

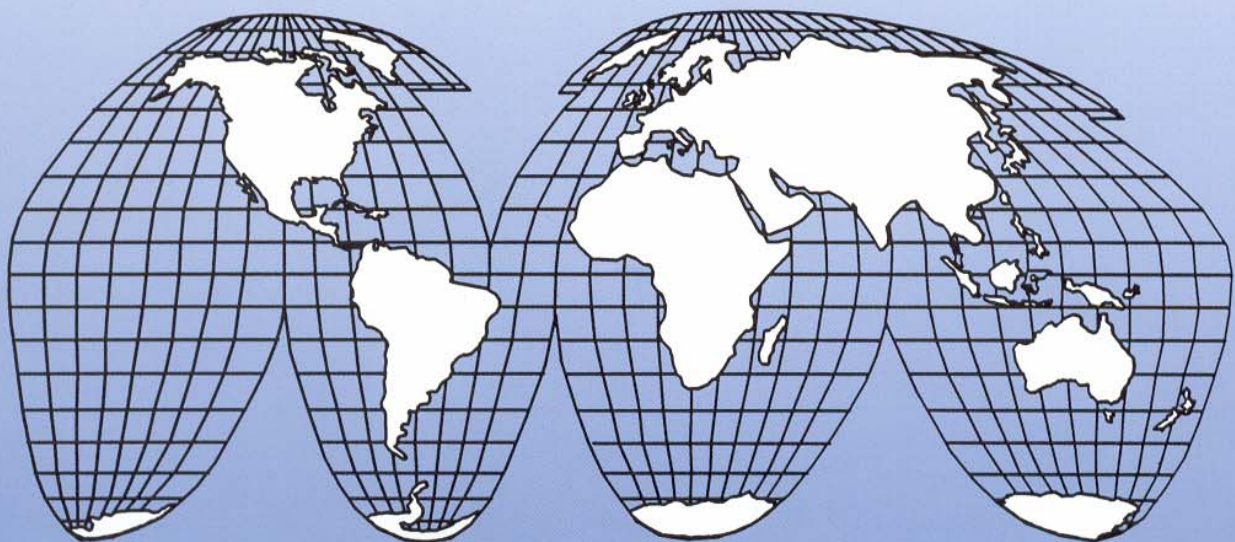
USAID

OFFICE OF INSPECTOR GENERAL

**Audit of USAID/Mexico's Training, Use and
Accountability of Cognizant Technical Officers
(CTOs)**

Audit Report No. 1-523-03-005-P

June 27, 2003



San Salvador, El Salvador



June 27, 2003

MEMORANDUM

FOR: USAID/Mexico Mission Director, Paul White
Regional Contracting Officer, Beth Paige

FROM: Acting RIG/San Salvador, Christine M. Byrne

SUBJECT: Audit of USAID/Mexico's Training, Use and Accountability of
Cognizant Technical Officers (Report No. 1-523-03-005-P)

This memorandum is our report on the subject audit.

Your comments on the draft report were considered in preparing this report. They are included for your reference in Appendix II.

This report contains two recommendations for your action. Regarding Recommendation No. 1 a management decision has been reached, but final action is pending. The Office of Management Planning and Innovation will make a determination of final action after the recommendation has been implemented. Regarding Recommendation No. 2, final action has been taken.

Once again, thank you for the cooperation and courtesy extended to my staff during the audit.

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Table of Contents	Summary of Results	5
	Background	5
	Audit Objectives	6
	Audit Findings	6
	Did USAID/Mexico provide adequate guidance and training to its cognizant technical officers to ensure that they were aware of and capable of performing their responsibilities?	6
	Some Cognizant Technical Officers Need More Training	8
	Did USAID/Mexico hold its cognizant technical officers accountable for performing their responsibilities in accordance with USAID policies and regulations?	9
	USAID/Mexico Lacked Formal Annual Performance Evaluations of Some Cognizant Technical Officers	10
	Management Comments and Our Evaluation	12
	Appendix I – Scope and Methodology	13
	Appendix II – Management Comments	15

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Summary of Results

The Regional Inspector General/San Salvador conducted an audit to determine if USAID/Mexico provided adequate guidance and training to its cognizant technical officers (CTOs) and whether the mission held them accountable for performing their responsibilities (page 6).

USAID/Mexico provided adequate guidance and substantial training to its cognizant technical officers to ensure that they were aware of and capable of performing their responsibilities; however, some CTOs have not completed their training (page 6).

USAID/Mexico held its CTOs accountable for performing their responsibilities in accordance with USAID policies and regulations, except for not performing formal annual evaluations for some U.S. personal services contractors (page 9).

