

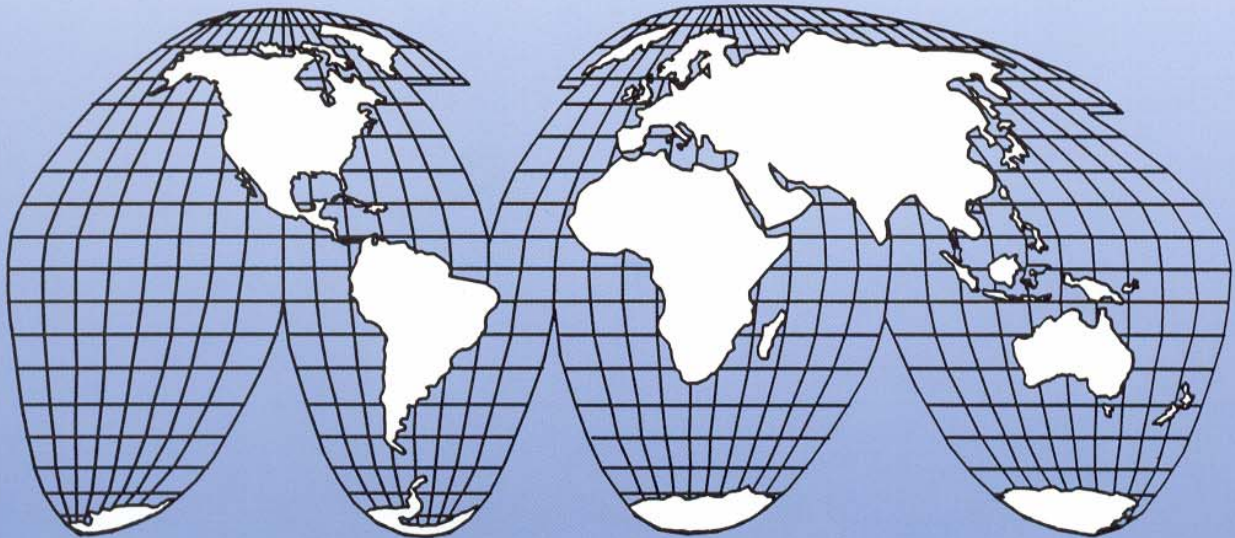
USAID

OFFICE OF INSPECTOR GENERAL

Audit of Field Support Mechanisms in the Global Health Bureau

Audit Report Number 9-000-05-001-P

December 7, 2004



Washington, D.C.

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December 7, 2004

MEMORANDUM

TO: AA/M, John Marshall
Acting AA/PPC, Barbara N. Turner
M/IRM, John Streufert

FROM: AIG/A, Bruce N. Crandlemire /s/

SUBJECT: Audit of Field Support Mechanisms in the Global Health Bureau
(Report No. 9-000-05-001-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we considered your comments on our draft report and have included your responses as Appendix II.

This report includes three recommendations to 1) coordinate the review, selection, and funding of an information systems solution to facilitate the commitment of and reporting on field support funds, 2) designate the owner of the selected information systems solution and 3) complete the planning, design, and implementation of the selected information systems solution. In your written comments, you concurred with those recommendations. Consequently, we consider that management decisions have been reached and that final action is pending on all three recommendations. Information related to your final action on these recommendations should be provided to USAID's Office of Management Planning and Innovation.

I want to express my sincere appreciation for the cooperation and courtesies extended to my staff during the audit.

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Summary of Results

USAID missions obtain a significant amount of their required technical services through USAID's field support mechanism. In fact, in FY 2003 alone, the Global Health Bureau (GH) received 1,100 separate field support requests, involving services totaling \$428 million. Unfortunately, USAID's current method for processing field support is burdensome and has imposed a heavy workload on the regional and pillar bureaus, particularly the GH Bureau which (1) maintains the field support database which contains all of USAID's field support requests and (2) processes (i.e., bundling for obligation) the bulk of the Agency's field support contracts and agreements (over 80 percent in FY 2003). (See "Background" section below.)

At the request of the Global Health Bureau, the Office of Inspector General conducted this audit to determine whether USAID can improve its ability to commit and obligate funds under its field support agreements. (See page 7).

The audit concluded that improvements could be made to significantly streamline the process for committing and obligating funds relating to field support agreements. (See page 7.) These improvements were identified in a recently completed study performed by USAID's Office of Information Resources Management (IRM), which proposed a solution involving the linkage of data contained in USAID's field support database to its primary accounting system (Phoenix). (See page 12.) The solution, which allows already gathered data contained in the field support database to be electronically transmitted into Phoenix to generate commitments, could reduce data input and result in a significantly less labor-intensive process, fewer errors, and reduced risk of unobligated field support funding remaining at year's end. (See page 12.)

We recommended that the Assistant Administrator for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—coordinate the review, selection and funding of an information systems solution to facilitate the commitment of and reporting on field support funds. We also recommended that the Assistant Administrator for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—designate the owner of the selected information systems solution. Finally, we recommended that the Director of the Office of Information Resources Management plan, design and implement the selected information systems solution. (See page 15.) Management concurred with our recommendations. (See page 15.)

Background

USAID missions can access centrally awarded contracts, cooperative agreements, and grants through several mechanisms. The most commonly used mechanism is "field support," through which missions buy in to agreements that are centrally managed by the pillar bureaus. Under this procurement process, missions initially identify their annual requirements and submit their requests for needed services or commodities via the Field Support Database System, an auxiliary on-line database

created by the Global Health Bureau for tracking the use of field support to ensure compliance with earmarks, directives, etc. Other pillar bureaus use this database as well to gather field support requests from their clients in the field. As these requests are received and approved by the regional bureaus, funding is transferred from the missions' budgets to the bureaus, where they are recorded in USAID's accounting system (Phoenix), posted initially as commitments, and later "bundled" by the pillar bureaus and obligated under specific agreements.

This field support process is a great convenience to overseas missions since it relieves them from the burden of having to procure and administer these contracts directly. During the five-year period from fiscal years (FYs) 1999 through 2003, the GH Bureau processed some 4,600 GH-related field support requests with a total value of \$1.76 billion, averaging over \$350 million per year. In FY 2003 alone, the GH Bureau received 1,100 separate field support requests, involving services totaling \$428 million, from 58 overseas missions, 5 regional offices, and 17 Washington D.C.-based operating units. These requests resulted in the procurement of services under 66 existing GH-managed contracts, cooperative agreements, and grants, representing 81 percent of the Agency's total field support.

