that USAID had completed final actions for recommendations 1, 2, 3, 4, and 5.

The OIG conducted this audit to determine whether USAID had corrected the problems identified in the prior audit report. USAID bureaus and the Office of Acquisition and Assistance did not take effective corrective actions in response to recommendations 1, 3, and 5 of the prior audit report No. 9-000-03-009-P. (See page 4.)

For recommendation 1, USAID bureaus did not implement and maintain training plans for their CTOs. As of September 2007, the bureaus had 70 uncertified CTOs who had not taken the required training. Many of these CTOs did not understand the concept and application of financial management terms, including accrual and pipeline analyses. Instead of reopening recommendation 1, this report contains three new recommendations. (See pages 5–8.)

For recommendation 3, USAID bureaus had drafted language regarding CTO roles and responsibilities to be inserted in position descriptions, work objectives, or statements of work for each individual designated to serve as a CTO. However, problems remain with respect to incorporating CTO duties and responsibilities into performance evaluations. Instead of reopening recommendation 3, this report contains two new recommendations. (See pages 9–11.)

For recommendation 5, USAID issued a directive to require that acquisition and assistance staff provide sample letters for contracting officers to use in designating the CTO. However, the Office of Acquisition and Assistance did not ensure that these designation letters were prepared, properly signed, and documented. As a result, many CTOs were not properly designated in writing—31 of 64 award files tested did not contain or properly document designation letters. Instead of reopening recommendation 5, this report contains two new recommendations to strengthen USAID's ability to hold all of its CTOs accountable for performing their responsibilities. (See pages 11–13.)

For the new recommendations, USAID provided management comments that addressed the actions taken and/or agreed to be taken. For recommendation 3, the Office of Human Resources provided evidence that all corrective actions have been implemented. Therefore, we consider recommendation 3 to have received final action upon issuance

of this report. For recommendations² 1, 2, 4, 5, 6, and 7, the bureaus provided agreement, corrective action plans, and target completion dates. Therefore, we consider that management decisions have been reached for recommendations 1, 2, 4, 5, 6, and 7 (See pages 7-14).

² See footnote 1 on transmittal memorandum page.

BACKGROUND

The U.S. Agency for International Development (USAID) uses the term cognizant technical officer (CTO) to denote the individual who may be responsible for certain defined actions involving grants and cooperative agreements, as well as contracts. When acting within the scope of the delegated authority, the CTO binds the U.S. Government as surely as the contracting officer.³ The CTO's primary responsibility is to ensure, through liaison with contractors and grant recipients, that the technical and financial aspects of the acquisition or assistance instrument are realized. For that reason, contracting officers have been instructed to designate a properly trained individual to serve as the CTO for each contract or assistance award.

On September 22, 2003, the Office of Inspector General (OIG) issued audit report No. 9-000-03-009-P, *Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers*. The audit report concluded that the USAID bureaus had not provided CTOs enough training to acquire core competencies or to understand and perform the full range of tasks assigned to them. Moreover, the bureaus lacked a mechanism to identify the training needed. In addition, they lacked a process to formally hold all their CTOs accountable for the performance of the tasks assigned to them and did not ensure that designation letters were obtained for all awards.

The Global Health Bureau; the Economic Growth, Agriculture and Trade Bureau; the Asia and the Near East Bureau; and the Office of Acquisition and Assistance each submitted a memorandum to USAID's Audit, Performance and Compliance Division⁴ requesting closure of the recommendations made in the audit report. The attachments to the memorandum documented actions taken to implement the audit recommendations. In a memorandum dated September 29, 2004 Audit, Performance and Compliance Division determined that USAID had completed final actions for recommendations 1, 2, 3, 4, and 5.

AUDIT OBJECTIVE

As a part of the fiscal year 2007 audit plan, the Office of Inspector General conducted this audit to answer the following question:

- Did USAID's Global Health Bureau; the Economic Growth, Agriculture and Trade Bureau; the Asia and the Near East Bureau; and the Office of Acquisition and Assistance correct the problems identified in the *Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers*, audit report No. 9-000-03-009-P, dated September 22, 2003?

Appendix I contains a discussion of the audit's scope and methodology.

³ For the purposes of this report, the term "contracting officer" is used to represent warranted contracting office staff responsible for awarding contracts, grants, or cooperative agreements.

⁴ The Audit, Performance and Compliance Division manages USAID's audit management and followup program. Managing this program includes serving as the USAID focal point for the analysis, tracking, and followup of OIG audits and other reports/reviews.

AUDIT FINDINGS

USAID bureaus and the Office of Acquisition and Assistance did not take effective corrective actions in response to recommendations 1, 3, and 5 of audit report No. 9-000-03-009-P.

In response to recommendation 1, USAID bureaus outlined plans of action to address their concerns and established a target completion date of September 29, 2004. However, the bureaus did not complete the training plans for uncertified CTOs. As a result, many CTOs have not received the required training and certification (see Table 1). Additionally, the bureaus need to update the CTO certification training program to include the financial management requirements detailed in USAID's Automated Directives System 202.3.7.

In response to recommendation 3, the bureaus drafted language regarding CTO roles and responsibilities to be inserted in position descriptions, work objectives, or statements of work for each individual designated to serve as a CTO. However, problems remained in incorporating CTO duties and responsibilities into the performance evaluations.

In response to recommendation 5, the Office of Acquisition and Assistance (1) issued a policy general notice reminding contracting officers of their responsibility to designate CTOs and (2) provided updated designation letters that addressed assistance instruments, as well as contracts. However, the problems persisted CTOs did not always receive designation letters and did not always have the letters documented in the award files, as required by Federal guidance and USAID policy.