We are making two recommendations to address the items discussed in this report. First, we recommend that current CTOs complete the training series (page 9). Second, we recommend that the mission establish a policy to conduct annual evaluations of all CTO staff (page 12).

USAID/Mexico agreed with the recommendations in this report, made a management decision on Recommendation No. 1, and implemented final action on Recommendation No. 2 (page 12).

Background

Many people participate in USAID's acquisition and assistance (A&A) process to procure goods and services. To ensure that USAID implements this process efficiently and effectively, these professionals (whether direct hire employees or personal services contractors) need to be aware of and held accountable for performing numerous A&A responsibilities.

While contracting officers and assistance officers may be the most visible members of a successful A&A workforce, USAID's many cognizant technical officers (CTOs) also have a critical role. The term *cognizant technical officer* is used by USAID in lieu of the other U.S. government terms such as *contracting officer's technical representative* or *contracting officer's representative* and denotes that CTOs can be responsible for grants as well as contracts. The purpose of CTOs is to act as contracting officers' technical representatives on contracts, grants and cooperative agreements to ensure that awardees are accomplishing desired objectives in accordance with U.S. Government and USAID laws, policies and procedures.

Contracting officers designate members of strategic objective teams to perform administrative actions and to provide technical advice on acquisition and assistance awards. Generally, the technical office responsible for the activity

nominates an individual to serve as the CTO, and the contracting officer usually accepts the nomination.

CTOs may perform duties such as drafting scopes of work for proposed awards, developing independent government cost estimates, and handling a variety of post-award administrative actions such as monitoring performance and reviewing vouchers.

The audit encompassed ten USAID/Mexico CTOs as of March 31, 2003.

Audit Objectives

The Regional Inspector General/San Salvador included an audit in its fiscal year 2003 audit plan to answer the following questions:

1. Did USAID/Mexico provide adequate guidance and training to its cognizant technical officers to ensure that they were aware of and capable of performing their responsibilities?
2. Did USAID/Mexico hold its cognizant technical officers accountable for performing their responsibilities in accordance with USAID policies and regulations?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did USAID/Mexico provide adequate guidance and training to its cognizant technical officers to ensure that they were aware of and capable of performing their responsibilities?

USAID/Mexico provided adequate guidance and substantial training to its cognizant technical officers (CTOs) to ensure that they were aware of and capable of performing their responsibilities; however, some of them have not completed their training.

For the purposes of this audit, we considered adequate guidance to be the creation of an environment where employees were informed of their training options, where management facilitated training, and where employees had access to resources to help solve their problems. We considered adequate training to mean that employees completed the required training to be certified as a cognizant technical officer within one year of being named as a CTO. Guidance and training are discussed in turn in the sections that follow.

The mission provided guidance to ensure that CTOs were aware of and capable of performing their responsibilities by creating an environment where CTO training was valued, by implementing a system to identify training requirements, and by

providing interaction with supervisory and contracting officer staff to facilitate receiving guidance.

USAID/Mexico implemented a system to identify CTO training requirements. Mission Order 495-2, dated July 9, 2001, identified the mission director as responsible for providing training to improve the efficiency and effectiveness of mission programs. The order further stated that the Mission Training Committee was responsible for establishing training objectives, planning and budgeting and approving individual training requests. Although not specific to CTO training, this order encompassed CTO training.

The mission's training requirements identification process included obtaining input from staff about their training needs each year, prioritizing the scheduling of courses and providing funding. The mission's commitment to CTO training was manifest in the approximately \$74,000 that had been spent during the past two years for CTO courses for current staff. The mission planned to spend another \$40,000 before the end of fiscal year 2003. A final, notable fact about the mission's training planning was that it went beyond current CTOs. Courses were also planned for staff who assist CTOs and for staff who might someday be CTOs.

In addition to training, USAID/Mexico provided support to its CTOs in other ways. Relative to other missions in the Latin America and Caribbean Region, USAID/Mexico is a small mission in terms of personnel. This benefited the mission when it came to supporting CTOs. CTO staff worked in close proximity to each other and to their assigned supervisors. Interviews with CTO supervisors indicated that they emphasized training and provided day-to-day guidance as two of their primary supervisory responsibilities. In addition, the regional contracting officer and her staff, although not physically located in Mexico, provided their expertise through routine visits, telephone, and email communication.

Interviews with CTOs indicated that they knew about resources and tools to use to research their responsibilities. For example, 90 percent of the CTOs interviewed indicated that their primary tool to assist them in their activities is the Automated Directives System. Other tools that CTOs identified to help guide them in their activities included the Federal Acquisition Regulations, Code of Federal Regulations, Contract Information Bulletins, and A&A classroom materials.