Unfortunately, USAID's current method for processing field support is burdensome and has imposed a heavy workload on the regional and pillar bureaus, particularly the GH Bureau which has responsibility for (1) maintaining the field support database which contains all of USAID's field support requests and (2) processing (i.e., bundling for obligation) the bulk of the Agency's field support agreements (over 80 percent in FY 2003).

Further, as USAID prepares for the deployment of the Phoenix Accounting System to its overseas missions over the next two years, there are serious concerns that the central workload, particularly in the case of the GH Bureau, will dramatically increase in volume and complexity. This is because the current practice of "consolidating" (i.e., combining buy-ins by agreements) requests by regional bureaus, which significantly reduces the number of procurement actions to be processed, may be discontinued as a result of the planned deployment—causing the number of procurement actions to double. Such a dramatic increase in the number of transactions would make it difficult, if not impossible, for the GH Bureau to continue to process and track its field support requests without a change to the Phoenix system or additional resources. In light of these concerns, the GH Bureau requested that an audit be performed to look into this matter and identify possible solutions.

**Audit
Objective**

This audit was conducted at the request of the Global Health Bureau to answer the following question:

- Can USAID improve its ability to commit and obligate funds under its field support agreements?

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

**Audit
Findings**

USAID can improve its ability to commit and obligate funds under its field support agreements by linking its data in the field support database to the Phoenix Accounting System.

Because it is labor intensive and requires duplication of effort, the current process for committing and obligating funding under centrally managed field support agreements is burdensome to all participants. Moreover, with USAID's imminent deployment of the Phoenix Accounting System to overseas missions, there are serious concerns that the pillar bureaus' workload will dramatically increase in volume and complexity. Based on a recent study, USAID's Office of Information Resources Management (IRM) has developed a preliminary proposal to automate the field support process by linking the data in the field support database to USAID's Phoenix Accounting System. Based on our review of IRM's solution, we believe that this procedural change will not only reduce the current burden associated with processing field support requests but will also enhance existing internal controls, helping to ensure that no committed funds remain unobligated at fiscal year end.

Description of the Current Process - Missions use the field support database to request needed services or commodities from centrally managed agreements. The regional bureaus input these requests as commitments into USAID's Phoenix Accounting System, after which they are "bundled" by the Global Health (GH) Bureau and obligated under specific agreements.

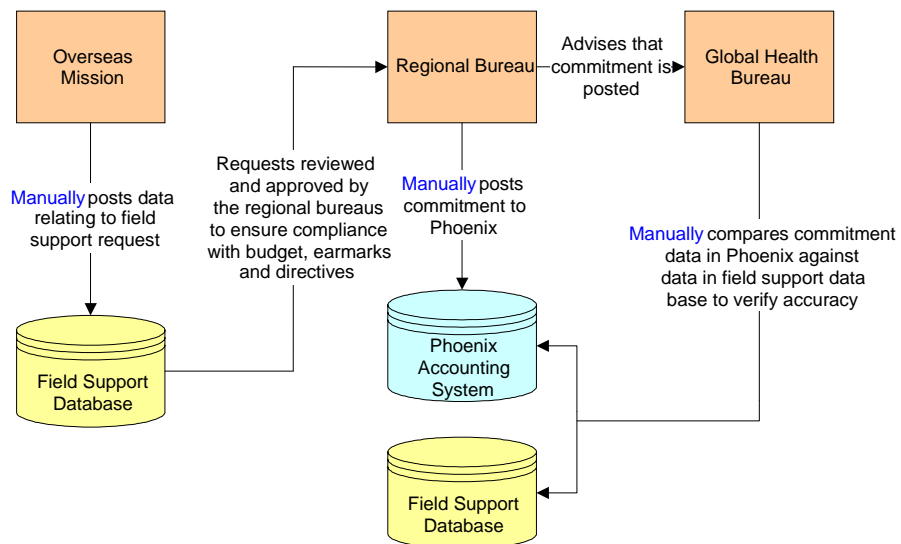
The GH Bureau created the field support database to monitor the planned requests from overseas missions for services already procured from contractors and grantees providing health-related services to USAID. The size of these field support agreements generally range from \$10,000 to \$10 million, with most falling between \$100,000 and \$1 million. Missions¹ that anticipate transferring funds to the centrally managed field support agreements first enter their annual requirements into a web-based field support database. Other pillar bureaus share this same database and use it to gather field support requests from their clients in the field. The database also contains historical data, allowing missions and bureaus to view their own field support requests back to the beginning of FY 1999. This historical information is useful for reporting to USAID's stakeholders.

¹ Some Washington-based offices also request field support through the database (although these represent only around 3 percent of the total).

Each year, missions that elect to use field support have a one-month window to enter their requests directly into the field support database. After this period, a field support baseline of requests is established, and the field support database no longer accepts direct entries by missions. This year, the GH Bureau established the baseline as of April 1, 2004. Subsequent changes to the baseline must be coordinated closely with the GH Bureau and the respective regional bureau program office. According to a GH bureau official, without this discipline the current system could not function. This process allows time for regional bureaus to distribute funds to the missions and to consolidate,² commit, and bundle for obligation the mission requests by agreement so that the workload of USAID’s Office of Acquisition and Assistance (OAA) is reduced.

After requests have been input into the database, regional bureaus compare each mission’s field support requests for compliance with its budget, directives, and earmarks. If correct—and if no further changes are requested by the mission—the bureaus manually enter this data from the field support database into Phoenix to commit the funds. Once the commitments are posted to Phoenix, the bureaus notify the GH Bureau by e-mail, showing the details of the transactions. The GH Bureau compares the commitment data in Phoenix with the field support database to ensure that no errors have been made.