USAID bureaus and the Office of Acquisition and Assistance each submitted a memorandum to Audit, Performance and Compliance Division requesting closure of recommendations 1, 3, and 5 that were made to correct problems identified in the prior audit report. However, problems continued to exist in the following areas:

- Completing the training plans for uncertified CTOs.
- Updating the CTO certification training program.
- Incorporating CTO duties and responsibilities into performance documents.
- Signing and documenting CTOs' designation letters.

These problem areas are discussed in the following sections.

Training Plans for Uncertified Cognizant Technical Officers Were Not in Place

Summary: Both Federal procurement policy and USAID guidance require that USAID bureaus develop a written plan to allow CTOs to receive necessary training as quickly as possible and to obtain required competencies and subsequent certification. However, the bureaus did not implement and maintain training plans for their uncertified CTOs. As of September 2007, 70 uncertified CTOs had not taken the required training because of weaknesses in the Office of Human Resources' acquisition career management program. Without adequate training, CTOs might act outside the authorities delegated to them.

According to Office of Federal Procurement Policy Letter No. 05-01, dated April 15, 2005, civilian agencies are required to perform the following duties:

- Develop and maintain an acquisition career management program to ensure the development of a competent, professional workforce that will support the accomplishment of agency mission.
- Develop certification programs that generally reflect a Government-wide standard for education, training, and experience leading to the fulfillment of core competencies in a variety of acquisition-related disciplines. The certification will generally serve as one way to demonstrate that an employee meets the core education, training, and experience requirements, as appropriate, for that acquisition-related discipline (e.g., contracting, program management).
- Develop basic and refresher training requirements to ensure that contracting officer's technical representatives are adequately trained for the functions they perform in the acquisition workforce.

USAID's Automated Directives System (ADS) 202.3.4.3, *Achieving*, acknowledges the Office of Federal Procurement Policy's training requirements and discusses how USAID officials should comply with them. The ADS recognizes that it may sometimes be necessary to designate as CTO an individual who does not have the training required by the Office of Federal Procurement Policy. In these cases, the operating unit should develop a written plan to allow the individual to receive the necessary training as quickly as possible to obtain the required competencies and subsequent certification. According to ADS 302.3.7.1a, all individuals who are appointed by letter from a contracting officer to be CTOs must meet USAID's specified mandatory CTO training and certification program requirements. These requirements must be met either (1) before the issuance of the CTO appointment letter or (2) within 1 year of issuance of the appointment letter. Further, ADS 302.3.7.1 states that the Office of Human Resources, Training, and Education team maintains a database of USAID CTOs that includes their certification status and the courses they have successfully completed.

However, bureaus did not implement and maintain training plans for their uncertified CTOs. Although each of the bureaus had developed and maintained Excel spreadsheet databases that contained CTO listings, the following problems remained:

- The data were not consistent among the bureaus.
- Some of the databases had no planned date for CTO training.
- The databases did not contain the dates when the CTOs were designated.
- Some databases contained names marked as "active" without designation letters.
- Some databases used the word "certification" while other used the word "active."
- Some databases contained names with neither certification nor designation—which meant that they were not CTOs.
- Some databases contained contractor/recipient names and obligation numbers, while others did not.
- Some databases contained a comment column, while others had none. In addition, the majority of those comments columns were not completed.
- No central list existed that showed all CTOs and the dates when each was designated and/or certified.

In the absence of training plans, as of September 2007, the bureaus had 70 uncertified CTOs who had not taken the required training as detailed in the following Table 1:

Table 1: Bureaus' List of Certified and Uncertified Cognizant Technical Officers

Bureau	Number of CTOs Reported	Number of Certified CTOs	Number of Uncertified CTOs	Percent of Uncertified CTOs
Global Health	163	114	49	30%
ANE	13	12	1	8%
EGAT	137	117	20	15%
Total	313	243	70	22%

Note: ANE = Asia and Near East Bureau; EGAT = Economic Growth, Agriculture and Trade Bureau

Weaknesses in the Office of Human Resources' (Human Resources) acquisition career management program allowed this laxity to occur. Although Human Resources issued a policy notice in September 2005 with an attached standardized CTO master list format that bureaus were required to use and maintain, Human Resources did not establish a system for keeping the master list current and providing it to bureaus periodically. The bureaus did not independently establish such a master list because neither the Phoenix Accounting System nor the New Management System contained current CTO information, such as CTO certificates issued by Human Resources and the CTO designation letters issued by the Office of Acquisition and Assistance. In addition, although Human Resources had drafted an ADS chapter on training and development to incorporate a mandatory reference to the 2005 policy notice, Human Resources never issued the chapter. The ADS chapter was intended to help bureaus understand the use of the CTO master list and to provide the directives and procedures to which employees must adhere.

Without adequate training, CTOs might act outside the authorities delegated to them or inappropriately delegate some administrative responsibilities to individuals who are not designated CTOs. The original recommendation was directed only to the bureaus and not to the Office of Acquisition and Assistance and the Office of Human Resources. Therefore, instead of reopening recommendation 1 from the September 2003 audit report, this audit makes the following two new recommendations. These recommendations will strengthen the bureaus ability to provide training to their uncertified CTOs and thereby ensure that they understand and can perform the tasks assigned to them.

Recommendation No. 1: We recommend that the director of USAID's Asia and Near East Office of Strategic Planning and Operations; the director of USAID's Economic Growth, Agriculture and Trade Office of Professional Development and Administrative Management; and the controller of USAID's Global Health Office of Strategic Planning, Budgeting and Operations have all 70 uncertified cognizant technical officers attend the training courses mandated by interim update 05-13 and Automated Directives System Chapter 302.3.7.1.a and b.