Managers of organizations that received USAID/Mexico funds indicated that CTOs were capable in performing their duties. We conducted telephone interviews with 15 recipients representing non-governmental organizations, local Mexican government agencies, other U.S. government agencies, and international organizations. All of the respondents indicated that the CTOs properly acted within their limits of authority and that they understood their major roles.

Although the mission created an environment that promoted CTO training, CTOs did not necessarily complete their required training series.

Some Cognizant Technical Officers Need More Training

At the time of this audit, USAID was in the process of restructuring the courses it provides to certify employees as CTOs. Under USAID's new plan, designated CTOs will be expected to take the required courses for CTO certification within one year of being designated as a CTO. This new policy was developed to also comply with Office of Federal Procurement Policy directive No. 97-01, which mandates all federal agencies to prepare and train employees who are responsible for managing contracts. Even though the one year time limit did not exist at the time of the audit, we considered it to be a reasonable standard.

The mission's commitment to CTO training was evidenced in the amount of training mission employees have taken. The current ten CTOs have taken 20 courses amongst themselves and other current mission employees have taken a total of ten courses. On an individual basis, the training coverage could be improved. Although 8 of the 10 current CTOs had taken at least one course, USAID/Mexico did not ensure that its current CTOs completed all classes needed to be certified within one year of being designated. Review of mission records showed that 4 of 10 CTOs needed to complete at least one course in the series. Review of CTO designation letters indicated that those four employees received their first designations on currently active agreements in September 1998, September 2000, June 2001, and November 2001.

Various factors kept CTOs from completing courses. USAID/Mexico, as mentioned, has been a relatively small mission. Notwithstanding, the program has been experiencing significant growth in its portfolio over the past few years. Coordinating resources to cover program activities while attending training has posed difficulties. In the past, there were four courses in the CTO training series, and attending the entire series required CTOs to take four separate trips.

Interview responses from the CTOs, the regional legal advisor, and the regional contracting officer supported the conclusion that CTOs were generally aware of and capable of performing their responsibilities, though given the breadth of knowledge needed to administer USAID's sometimes complex instruments, training opportunities existed. Without receiving the training required to be certified, CTOs may not be aware of the proper actions to take in performing their duties.

Recommendation No. 1: We recommend that USAID/Mexico ensure that its cognizant technical officers who had not finished their cognizant technical officer training as of March 31, 2003 obtain that training.

Did USAID/Mexico hold its cognizant technical officers accountable for performing their responsibilities in accordance with USAID policies and regulations?

USAID/Mexico held its CTOs accountable for performing their responsibilities in accordance with USAID policies and regulations, except for not performing formal annual evaluations.

USAID/Mexico held its CTOs accountable by developing work objectives, statements of work, and designation letters for their CTOs, all of which included their general CTO responsibilities. Although the mission did not have a standard set of CTO responsibilities, some of the CTO tasks included:

- Monitoring on-going project activities and providing required assistance.
- Developing strategies and priorities.
- Developing working relationships with host country institutions and personnel.
- Maintaining records of accrued expenditures.
- Devising and overseeing systems to account for the use of funds.
- Providing technical and advisory guidance.
- Ensuring that Congressional Notifications, MAARDs (Modified Acquisition and Assistance Request Documents), accrual reports, contractor technical-financial performance reports, and vouchers were processed.
- Preparing and maintaining program budgets.
- Participating in meetings with counterparts.
- Ensuring cost effective allocation and management of resources.
- Providing approval for payment of vouchers.

CTO supervisors indicated that they held their CTOs accountable through frequent and daily interaction to ensure that they were performing their responsibilities. Supervisors held frequent meetings with their CTOs to discuss their activities and to ensure compliance with USAID rules and regulations. The

mission director also emphasized accountability through bi-weekly strategic objective team meetings.

Through these mechanisms, USAID/Mexico has been successful in communicating to CTOs that their CTO duties are an important part of their performance. However, the mission has been growing, and more formal mechanisms to ensure accountability may be needed.

USAID/Mexico Lacked Formal Annual Performance Evaluations of Some Cognizant Technical Officers

USAID/Mexico did not perform formal annual performance reviews to evaluate its U.S. personal services contractors acting as CTOs. USAID procurement policy requires U.S. personal services contractors to perform satisfactorily in order to qualify for annual salary increases (USAID Acquisition Regulations Appendix D). Although the policy does not specify the content of the evaluation, we believe that providing a formal, annual performance review would be appropriate to promote accountability. At USAID/Mexico, formal assessments were not performed because they were not required by USAID policy. As a result, performance of specific CTO duties may not have been considered.