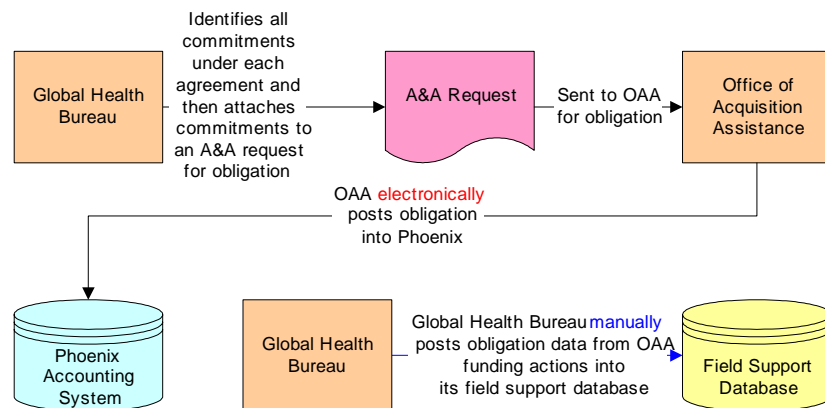
Current Process for Committing Field Support Funds



² The regional bureaus consolidate the missions’ buy-ins to field support agreements during the commitment phase by grouping the missions’ requests, sorted by agreement. The GH Bureau does a further consolidation by bundling the commitments for obligation.

Once this reconciliation is complete, the GH Bureau must look for all field support commitments in the Phoenix Accounting System pertaining to a particular agreement so they can be attached to an Acquisition and Assistance (A&A) request for obligation. The process of bundling these numerous commitments into a few A&A requests greatly reduces the workload of the OAA.³ The A&A requests are forwarded to OAA, which then generates an obligation that is posted to Phoenix. The GH Bureau manually updates this obligation data in its field support database by entering information gleaned primarily from incremental funding actions sent to the contractor or recipient.

Current Process for Obligating Field Support Funds



Problems associated with the current process - USAID officials—like all U.S. Government officials—are responsible for making efficient and effective use of the resources with which they have been entrusted. However, during our review of field support, we found that the current process used to commit and obligate funds to centrally managed agreements is labor intensive and burdensome to all involved. The process is labor intensive—in part—because there is no sharing of data between the field support database and Phoenix and because most overseas missions do not yet have access to Phoenix. As a result:

- Because most overseas missions cannot access Phoenix, the same commitment data must be entered manually into both the field support database and USAID’s Phoenix Accounting System (each regional bureau must enter the commitment data for its overseas missions).
- GH Bureau staff must manually update the field support database to reflect the obligation of funds in Phoenix.

Moreover, even though the field support requests are bundled and committed by the regional bureaus, the process of identifying and attaching the commitments to

³ For example, in FY2003 the GH Bureau received 1,100 separate field support requests from missions, offices, and bureaus. By bundling these requests, the GH Bureau reduced the number of A&A requests from 1,100 to 350—a reduction of over 68 percent.

a procurement action for obligation has also created a significant workload for the GH Bureau. Since each field support request must maintain its distinct identity, a separate line item is created in the field support database; that line item is eventually tracked back to the mission and its strategic objective. Identifying and sorting these line items has been a time-consuming task for the GH Bureau, which must manually reconcile the field support database with the individual commitments in Phoenix in order to ensure that no errors have been made before the commitments are attached to an A&A request and forwarded to the Office of Acquisition and Assistance (OAA) for obligation. To do otherwise would risk leaving funds unobligated at year end and, in certain cases, the permanent loss of funding if the funds involved are expiring appropriations.

As described above, the current field support process is burdensome and labor intensive. Consequently, it unduly consumes scarce USAID staff resources that might otherwise be used in managing and implementing USAID programs and operations. Many of these issues may be addressed by the solution proposed by IRM, described later in this report.

Further complicating the field support process is the fact that missions make changes to their requests after the field support baseline has been established. After a certain date,⁴ the missions cannot directly access the field support database to modify their requests. However, missions do submit changes and late requests via e-mail to the appropriate contact person in each of the pillar bureau offices. Any changes or additions to field support requests are then made by GH staff in the field support database, which the missions can view at anytime. GH estimates that up to a third of all field support requests are modified after the baseline is established and prior to commitment and obligation.

The problems associated with the current field support process are supported by the findings contained in a December 2002 report issued by Touchstone Consulting Group, which reported the following:

- The regional bureaus spend an enormous amount of time reconciling between the Phoenix Accounting System, their spreadsheets, and the field support database.
- All participants (regional and pillar bureaus, and the Office of Acquisition and Assistance) have a tremendous amount of workload and pressure at the end of the fiscal year trying to ensure that the field support services desired are within the mission budget and are obligated in a timely manner.

The GH Bureau reported similar conditions in its FY 2003 Federal Managers' Financial Integrity Act (FMFIA) report and cited these conditions as a material weakness. The weakness was identified as a lack of effective systems to manage field support transfers. Specifically, the GH Bureau's FMFIA report stated, "the

⁴ This year the baseline was established as April 1, 2004.

present field support system is badly broken. Current processes are excessively labor-intensive and it is, therefore, increasingly difficult to meet mission needs.” The report also stated that the present field support system may preclude GH and OAA’s ability to fully obligate field support funding. Further, once the Phoenix Accounting System is operating in the field, more disorder may be introduced into this system.

Potential problems associated with the Phoenix rollout - As USAID prepares for the deployment of the Phoenix Accounting System to its missions over the next two years, there are serious concerns that the central workload, particularly for the GH Bureau, will dramatically increase in volume and complexity. This is because the current practice of consolidating requests by regional bureaus, which combines requests and significantly reduces the number of commitments processed, could be eliminated because missions will process their own commitments—causing the number of procurement actions bundled by the GH Bureau and other pillar bureaus to potentially double. Such a dramatic increase in the number of transactions would make it difficult, if not impossible, for the GH Bureau to continue to process and track its field support requests without a change to the Phoenix system or additional resources.

We reviewed the GH Bureau’s analysis that was done to determine the increase in the number of commitments that would occur once missions had access to Phoenix and processed their own commitments. Since the regional bureaus would no longer be bundling these commitment transactions, the burden of bundling the increased transactions for obligation would fall primarily to the three pillar bureaus that manage field support agreements. We agree with the GH Bureau’s conclusion that, most likely, the number of transactions would significantly increase and possibly double the workload needed to attach the commitments to A&A requests for obligation.