Recommendation No. 2: We recommend that the director of USAID's Office of Human Resources Training Division coordinate with the director of USAID's Office of Acquisition and Assistance to develop and implement a more effective cognizant technical officer training program that will (a) maintain master lists that contain current information on the training and certification of cognizant technical officers, (b) help ensure that all bureaus provide required training to their cognizant technical officers, and (c) formalize the new system and policy requirements in the Automated Directives System.

Training Courses Need to Include Financial Management Issues

Summary: Pursuant to Office of Federal Procurement Policy, the chief acquisition officer is responsible for developing basic and refresher training requirements to ensure that CTOs receive adequate training for the functions they perform in the acquisition workforce. Also, the ADS requires that the strategic objective's financial position be planned and measured by projecting and analyzing trends and relationships of several key sets of budget and financial data. Therefore, it is important that CTOs understand these financial management terms as USAID applies them. However, many of the CTOs did not understand several of these terms. This occurred because the CTOs were not offered training in budget and financial management. Without adequate training, CTOs might not be equipped with the knowledge and skills needed to perform their core responsibilities.

According to Office of Federal Procurement Policy Letter 05-01, *Developing and Managing the Acquisition Workforce*, the chief acquisition officer is responsible for developing basic and refresher training requirements to ensure that contracting officers' representatives and contracting officers' technical representatives are adequately trained for the functions they perform in the acquisition workforce. USAID uses the term "cognizant technical officer" (CTO).

According to ADS 202.3.7.1, the financial position of a strategic objective and its activities is critically important to achieving desired results. The strategic objective teams must prudently plan, monitor, and manage the financial aspects of their program throughout the life of the strategic objective. The strategic objective financial position can be planned and measured by projecting and analyzing trends and relationships of several key sets of budget and financial data. Therefore, it is important that CTOs understand these budget and financial requirements. However, many CTOs were not offered training in budget and financial management as part of the certification process.

CTOs responding to an OIG questionnaire and in an interview reported a need for more training to understand these requirements. For example, 5 of 23 (22 percent) CTOs lacked the knowledge of accruals and pipeline analyses, and 6 of 23 (26 percent) lacked the knowledge of closeout and/or terminate contract appeals and protests. Furthermore, these CTOs indicated a need for additional training as follows:

- Understanding the accrual and pipeline process.
- Administering financial management responsibilities, such as closeout process.

USAID's Learning Support Division stated that this problem is caused by many factors. The CTO certification program was condensed from three courses into two courses in April 2003. The Division was concerned that including an additional course in this new streamlined certification program would make it too long and would keep many CTOs and CTO supervisors from attending. Also, USAID had budget constraints that affected training programs prior to 2006, making it difficult to offer additional courses. However, one Division official stated that a budget increase in fiscal year 2007 enabled the Division to redesign the certification program to include a financial management course.

It is critical that trained personnel administer the training and certification of CTOs, given the significance and dollar magnitude of USAID's acquisition and assistance program. To perform critical tasks efficiently and correctly, CTOs must be fully aware of the extent of their responsibilities and have the requisite competencies to perform them. For example, the fiscal year 2006 Federal Managers' Financial Integrity Act reports identified an instance of unauthorized commitment in one of the bureaus. This happened because the CTO had no financial management training.

Without adequate training, CTOs might not be equipped with the knowledge and skills needed to perform their core responsibilities. Therefore, this audit makes the following recommendation.

Recommendation No. 3: We recommend that the director of USAID's Office of Human Resources update the cognizant technical officer certification training program to include all the required financial management responsibilities detailed in Automated Directives System 202.3.7.

Performance Evaluations Lacked Cognizant Technical Officers' Duties and Responsibilities

Summary: USAID policies require that employees and personal services contractors be evaluated annually, that they develop annual employee performance plans, and that administratively determined employees⁵ be evaluated in the same manner as career and career-conditional civil service employees. Despite the CTOs' critical role, only 23 of 42 CTOs' files reviewed indicated that CTOs had tasks specific to their CTO responsibilities included in their performance evaluations. Nineteen of the 42 files did not indicate that the CTOs were held accountable for performing CTO duties. This occurred because the bureaus placed greater emphasis on an individual's program management skills and performance than on the CTO competencies and performance. Unless CTOs' duties and responsibilities are incorporated into their performance evaluations, they will not be held accountable for performing their duties.

USAID policies require that employees and personal services contractors be evaluated annually. ADS 462, *Employee Evaluation Program, Civil Service* requires supervisors to work with U.S. direct hire employees to develop annual employee performance plans that contain work objectives and performance measures for critical tasks against which actual performance will be compared. Also, ADS 413.5.17c, *Performance Evaluation* states that administratively determined employees are evaluated in the same manner as career and career-conditional civil service employees.

Despite their critical role and the amount of time they spent on CTO-related activities, only 23 of 42 CTO personnel files reviewed indicated that CTOs had tasks specific to their CTO responsibilities included in their performance evaluation documents (e.g., in their position descriptions, statements of work, work objectives, and/or performance measures). The files of 19 individuals did not indicate that the CTOs were held accountable for performing their CTO duties:

- Fourteen had no duties and responsibilities included in their performance evaluation documents.
- Five had no position descriptions, statements of work, work objectives, or annual performance evaluation plan.

Table 2 provides more details on this issue.