USAID's employee evaluation program, according to the Automated Directives System, is intended to provide a systematic process to involve its employees in improving organizational effectiveness to accomplish USAID's mission and goals. The program includes establishing mutually agreed-upon work objectives at the start of the rating period and an assessment of how well the employee met those objectives at the end of the rating period. The program also includes input from sources apart from the employee's immediate supervisor, commonly referred to as "360 input." By policy, the program applies only to U.S. direct hire employees. However, the same benefits that can be obtained by evaluating U.S. direct hire employees would be realized by evaluating all mission personnel using similar standards.

Five of USAID/Mexico's ten CTOs were U.S. personal services contractors. These five were subject to annual evaluations indicating only satisfactory or unsatisfactory performance as personal services contractors. Beyond that, USAID policy is relatively silent on the nature and the extent of evaluations. At most, USAID acquisition regulations require reviews on an annual basis to qualify for a salary increase for satisfactory performance. However, the regulations do not provide guidance on conducting annual evaluations.

In the absence of specific guidance for conducting U.S. personal services contractor evaluations, the five U.S. personal services contract CTOs received different evaluations. Two contractors did not receive evaluations because they were already at the top of their salary ranges and ineligible for salary increases. One was hired less than a year ago and would not have been due for an

evaluation. The two remaining CTOs received general evaluation memos indicating satisfactory performance. Annual performance work objectives were not set for U.S. personal services contractors, and their evaluation memos did not include a detailed review of whether or how well the employee performed CTO responsibilities. Likewise, their evaluation memos did not include feedback from regional contracting office staff, which is crucial because contracting officers are responsible for designating individuals as CTOs.

Of USAID/Mexico's remaining five CTOs who were not U.S. personal services contractors, one was a U.S. direct hire, two were U.S. government employees providing services to USAID under agreements with another agency, and two were foreign service national personal services contractors. Each of these CTOs was subject to annual evaluations in accordance with standards established in their respective hiring mechanisms. Nevertheless, four were assigned their CTO duties within the past year and thus would not be expected to have specific CTO responsibilities included in their work objectives yet. The other, a foreign service national, did not have specific work objectives related to the individual's CTO duties.

As mentioned previously, the mission has communicated CTO duties through largely informal means because USAID did not have an evaluation requirement for U.S. personal services contractors. However, lack of formal CTO evaluation processes may have left some CTOs unclear on their accountability for CTO actions. Our interviews indicated that, while CTOs believed that their CTO duties were an important part of their job responsibilities, CTOs were unclear whether their performance reviews included, or should have included, an assessment of how well they performed their CTO responsibilities.

A detailed annual performance evaluation encompassing CTO duties would be an effective mechanism to further establish accountability for performing CTO responsibilities. Should CTOs not perform these responsibilities, there could be serious consequences for their respective programs. For example, a CTO not properly monitoring an award recipient's activity could lead to the recipient engaging in activities outside the scope of their agreement. A CTO not carefully reviewing expense reimbursement vouchers could lead to recipients charging the U.S. government for products and services outside the scope of their agreements. Ultimately, CTOs not carrying out their responsibilities could endanger the success of their particular program.

In light of these conditions, we make the following recommendation:

Recommendation No. 2: We recommend that USAID/Mexico adopt a policy to conduct annual performance reviews of its cognizant technical officer staff that includes: 1) the establishment of work objectives which encompass their duties as cognizant technical officers; 2) an assessment of how well

they met those objectives; and 3) feedback from regional contracting office staff.

**Management
Comments and
Our Evaluation**

In responding to our draft report, USAID/Mexico presented steps being taken to address both recommendations. Its comments are included in their entirety in Appendix II.

Regarding Recommendation No. 1, the mission agreed with the reported findings and has developed a firm plan of action to address the recommendation. Consequently, a management decision has been made.

Regarding Recommendation No. 2, the mission agreed with the reported finding and has created a policy and designed a system for conducting annual performance reviews of its U.S. personal services contractors and has committed to incorporate cognizant technical officer work objectives in foreign service national and U.S. direct hire performance evaluations. Therefore, final action has been taken.

Scope and Methodology**Scope**

We audited the training, use and accountability of cognizant technical officers (CTOs) at USAID/Mexico in accordance with generally accepted government auditing standards.

We planned to conduct the audit at the offices of USAID/Mexico, but because of travel restrictions in place related to the war in Iraq, we conducted our interviews with CTOs, supervisors, recipients, and mission officials by telephone from USAID/El Salvador. We also conducted interviews with the regional legal advisor and the regional contracting officer based at USAID/El Salvador. We requested and received relevant documentation from USAID/Mexico by electronic mail and fax. We do not believe that our inability to travel had a significant impact on achieving our audit objectives.