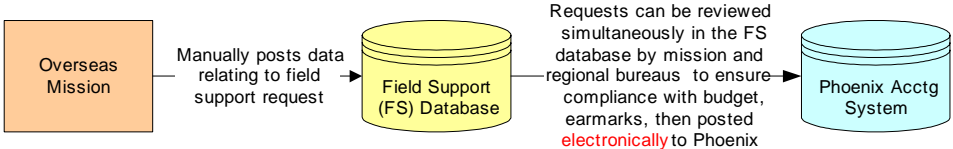
Therefore, with a potentially large increase in the number of commitments, it becomes more important to track the commitments so as to prevent significant unobligated funds remaining at the end of the fiscal year. In FY 2002, the GH Bureau identified \$4.1 million of commitments that had not been obligated at year’s end. In FY 2003, there were three separate requests totaling \$1.7 million that went unobligated. USAID risks the permanent loss of such funds if they are not obligated in a timely manner. A potential doubling of commitments after the rollout of the Phoenix Accounting System requires an efficient method to ensure that all funds reserved for field support requests are (1) entered into the field support database and (2) subsequently committed and obligated in Phoenix by year’s end.

Information Resources Management’s solution - In September 2003, the Office of Information Resources Management (IRM) accepted the challenge to take the lead in coordinating a working group with the purpose of solving the field support system challenges and addressing the material weakness reported in GH Bureau’s Federal Managers’ Financial Integrity Act Report for Fiscal Year 2003. Their

approach to field support was a significant part of a larger effort to develop an integrated Management/Executive Information System.

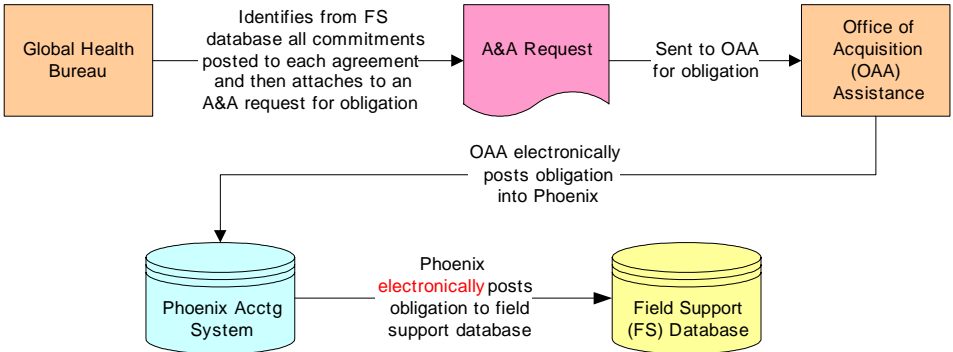
Based on a detailed study of the field support process, IRM developed a plan to automate the field support process by linking the data in the field support database to USAID’s Phoenix Accounting System. This linkage would produce two important improvements over the current process: (1) the data for commitments would be electronically moved from the field support database to the Phoenix Accounting System, thus preventing the regional bureaus from having to manually re-enter the same data twice and (2) the manual reconciliation of Phoenix commitments to the field support database could potentially be eliminated. This electronic process would reduce data input and result in a significantly less labor-intensive process, with fewer errors and a reduced risk of unobligated field support funding remaining at year’s end.

Proposed Process for Committing Field Support (FS) Funds



Another proposed IRM improvement, as depicted below, envisions a field support database that is accessible to all its users and that provides real-time information which is updated as transactions are posted. The field support database will be updated directly from Phoenix once obligations are posted from OAA’s procurement information system. This could make it easier for the pillar bureaus to identify unobligated commitments.

Proposed Process for Obligating FS Commitments and Posting to FS Database



Instituting IRM's proposal should make it easier⁵ for the GH Bureau to use the field support database in identifying commitments ready for attachment to an A&A request for obligation. The ability to search or sort the field support database for commitments lacking an obligation amount should make it easier for the GH Bureau to identify unobligated commitments and to attach those commitments to an A&A request for obligation.

Consequences of inaction – There are many potential consequences of inaction on the part of USAID. Some of these include:

- Unobligated Funds - According to officials from the Global Health Bureau, the present field support system relies on a stand-alone database to plan, manage, and keep track of approximately 1,400 separate fiscal year (FY) 2004 actions totaling over \$550 million from some 63 overseas operating units. This database is not linked in any way to the Phoenix Accounting System or to the A&A System. The planning and budgeting processes for these funds would remain unchanged, but moving the funds into Phoenix and A&A may become unmanageable and—according to Global Bureau officials—will likely result in up to 20% (\$110 million) of the planned field support funds remaining unobligated at the end of the fiscal year (FY) 2005.
- Support for HIV/AIDS - In FY 2004, an estimated 48% of the field support funds were classified as HIV funds (\$264 of \$550 million) and are an integral part of a highly visible, Presidential Emergency Plan for AIDS Relief. Following the roll out of Phoenix to the missions, the current field support system may no longer be able to successfully support this initiative.
- The Quality of Data May Suffer – In FY 2004, the \$550 million of field support funds were committed in Phoenix in some 700 separate transactions, which were manually entered into Phoenix by about 10 persons in Regional and Pillar Bureaus. After the Phoenix roll-out to the missions, some 65 to 120 persons in some 63 overseas operating units will generate an estimated 1,100 separate transactions in Phoenix that will still need to be entered into the Field Support database. Current naming conventions in Phoenix and strict timing constraints that allow 10 persons to manage the funds at present will not be enforceable with the expanded number of persons around the world generating Phoenix commitments. Funds may be lost in Phoenix and not obligated by fiscal year end and

⁵ Currently, a naming convention must be followed to make it easier to find field support commitments in Phoenix for obligation. If the naming convention is not followed, through error in data entry or other reasons, the pillar bureaus could miss a commitment. Under IRM's proposed plan, the pillar bureaus would use the field support database to identify commitments ready for obligation.

existing manual, quality, and verification controls for field support may become overwhelmed and cease to function effectively.