⁵ Administratively determined employees: Section 625(b) of the Foreign Assistance Act of 1961, as amended, authorizes USAID to employ a specified number of persons in excepted positions in Washington, DC and provides further that such persons may be appointed, compensated, or removed without regard to the provisions of any law.

Table 2: CTOs’ Duties and Responsibilities Were Not Incorporated into CTOs’ Performance Evaluations and Not Documented

Bureau	Number of CTO files reviewed	CTO duties not included in AEF ⁶	CTO duties and AEF not documented
Global Health	20	6	5
EGAT	15	6	0
ANE	7	2	0
Total	42	14	5

Note: ANE = Asia and Near East Bureau; EGAT = Economic Growth, Agriculture and Trade Bureau

Although CTOs play a critical role in the acquisition and assistance process, the bureaus did not hold all their CTOs accountable by incorporating CTOs’ duties and responsibilities into their performance evaluations. Greater emphasis was placed on CTOs’ management skills and performance than on their competencies and performance. Bureaus’ officials believe that programmatic responsibilities were a higher priority, even though the CTO duties were often the most time consuming. As a result, performance plans, statements of work, and work objectives for many of the CTOs emphasized their programmatic responsibilities and did not reflect their actual range of expected duties.

As a result of the problems discussed above, 19 CTOs were not held accountable for the proper execution of their tasks. Moreover, the lack of a formal system for evaluating the work of those hired under an alternative employment status, such as an administratively determined appointment, may result in those individuals not being evaluated at all. When CTOs’ duties and responsibilities are not incorporated into their position descriptions, work objectives, statements of work, or performance evaluation and/or when the documents are not written or documented, the CTOs may not be held accountable for performing their duties.

The original recommendation did not address the work of those hired under an alternative employment status, such as an administratively determined appointment. Instead of reopening recommendation 3 from the September 2003 audit report, this audit makes two new recommendations. These recommendations will help strengthen the bureaus’ ability to hold all their CTOs accountable for performing their responsibilities.

Recommendation No.4: We recommend that the director of USAID’s Asia and Near East Office of Strategic Planning and Operations; the director of USAID’s Economic Growth, Agriculture and Trade Office of Professional Development and Administrative Management; and the controller of USAID’s Global Health Office of Strategic Planning, Budgeting and Operations incorporate cognizant technical officer duties and responsibilities into position descriptions, work objectives, statements of work, and performance evaluations for all cognizant technical officers included in their standard master list.

⁶ Annual evaluation form (performance evaluation document)

Recommendation No. 5: We recommend that the controller of USAID's Global Health Office of Strategic Planning, Budgeting and Operations prepare position descriptions and annual evaluation forms for all administratively determined personnel in accordance with Automated Directives System Chapters 413 and 462.

Cognizant Technical Officers' Designation Letters Were Not Signed and Documented

Summary: Federal acquisition regulations require contracting officers to provide written authorization to delegate contract administrative responsibilities. Additionally, USAID policies require that the contracting officer designate in writing the individual nominated by each strategic objective team to be the CTO. The CTOs' designation letters were not signed and hard copies were not maintained in a central file location or award file. The contracting officers did not provide written authorization to delegate award administrative responsibilities. The Office of Acquisition and Assistance did not ensure that these designation letters were prepared, properly signed, and documented. As a result, many CTOs were not properly designated. Because the Office of Acquisition and Assistance did not have an updated list of CTOs and awards, it was difficult for the Office of Acquisition and Assistance to manage the issuance of designation letters. Without the letters, CTOs may be unaware of the limits and extent of their authorities and responsibilities.

Federal Acquisition Regulation 42.202(a) states that contracting officers may delegate contract administrative responsibilities through written authorization. Additionally, ADS 202.3.4.3c requires that the contracting officer designate in writing the individual nominated by each strategic objective team to be the CTO.

The CTOs' designation letters were not signed and hard copies were not maintained in a central file location or award file. The contracting officers did not provide written authorization to delegate award administrative responsibilities. The Office of Acquisition and Assistance did not ensure that designation letters were prepared, properly signed,⁷ and documented. As a result, many CTOs were not properly designated in writing. As shown in Table 3, 31 of 64 award files reviewed did not contain or properly document designation letters. Most did not have written responsibilities for each award the CTOs managed—awards for which they could be held accountable.

⁷ For the purpose of this audit a "properly signed" designation letter must contain the signatures of the CTO and contracting officer.

Table 3: Signed and Documented Designation Letters

Bureau	Number of award files reviewed	Number of files without designation letters	Number of designation letters not signed by contracting officer or CTO	Number of award files not available for review
Global Health	12	9	0	0
EGAT	40	6	15	0
ANE	12	0	1	3
Total	64	15	16	3

Note: ANE = Asia and Near East Bureau; EGAT = Economic Growth, Agriculture and Trade Bureau

According to USAID personnel, this problem stemmed from many factors. They stated that the Office of Acquisition and Assistance did not have an updated list of CTOs and awards, making it difficult to manage the issuance of designation letters. Some CTOs stated that they had not received a CTO designation letter because the designation letter had not been reissued when they replaced the original CTO. Others said that the individual had been designated in the award without a separate designation letter being issued. For the incomplete designation letters, some said that the contracting officers failed to issue designation letters in a timely manner, and the CTOs did not follow up to obtain and document the designation letters in award files. Others said that in some instances, it could be an oversight on the part of both the CTOs and the contracting officers. Concerning award files that were not available for review,⁸ the Asia and Near East Bureau personnel said that the files were in archive. However, the Bureau personnel were unable to provide support that the unavailable award files contained signed CTO designation letters and hard copies maintained in a central file location or award files. According to USAID personnel, a notice was distributed announcing the implementation of a Global Acquisition System for USAID employees. The Global Acquisition System will require the contracting officer to designate a CTO before an award can be finalized.