Summary - Based on our discussions with IRM staff and a review of their proposal, we concluded that the proposed solution would not only reduce the current burden in processing field support requests but would also enhance the GH Bureau's ability to ensure that no committed funds remain unobligated at fiscal year end. The process of electronically linking the data from the field support database into the commitment fields in Phoenix would eliminate the need to enter this same data twice—a duplication of effort. It would also eliminate the need to manually compare the commitment data in Phoenix with the field support database to ensure that the data was entered correctly. Lastly, linking the obligation back from Phoenix to the field support database would increase the GH Bureau's oversight of the obligating process since the GH Bureau (and the missions as well) will be able to use the field support database at anytime to identify commitments not yet obligated. This alone could greatly reduce the risk of unobligated field support funding remaining at year's end. Consequently, we believe that USAID should move forward with IRM's proposal.

However, to ensure the integrity of the resulting system, it is essential that the Agency proceed in a manner consistent with applicable legislation and regulations, such as the Federal Managers' Financial Integrity Act, the Federal Information Security Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act. Moreover, since the issues involved in this effort—such as the programming of field support, the development of an information system and its interaction with Phoenix—impact many USAID bureaus and offices, we believe it is important to have high-level coordination of this effort within USAID.

We believe that two key USAID bureaus should play important roles in facilitating this coordination. First, the Bureau for Management should take the lead in the process, since both the Office of Information Resources Management—which would lead the development of the system—and the Office of Financial Management—which has the responsibility for Phoenix—fall under the Management Bureau. Second, the Bureau for Policy and Program Coordination (PPC) should coordinate the participation of regional and pillar bureaus since PPC already handles a number of cross-cutting issues for USAID such as developing policies, strategies and the allocations of resources.

Finally, in addition to having coordination among the various parties, it is vital that USAID identify which agency official will be the “owner” of the information system. This is important because the owner of an information system is responsible for the overall procurement, development, integration, modification, or operation and maintenance of the information system.⁶

⁶ The responsibilities of the information system owner are delineated in the *Guide for the Security Certification and Accreditation of Federal Information Systems* (NIST SP 800-37).

To address the above issues, we are making the following recommendations.

Recommendation No. 1: We recommend that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—coordinate the review, selection, and funding of an information systems solution to facilitate the commitment of and reporting on field support funds with the deployment of Phoenix to overseas missions, in a manner consistent with applicable legislation and regulations, such as the Federal Managers’ Financial Integrity Act, the Federal Information Security Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act.

Recommendation No. 2: We recommend that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Program Policy and Coordination—designate the owner of the selected information systems solution.

Recommendation No. 3: We recommend that the Director of the Office of Information Resources Management complete the planning, design, and implementation of the selected information systems solution—in a manner consistent with applicable legislation and regulations, such as the Federal Managers’ Financial Integrity Act, the Federal Information Security Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act—by early calendar year 2006.

Evaluation of Management Comments

In their response to our draft report, USAID management concurred with our recommendations and described the following actions planned to address our concerns.

Recommendation No. 1 recommends that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—coordinate the review, selection, and funding of an information systems solution to facilitate the commitment of and reporting on field support funds. USAID management agreed with this recommendation and indicated that USAID was currently working on an information systems solution. Accordingly a management decision has been reached on the recommendation.

Recommendation No. 2 recommends that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Program Policy and Coordination—designate the owner of the selected

information systems solution. USAID management concurred with the spirit of this recommendation and suggested some report language based on what they believed we meant by the term “system owner”. To clarify our use of this term, we modified the report to include the definition of “system owner” used in the *Guide for the Security Certification and Accreditation of Federal Information Systems* issued by the U.S. National Institute for Standards and Technology. Based on management’s concurrence with the spirit of this recommendation, we conclude that a management decision has been reached.

Recommendation No. 3 recommends that the Director of the Office of Information Resources Management complete the planning, design, and implementation of the selected information systems solution by early calendar year 2006. Management agreed with the recommendation and, accordingly, has reached a management decision.

Scope and Methodology**Scope**

The Performance Audit Division of the Office of Inspector General conducted this audit in accordance with generally accepted government auditing standards. Fieldwork for this audit was performed at USAID's offices in Washington, D.C. between January 20, 2004 and August 18, 2004.

The purpose of this audit was to determine whether USAID could improve its ability to commit and obligate funds under its field support agreements. The audit scope focused on examining the procedures USAID used to allocate, commit, and obligate funds to GH's centrally managed field support agreements, which totaled over \$428 million in FY 2003. The scope also included reviewing the potential increases in workload and transactions once the Phoenix Accounting System was placed in overseas missions. However, since conversion to the Phoenix Accounting System was still in the initial phases at select accounting stations, we decided that visits to missions would not be appropriate.

In conducting our audit, we assessed the effectiveness of Global Health's internal controls with respect to field support activities. We identified internal controls such as:

- Maintenance of a field support database;
- Designation of a field support coordinator to monitor the field support activities for Global Health and other pillar bureaus;
- Verification of field support requests from the field support database to commitments in the Phoenix Accounting System; and
- Bundling of commitments by agreement for subsequent obligation by the Office of Acquisition and Assistance.

Methodology

The audit work focused on USAID's ability to commit and obligate funds under field support mechanisms in a timely manner based on concerns regarding the potential problems that may occur as a result of the planned roll-out of the Phoenix Accounting System. In planning and performing the audit, we obtained an understanding of rules, regulations, USAID procedures, and management controls related to the allocation of field support funds, request and modification procedures for field support, the commitment and obligation process, and the operation of the field support database.

In performing the audit, we examined pertinent documentation, such as (1) the field support assessment performed by Touchstone Consulting Group, Inc., Global Health's Federal Managers' Financial Integrity Report for FY 2003, and (3) USAID's financial management procedures. In addition, we observed and gained an understanding of the operation of the Agency's field support system, which consisted of a primary accounting system and an auxiliary field support database; appropriation and allocation process; request and modification procedures; and commitment and obligation method. To identify improvements to the field support process, we interviewed responsible officials in USAID's Global Health Bureau, Regional Bureaus, Pillar Bureaus, Office of Acquisition and Assistance, Office of Financial Management, Office of Information Resources Management, United States Department of Health and Human Services, AMS Consulting, and SRA International, Inc.⁷

Our audit also included several meetings designed to develop consensus on the best course of action for improving USAID's ability to commit and obligate funds under its field support agreements. In developing our recommendations, we discussed our proposals with staff within the Global Health Bureau, Office of Information Resources Management, AMS Consulting, and SRA International, Inc., to solicit feedback and ensure that proposed actions were appropriate and feasible.

A materiality threshold was not established for this audit since it was not considered to be applicable given the qualitative nature of the audit objective, which focused on procedural modifications that would enable USAID to improve its ability to commit and obligate funds under its field support agreements.

⁷ Both AMS Consulting and SRA International, Inc. are Phoenix implementers.

**Management
Comments**

November 22, 2004

MEMORANDUM

TO: AIG/A, Bruce Crandlemire

FROM: AA/M, John Marshall /s/
 DAA/PPC, Barbara Turner /s/

SUBJECT: Bureau for Management Comments of Draft Report on the Audit
 of Field Support Mechanisms in the Global Health Bureau
 (Report No. 9-000-05-00X-P)

Thank you for your memorandum of 1 October 2004 which transmitted your draft audit report of Field Support. We are grateful for the efforts of your staff in conducting this performance audit which was requested by the Bureau for Global Health.

USAID concurs with the spirit of all the findings in this audit report and proposes a few clarifications.

The field support system is vital to our efforts to provide field access to central contracts to support a number of development efforts, especially HIV/AIDS programs. Global Health Bureau has done vital work in establishing procedures to manage field support. We also agree with Global Health managers that as this program grows and as Phoenix rolls out to the field, our business practices will need to be modified in specific ways that will allow the Agency to take advantage of emerging technologies. Thus, we are especially grateful for your recommendations on how best to incorporate technological improvements. At the same time, we will continue to examine business practice and technological improvements under the aegis of the BTEC.

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

Recommendation No. 1: We recommend that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—coordinate the review, selection and funding of an information technology solution to facilitate the commitment of and reporting on field support funds with the deployment of Phoenix to overseas missions, in a manner consistent with applicable legislation and regulations, such

as the Federal Managers' Financial Integrity Act, the Federal Information Security Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act.

We accept the spirit of this recommendation.

We note that the phrase "information technology solution" used in all three recommendations seems to imply that the problems identified can be solved by technology alone. We note that an effective solution will require coordinated changes to policy, operational procedures, and organizational workflows, which can be supported and enhanced by technology. But these changes cannot be achieved by technology alone. Generally the term "information systems solution" is used to refer to this synergistic mix of information technology and business practice. We recommend that all three recommendations be changed to replace "information technology solution" with "information systems solution." In any case, we will assume, herein, that your recommendations meant to refer to such a solution using technical innovation to enhance business processes.

Proposed Recommendation No. 1: We recommend that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—coordinate the review, selection and funding of an information systems solution to facilitate the commitment of and reporting on field support funds with the deployment of Phoenix to overseas missions, in a manner consistent with applicable legislation and regulations, such as the Federal Managers' Financial Integrity Act, the Federal Information Security Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act.

We agree with this recommendation. We are currently working on an information systems solution, which was proposed to our BTEC committee in the Spring of 2004. Design work has proceeded over the summer, and is in the process of being finalized now. Initial funding has been limited and has come largely from the budgets of Global Health and IRM, by reducing efforts in other areas. PPC will give high priority to identifying additional funds for this solution early in FY05.

Recommendation No. 2: We recommend that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—designate the owner of the selected information technology solution.

We accept the spirit of this recommendation and are working within the BTEC framework to designate the owner or senior executive to lead and coordinate this task by January 2005.

We wish to clarify what we think you may mean by system owner. Instead of assigning a system “owner,” we believe that an Agency information system solution incorporating both technology and business process change should have an Agency “executive sponsor.” PPC could play the role of “executive sponsor” to obtain funding and coordinate policy and procedural changes. This executive sponsorship role, however, does not mean that PPC has the ability to control the other bureaus, missions, and offices that must collaborate to make this system work. In addition, this role does not accept responsibility for implementing a technical solution. Therefore, the executive sponsorship role that could be played by PPC should be supported by the following additional high level roles and responsibilities for a complete information systems solution to be useful:

- GH staff (with experience in field support) will perform project functional manager roles to guide the requirements of the solution.
- Bureaus, offices, and missions that use field support will participate in defining and implementing improved procedures to make the field support process more efficient.
- The CFO and CPO (and their staffs) will allow the integration of their systems with the Field Support information system solution in a manner which meets the goals of the Agency.
- The CIO and Director of IRM will assign a technical project manager and team to implement the technical portions of the solution.

Without all of this support, PPC could not effectively perform its role of funding and coordinating this effort. Nor could the Director of IRM implement a solution.

Therefore, we suggest that the recommendation be issued as follows:

Proposed Recommendation No. 2: We recommend that the Assistant Administrator of the Bureau for Management—in coordination with the Assistant Administrator for Policy and Program Coordination—designate the owner of the selected information system solution and the other key roles necessary to successfully implement a solution. By system owner (a.k.a. executive sponsor) we mean the coordination of funding, as well as policy and procedural changes, across those who use, support, or implement the field support solution.

We agree with this recommendation and have a plan in place to complete this task by January 2005.

Recommendation No. 3: We recommend that the Director of the Office of Information Resources Management complete the planning, design and implementation of the selected information technology solution—in a manner consistent with applicable legislation and regulations, such as the Federal Managers’ Financial Integrity Act, the Federal Information Security

Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act—by early fiscal year 2005.

We agree with the spirit of this recommendation.

The Director of the Office of Information Resources Management, working with PPC, Global Health, CFO, CPO and other appropriate organizational units, and with their support, will complete the planning, design and implementation of the technical portion of the proposed solution.

PPC, coordinating the other players described above, will define business requirements for the technical solution, and implement the policy and procedural changes necessary to make the improvements needed overall.