Designation letters are required for contracts and agreements to ensure that clear lines of contracting and agreement authorities and accountability are maintained. Without the letters, CTOs may be unaware of the limits and extent of CTO authorities and responsibilities. CTOs and their supervisors need to be aware of the critical tasks for which they are responsible so that these tasks can be completed properly and the CTOs can be held accountable for completing them.

The original recommendation directed the Office of Procurement (now the Office of Acquisition and Assistance) to issue designation letters for each contract and not for each award. USAID now has a new system, the Global Acquisition System to strengthen the issuance of designation letters. Therefore, instead of reopening recommendation 5 from the September 2003 audit report, this audit makes two new recommendations. These recommendations will strengthen the bureaus' ability to ensure that clear lines of authority and accountability are maintained for all contracts and agreements.

⁸ As stated in appendix III, 34 award files, (including the 3 unavailable files) did not contain CTO designation letters.

Recommendation No. 6: We recommend that the director of USAID's Office of Acquisition and Assistance prepare properly signed cognizant technical officer designation letters or have incomplete designation letters signed by the contracting officer and/or the cognizant technical officer for all the awards listed in appendix III.

Recommendation No. 7: We recommend that the director of USAID's Office of Acquisition and Assistance develop and implement a policy that requires properly signed cognizant technical officer designation letters to be issued before an award can be finalized in the Global Acquisition System.

EVALUATION OF MANAGEMENT COMMENTS

For recommendation 1, the Global Health, Asia and Near East, and Economic Growth, Agriculture and Trade bureaus provided agreement, corrective action plans, and target completion dates. Therefore, we consider that a management decision has been reached for recommendation 1. However, the Asia and Near East Bureau provided evidence that corrective actions have been implemented. Therefore, we consider recommendation 1 directed to the Asia and Near East Bureau to have received final action upon issuance of this report.

For recommendation 2, the Office of Human Resources, in coordination with the Office of Acquisition and Assistance, provided agreement, a corrective action plan, and a target completion date. Therefore, we consider that a management decision has been reached for recommendation 2.

For recommendation 3, the Office of Human Resources provided evidence that the CTO certification training program has been revised to include all the required financial management responsibilities. Therefore, we consider recommendation 3 to have received final action upon issuance of this report.

For recommendation 4, the Global Health, Asia and Near East, and Economic Growth, Agriculture and Trade Bureaus provided agreement, corrective action plans, and target completion dates. Therefore, we consider that a management decision has been reached for recommendation 4.

For recommendation 5, the Global Health Bureau provided agreement, a corrective action plan, and a target completion date. Therefore, we consider that a management decision has been reached for recommendation 5.

For recommendations 6 and 7, the Office of Acquisition and Assistance provided agreement, corrective action plans, and target completion dates. Therefore, we consider that management decisions have been reached for recommendations 6 and 7.

Management comments are included in their entirety in appendix II.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General's Performance Audits Division conducted this audit in accordance with generally accepted government auditing standards. This audit was designed to determine whether USAID's Global Health Bureau; the Economic Growth, Agriculture and Trade Bureau; the Asia and Near East Bureau; and the Office of Acquisition and Assistance had corrected the problems identified in the *Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers*, dated September 22, 2003. The purpose of the audit was to determine whether the corrective actions have improved CTOs' ability to execute their critical procurement-related responsibilities. The audit covered the period from September 29, 2004, to September 30, 2006.

In planning and performing the audit, we tested and assessed significant management controls, specifically the bureaus' processes for tracking individual training plans for all uncertified CTOs and processing CTO performance evaluations. We also assessed the Office of Acquisition and Assistance process of issuing designation letters to CTOs and reviewed documents that the bureaus' and the Office of Acquisition and Assistance provided to the Audit, Performance and Compliance Division requesting final action on the recommendations. We also reviewed the correspondence from the Audit, Performance and Compliance Division stating that recommendations 1, 3, and 5 had been closed. We judgmentally selected and reviewed 64 awards files. Also, we distributed a questionnaire related to CTO training, and obtained 23 responses. The audit was conducted at USAID in Washington, DC from July 9, 2007, through September 14, 2007.

Methodology

In planning and performing the audit, we obtained and reviewed the previous audit report; examined bureaus', the Office of Acquisition and Assistance's, and the Audit, Performance and Compliance Division's supporting documents that were prepared for the purpose of closing the recommendations; interviewed officials from the bureaus; and obtained questionnaire responses from selected CTOs.

To determine whether the bureaus' and the Office of Acquisition and Assistance's actions to close the recommendations in the prior audit report had corrected the identified problems, we reviewed bureaus' and the Office of Acquisition and Assistance's actions taken in response to the prior audit. The types of evidence reviewed included the award files, CTO personnel files, interviews, and questionnaire responses. In addition, we reviewed the Audit, Performance and Compliance Division's files for documenting the final actions taken by the bureaus and the Office of Acquisition and Assistance. To answer the audit objective, we performed tests to determine whether USAID management had (1) initiated a program to develop, execute, and track individual training plans for all uncertified CTOs and (2) incorporated and maintained a master list of CTOs. We also determined whether the Office of Acquisition and Assistance had

issued designation letters for each award in accordance with Federal guidance and USAID policy.