We anticipate that with adequate funding the field support improvements will be in place by early CY 2006

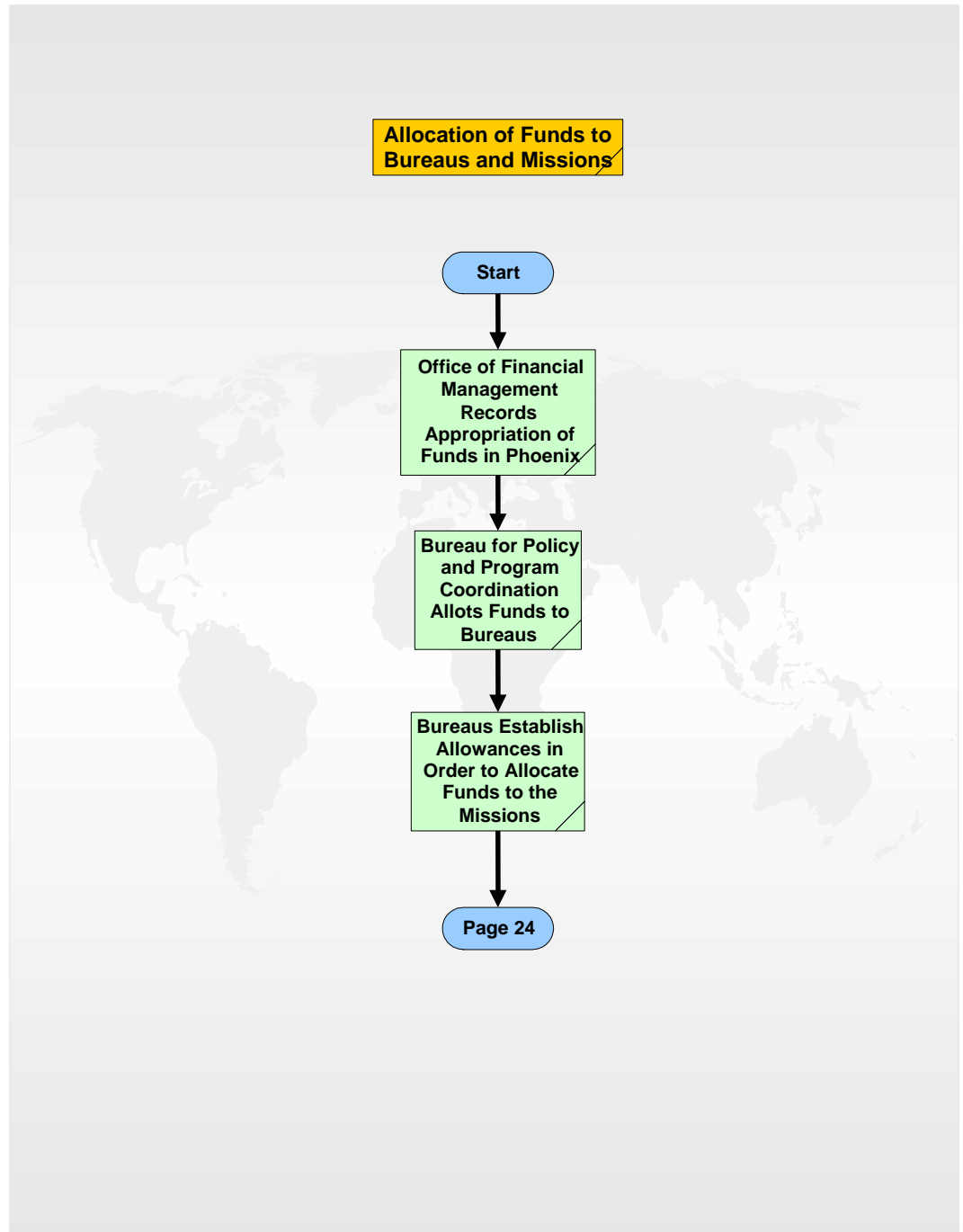
We therefore recommend that the recommendation be reworded, as follows:

Proposed Recommendation No. 3: We recommend that the Director of the Office of Information Resources Management complete the planning, design and implementation of the technology portion of the selected system solution—in a manner consistent with applicable legislation and regulations, such as the Federal Managers' Financial Integrity Act, the Federal Information Security Management Act, the Federal Financial Management Improvement Act and the Clinger-Cohen Act—by early calendar year 2006.

We agree with this recommendation.

Flowchart of the Current Field Support Process

Appendix III



Coordination & Validation of Field Support Requests

From Page 23

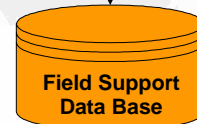
Regional Bureaus Notify Missions of Earmarks & Limits on Funding Available for Bilateral and Field Support

Notified Via E-mail Based on Specified Fund Limits

Missions Coordinate Bilateral and Field Support Funds with Regional Bureaus

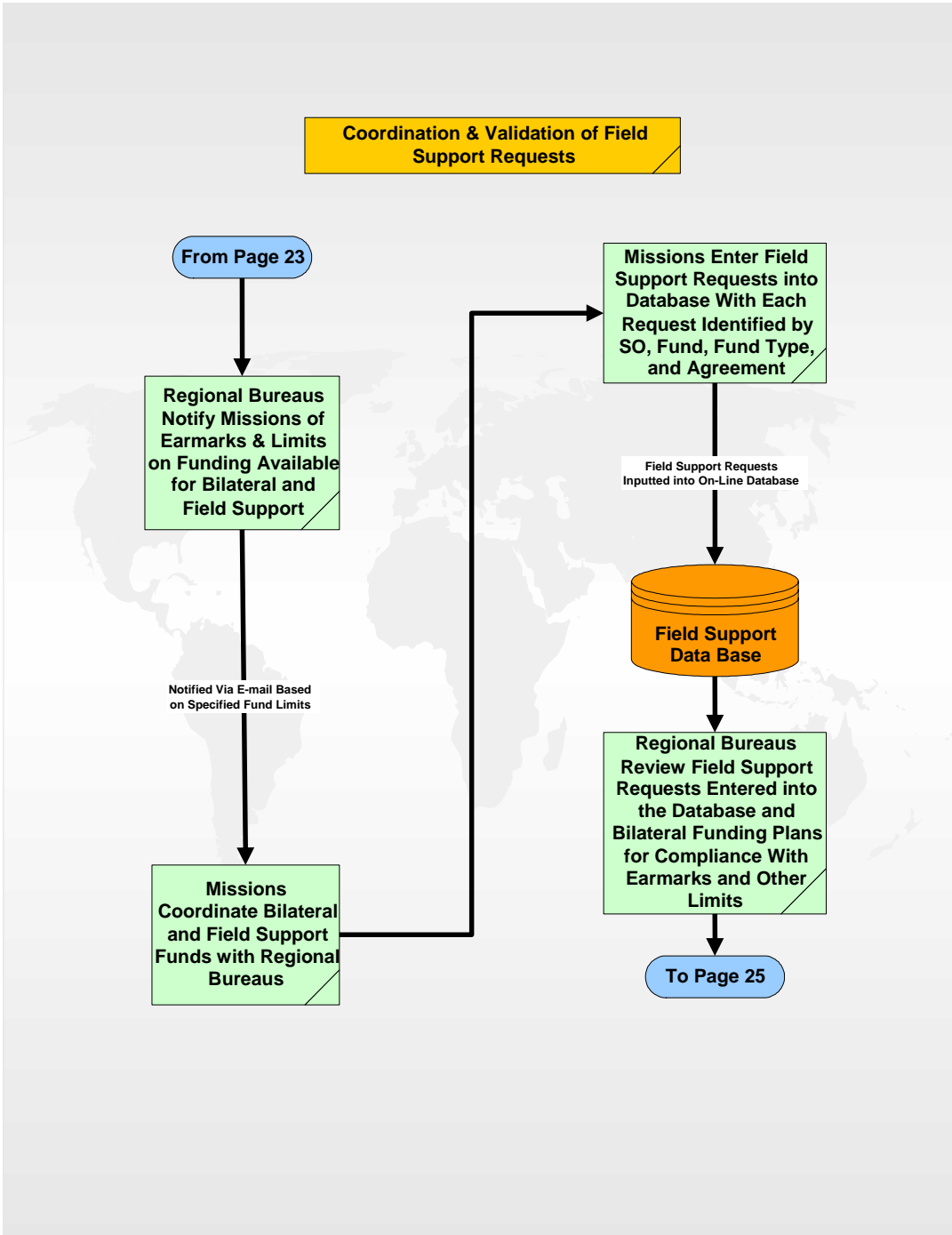
Missions Enter Field Support Requests into Database With Each Request Identified by SO, Fund, Fund Type, and Agreement