For criteria, we used the relevant information from USAID's Automated Directives System and other Federal policies. We relied upon audit report No. 9-000-03-009-P, on which this followup audit was based, to (1) identify and review the criteria that had been used and (2) gain an understanding of the reported findings. We also determined the extent to which the problem areas had been addressed through the bureaus' and the Office of Acquisition and Assistance's corrective actions. These determinations were based on professional judgment.

For recommendation 1 from the prior report, we obtained and reviewed each bureau's listing of CTOs in Excel spreadsheets and determined how many uncertified CTOs needed training. Also, we interviewed training coordinators and human resources personnel. We obtained and analyzed responses on distributed questionnaires related to CTO training.

For recommendation 3 from the prior report, we reviewed selected CTO personnel files to determine whether CTOs' duties and responsibilities were incorporated into their work objectives or statements of work, were included in their performance evaluation, and were documented. We also interviewed CTOs and contracting officers.

For recommendation 5 from the prior report, we obtained and reviewed selected award files to determine whether contracting officers issued designation letters to CTOs and whether the letters were properly signed, completed, and documented as required by Agency policy.

We set the following materiality standards for our testing and conclusions: (1) if at least 95 percent of the selected items met applicable requirements,⁹ then the tested items would have met performance criteria; (2) if at least 85 percent but less than 95 percent of the selected results met applicable requirements, then the tested items would have met applicable requirements, but with material exceptions; and (3) if less than 85 percent of the selected results met applicable requirements, then the tested items would not have met performance requirements.

Along with these threshold criteria, we also used auditors' judgment to determine the applicability of the threshold percentages, taking into consideration other factors such as the CTOs' vital role in USAID's acquisition and assistance process and the scope of their delegated authority that bind CTOs, contracting officers, and the U.S. Government.

⁹ For the purpose of this audit, if the corrective actions to close the recommendations met applicable requirements on (a) training plan for uncertified CTOs, (b) CTOs' duties and responsibilities incorporated into their performance evaluations, and (c) CTOs' designation letters issued and documented, it means the tests met performance criteria.

MANAGEMENT COMMENTS



December 20, 2007

TO: IG/A/PA, Steven H. Bernstein

THROUGH: Gloria White, M/CFO/APC /s/

FROM: ANE/SPO, Director, Kevin Brownawell
 EGAT/PDAM, Director, Mark Murray
 M/OAA/OD, Director, Maureen A. Shauket
 GH/SPBO, Controller, Kristine Smathers
 M/HR/OD, Director, Gene George

SUBJECT: Management Response to draft Follow-up Audit on Recommendations Included in the Audit of Selected USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers-Audit Report No. 9-000-03-009-R

Thank you for the opportunity to respond to the draft audit report. The report contains seven recommendations addressed to either the Asia Near East Bureau (ANE), Economic Growth, Agriculture, & Trade (EGAT), and Global Health Bureaus and the Offices of Acquisition and Assistance (OAA), and Human Resources (HR). Management comments from the three Bureaus and two Offices have been consolidated into a single management response memorandum. Following are general comments from EGAT and the management decisions and corrective actions for each of the proposed audit recommendations.

1. No single entity is explicitly invested with the authority to formally certify someone as a CTO. Interim update 05-13 specifies that M/OAA designates individuals to serve as CTO's; HR/TE implements the CTO training program; and CTO Certificates are jointly signed by M/OAA and HR. However, nowhere is it clearly stated which single entity has the authority to certify someone as a CTO. Given the legal authority vested in a Contracting Officer's warrant and the role of the CTO vis-à-vis the Contracting Officer, EGAT recommends that the Agency's lead procurement official be vested with the authority to certify CTO's.
2. The Follow-up CTO Audit Draft Report needs to accurately note the names of the organizational units being described, as the references to authorities and responsibilities carry meaningful distinctions as to who is responsible for which action. For example, "the Director of USAID's Economic Growth, Agriculture and Trade & Administrative Management," could refer to the Assistant Administrator of USAID's Bureau for Economic

Growth, Agriculture, and Trade (EGAT) or it could refer to the Director of the EGAT Office of Professional Development and Administrative Management (EGAT/PDAM).

3. Interim update 05-13 targets organizations or classes of employees for compliance. However, the Follow-up CTO Audit Draft Report targets individuals who do not have explicit roles per Interim update 05-13. The recommendations ought to be consistent with the interim update with regard to directives and recommendations.
4. While EGAT recognizes that the follow-on audit must deal with the specific operating units discussed in the original audit, the remedies ought to be applied Agency-wide to avoid confusion in the Agency's implementing regulations. The recommendations noted in the follow-on audit ought to be written as recommended changes to the ADS, a revised interim update, or other formal procedural documentation such as AAPD's, rather than instructions to specific operating units, which other operating units may fail to follow.
5. Recommendation No.1 and Recommendation No.2 should switch. Reform of the CTO management system (your Recommendation No.2) should be the first recommendation. Everything else flows from that recommendation.
6. Direct concerns in regards to Recommendation No. 2
 - Given the legal authority vested in a Contracting Officer's warrant and the role of the CTO vis-à-vis the Contracting Officer, EGAT recommends that the Agency's lead procurement official be vested with the authority to certify CTO's.
 - The description of the master list of CTO's, as described in interim update 05-13, should be amended to include separate columns for date of CTO certification and for date of issuance and return of signed CTO designation letters.
 - The Master List ought to be one semi-open architecture system owned by M/OAA and HR, with access allowed to bureaus to update bureau-specific information. This will avoid the confusion inherent in the different bureaus managing differently formatted or structured cuff records.

Following are the management decisions and corrective actions regarding the proposed audit recommendations:

Recommendation 1: We recommend that the Director of USAID's Asia and Near East Strategic Planning and Operations; the Director of USAID's Economic Growth, Agriculture and Trade & Administrative Management; and the Controller of the USAID's Global Health Bureau have all 70 uncertified cognizant technical officers attend the training courses mandated by interim update 05-13 and Automated Directives System Chapter 302.3.7.1.a and b.

GH - Management Decision: GH concurs with the recommendation. Since this audit was initiated, the number of uncertified CTO's has dropped by approximately two thirds within the GH Bureau.

In order to ensure that new staff receives the proper CTO training, GH's Office of Professional Development and Management Support (PDMS) has created a comprehensive orientation program that emphasizes CTO certification in addition to other core training. As part of the GH orientation program, new staff are provided a core training list that must be completed in the first year. The CTO certification courses are included on that list in addition to supporting information and documentation. PDMS professional development staff also follow up with new

staff individually to ensure that they have scheduled and/or completed training. In the event that a new staff member has not registered or taken the training, it is brought to the attention of the Office Director and supervisor. GH/PDMS is currently updating and documenting the GH Bureau Offices' CTO records, and is working with the Office Directors and supervisors to ensure that all remaining uncertified CTO's register and receive the required training. Upon receipt by GH/PDMS of Human Resources' confirmation of completion of training, this documentation will be submitted with a request to close this recommendation. **GH expects to complete closure of this recommendation by September 30, 2008.**

ANE - Management Decision and Request for Final Action: ANE concurs with the recommendation. The audit report lists one uncertified CTO for ANE. The one identified uncertified CTO has taken the required training courses and copies of the transcript and CTO Certification are attached (*attachment a*).

EGAT - Management Decision: EGAT concurs with the recommendation. EGAT will require the remaining staff members who have not completed their coursework to do so by June 30, 2008. If those individuals fail to complete their certification they will be reported to M/OAA for potential rescinding of their CTO status per interim update 05-13 section 12. **EGAT expects to complete closure of this recommendation by July 31, 2008**

Recommendation 2: We recommend that the director of USAID's Office of Human Resources Training Division coordinate with the director of USAID's Office of Acquisition and Assistance to develop and implement a more effective cognizant technical officer training program that will (a) maintain master lists that contain current information on the training and certification of cognizant technical officers, (b) help ensure that all bureaus provide required training to their cognizant technical officers, and (c) formalize the new system and policy requirements in the Automated Directives System.

HR and M/OAA agree with this recommendation, and will take the following actions to implement a more effective CTO training program. Regarding part (a) of this Recommendation (maintain master lists of the acquisition workforce that contains current information on their training and certification), the Office of Human Resources Training Division's (HR) Learning Management System provides a central record of all CTO courses taken by individual USAID employees, including CTO's. HR will regularly provide the Office of Acquisitions and Assistance with updated information on individuals who have completed the three courses required for CTO certification.

Regarding the remaining parts of this overall recommendation, M/OAA and HR agree that the most effective way to have bureaus ensure that CTO's get the required training is to rescind the designation if they fail to comply with the Agency's certification policy.

Therefore, M/OAA intends to revise its current CTO designation policy in ADS 302 (for contracts) and in ADS 303 (for assistance awards, grants and cooperative agreements) to require contracting officers (COs) and agreement officers (AOs) to determine the nominated CTO's certification status before issuing the designation letter. If the nominated CTO is not certified, the designation letter will include an expiration date for the designation that is based on the Agency's policy for CTO certification. The CO/AO will send a copy of this letter to the CTO supervisor and to the Bureau/Mission training coordinator (or other individual responsible for tracking CTO certification status), informing them of the CTO designation expiration date and that if the CTO is not certified by that date, the designation expires and the CO/AO will designate a new CTO, who in this case must be certified before being designated. If there are

no certified CTO candidates in that operating unit, the CO/AO will designate the CTO supervisor, who will also be subject to the same time limit for certification. If the operating unit is unable to nominate a certified CTO before the CTO supervisor's designation expires, M/OAA will notify the Mission Director and the Deputy Assistant Administrator. Because these changes to ADS 302 and 303 must go through the ADS clearance process, **M/OAA anticipates that the changes will be fully cleared and effective December 31, 2008.**

Recommendation 3: We recommend that the Director of USAID's Office of Human Resources update the cognizant technical officer certification training program to include all the required financial management responsibilities detailed in Automated Directive System Chapter 202.3.7

M/HR Management Decision and Request for Final Action: M/HR concurs with the recommendation. Since OIG fieldwork was completed in September, 2006, HR/TE has made the following changes in the CTO A&A curriculum (*attachment b*). These changes mean that all FM topics in ADS 202.3.7-8 are covered in the course:

- Completely revised the Curriculum in October, 2006, updating and expanding the Financial Management Sections. Since the course has been upgraded, participants are commenting on how useful this section has become to their CTO management.
- Updated the classroom Accruals training in May, 2007
- Added an on-line Phoenix Accruals course that is a now pre-requisite for taking the CTO A&A course.

Recommendation 4: We recommend that the Director of USAID's Asia and Near East Strategic Planning and Operations; the Director of USAID's Economic Growth, Agriculture & Trade and Administrative Management; and the Controller of the USAID's Global Health Bureau incorporate cognizant technical officer duties and responsibilities into position descriptions, work objectives, statement of work, or performance evaluations for all cognizant technical officers included in their standard master list.