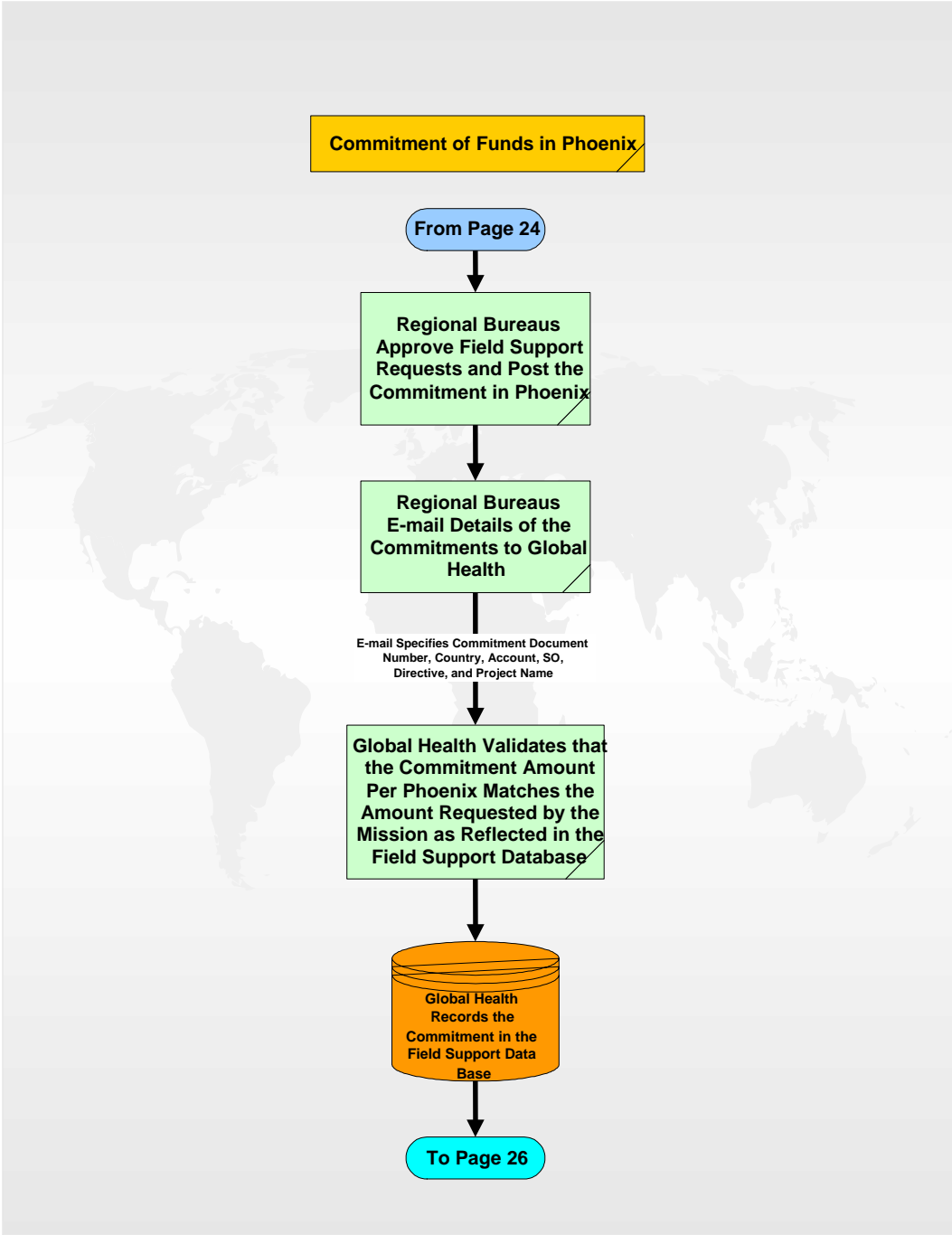
Field Support Requests Inputted into On-Line Database



Regional Bureaus Review Field Support Requests Entered into the Database and Bilateral Funding Plans for Compliance With Earmarks and Other Limits

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Obligation of Funds in the Acquisition & Assistance System

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Global Health Funds Field Support Requests by Attaching the Commitments, which are Bundled by Agreement, and Sending the Obligation Requests to the Office of Acquisition and Assistance (OAA)

OAA Posts the Obligation into the Acquisition & Assistance System and Phoenix Accounting System

Global Health Manually Posts the Obligation into the Field Support Database from the Phoenix Accounting System

End