GH - Management Decision: GH concurs with the recommendation. Since the end of the rating cycle is approaching, GH's Office of Professional Development and Management Support (PDMS) is focusing on incorporating CTO duties and responsibilities into performance evaluation plans. PDMS's human resources staff has reviewed all of the 2007 evaluation plans and is now working with Office Directors and supervisors to revise those plans to include the required language to address CTO duties and responsibilities. Upon completion of this effort, the supporting documentation will be submitted with a request to close this recommendation. **GH expects to complete closure of this recommendation by April 15, 2008.**

ANE - Management Decision: In view of the two rating systems, GS and FS, and the fact that the rating system for GS is nearing the end of the cycle, ANE for the new rating cycle will identify CTO's and incorporate relevant CTO performance language where appropriate. For the FS employees, in consultation with M/HR, ANE will work to ensure where appropriate and as advised move to include relevant CTO performance language into the AEFs for FS employees. **ANE expects to complete closure of this recommendation by December 18, 2008.**

EGAT - Management Decision: EGAT concurs with the recommendation. EGAT already includes CTO responsibilities in Civil Service and Foreign Service AEFs, PASA/RSSA/PSC statements of work, and position descriptions per Interim Update 05-13. EGAT will specifically review CTO employees' responsibilities as part of the upcoming evaluation cycles and

contracting cycles, and will ensure compliance within the timeframe of those cycles. Please note that EGAT does not have authority to unilaterally change position descriptions and therefore EGAT will include the standard mandatory CTO language promulgated by M/OAA and HR to all new position descriptions for recruitments that are expected to have CTO duties.

EGAT expects to complete closure of this recommendation by October 30, 2008.

In addition, EGAT strongly recommends that, as owners and operators of the CTO management system, M/OAA and HR draft standard mandatory CTO language for Agency-wide incorporation into Civil Service and Foreign Service AEFs, PASA/RSSA/PSC statements of work, and position descriptions. Elsewhere it is recommended that OAA and HR keep the master list. Here it is implied that Bureaus will keep their own separate standard master lists. The Master List ought to be one semi-open architecture system owned by M/OAA and HR, with access allowed to bureaus to update bureau-specific information. This will avoid the confusion inherent in the different bureaus managing differently formatted or structured cuff records.

Recommendation 5: We recommend that the Controller of the USAID's Global Health Strategic Planning, Budgeting and Operations prepare position descriptions and annual evaluation forms for all administratively determined personnel in accordance with Automated Directives System Chapters 413 and 462.

GH concurs with this recommendation. GH's Office of Professional Development and Management Support (PDMS) is currently working with the supervisors of AD personnel to ensure that work objectives are developed and incorporated in evaluation plans and that position descriptions are written to incorporate the CTO roles and responsibilities. Upon completion of this effort, the supporting documentation will be submitted with a request to close this recommendation. **GH expects to complete closure of this recommendation by April 15, 2008.**

Recommendation 6: We recommend that the Director of USAID's Office of Acquisition and Assistance prepare properly signed cognizant technical officer designation letters or have incomplete designation letters signed by the contracting officer and/or the cognizant technical officer of all the awards listed in appendix III.

M/OAA agrees with this recommendation and will ensure that designation letters are signed by both the CO/AO and the CTO for each award listed in appendix III. M/OAA will provide copies of these signed letters to M/CFO/APC by January 31, 2008.

Recommendation 7: We recommend that the Director of USAID's Office of Acquisition and Assistance develop and implement a policy that requires properly signed cognizant technical officer designation letters to be issued before an award can be finalized in the Global Acquisition System.

M/OAA agrees with this recommendation and will include this policy in the ADS 302 and 303. Because these changes to ADS 302 and 303 must go through the ADS clearance process, **M/OAA anticipates that the changes will be fully cleared and effective December 31, 2008.**

LIST OF AWARDS

34 Award Files Without Complete CTO Designation Letters

EGAT Award #	Auditors' Comments
EPP-I-00-03-00013-00	Not documented
AFP-I-00-03-00035-00	Not documented
AFP-I-00-03-00020-00	Not documented
AFP-I-00-03-00029-00	Not documented
AFP-I-00-03-00030-00	Not documented
EDH-A-00-03-00018-01	Contracting Officer did not sign
EDH-A-00-03-00020-03	Contracting Officer did not sign
EDH-A-00-03-00021-02	Same as above
EDH-A-00-03-00022-02	Same as above
EDH-A-00-03-00023-03	Same as above
EDH-A-00-03-00024-02	Same as above
EGA-A-00-03-00002-03	Same as above
FAO-A-00-99-00014-07	Same as above
FAO-A-00-99-00016-07	Same as above
FAO-A-00-99-00017-07	Same as above
FAO-A-00-99-00018-08	Same as above
GDG-R-00-01-00019-00	Same as above
GDG-A-00-03-00008-00	CTO did not sign
EPP-I-00-05-00010-00	Contracting Officer did not sign
GDG-A-00-03-00008-00	CTO did not sign
PCE-G-00-98-00036-00	Not documented
ANE Awards #	Auditors' Comments
RAN-M-00-06-00046-00	Contracting Officer did not sign
EEE-A-00-02-00038-00	File not available
ANE-P-00-02-00005	File not available
LAG-I-08-99-00017-00/08	File not available
Global Health Awards #	Auditors' Comments
GHS-A-00-03-00008-00	Not documented
GHS-A-00-06-00006	Not documented
AAG-G-00-99-00005	Not documented
GPH-G-00-01-00004	Not documented
HRN-A-00-97-00012	Not documented
GPH-A-00-02-00007	Not documented
GPO-C-00-03-00005-00	Not documented
GPO-A-00-04-00019	Not documented
PHN-P-00-00-0001-00	Not documented

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