Criteria for defining roles and responsibilities included Office of Federal Procurement Policy Letters, USAID Automated Directives System, Contract Information Bulletins, and Acquisition Regulations. We also reviewed CTO designation letters, contract statements of work, work objectives and position descriptions. Criteria for holding CTOs accountable, in addition to those described above, included the Foreign Affairs Manual and Handbook. Criteria for defining essential CTO training requirements included not only those regulations described above, but also the Clinger Cohen Act and Federal Acquisition Institute Training Material.

In conducting our audit, we assessed the effectiveness of USAID/Mexico's management controls with respect to training CTOs and holding them accountable. We identified management controls as: 1) the identification of the tasks CTOs were to perform; 2) the identification of training needed by CTOs; 3) the provision of training to CTOs; 4) the establishment of work objectives and performance measures for CTOs, and; 5) the evaluation of CTO performance. The audit as a whole was essentially an assessment of such management controls.

We conducted our audit from March 31 through April 25, 2003. Our audit scope included ten individuals who were performing CTO duties at USAID/Mexico as of March 31, 2003. As of that date, mission records indicated that the total amount committed from agreements on which individuals had been assigned CTO duties was approximately \$17.5 million. This amount does not include the mission's tuberculosis program, for which a Strategic Objective Grant Agreement for \$16 million had been signed with the Government of Mexico. Since there had not been any major activity on this project as of March 31, 2003, we did not include it within the scope of our audit. We also excluded CTOs on HIV/AIDS projects to which USAID/Mexico staff lent field support, but did not perform CTO duties. USAID/Washington arranged and signed the mission's HIV/AIDS agreements, and the assigned CTOs were based in Washington.

Methodology

To answer the audit objectives, we conducted interviews and surveys of CTOs, CTO supervisors, contracting staff, regional legal advisor staff, grant recipients, and other mission officials. We also reviewed pertinent documentation such as CTO designation letters, position descriptions, work plans, contract statements of work, work objectives, and annual evaluations.

The first audit objective addressed whether USAID/Mexico provided adequate guidance and training to its CTOs. To answer this objective, we defined the following criteria that USAID/Mexico had to meet:

1. CTOs understood their responsibilities.
2. CTOs received the appropriate certification training.

For an unqualified (positive) opinion, results of our audit procedures had to indicate that at least 90 percent of CTOs met both criteria defined above. A qualified opinion would result if only one criterion had been met. A negative opinion would result if neither criterion had been met.

The second audit objective addressed whether USAID/Mexico held its CTOs accountable for performing their CTO responsibilities. To answer this objective, we defined the following criteria that USAID/Mexico had to meet:

1. CTO supervisors identified specific CTO responsibilities in the employee's designation letter, position description, and/or contract statement of work.
2. CTO supervisors evaluated performance of CTO responsibilities in the employee's annual performance review.

For an unqualified (positive) opinion, results of our audit procedures had to indicate that at least 90 percent of CTOs met both criteria defined above. A qualified opinion would result if only one criterion had been met. A negative opinion would result if neither criterion had been met.

**Management
Comments**

13 June 2003

MEMORANDUM
UNCLASSIFIED

TO: Timothy E. Cox
Regional Inspector General/San Salvador

FROM: John Beed
Acting Mission Director, USAID/Mexico

SUBJECT: Audit of USAID/Mexico's Training, Use and Accountability of Cognizant
Technical Officers (CTOs), Audit Report No. 1-XXX-03-00X-P

Mission Management has reviewed subject draft audit.

USAID/Mexico has aggressively enrolled Cognizant Technical Officers (CTOs) in cognizant officer training courses since their initiation. Given the Mission's size and resources, it was impractical for CTOs to take four one-week courses within one year. Furthermore, many of these courses were often full. However, since the CTO courses recently were streamlined to two one-week courses, the mission intends to complete CTO certification for current CTOs, per the audit recommendation, within one year, barring unusual circumstances. Already, the Mission has scheduled additional staff participation in a number of CTO courses before fiscal year-end.

The Mission established a formal evaluation system on May 15, 2003, for U.S. Personal Service Contractors which incorporates the evaluation of CTO responsibilities, per the audit's second recommendation. In addition, the Mission will continue to incorporate CTO applicable work objectives in the FSN and U.S. Direct Hire annual evaluation process and solicit feedback from the regional contracting staff.

Thank you for taking the time to conduct this audit. In particular, we appreciate your willingness to work so flexibly and collaboratively given the need to conduct much of it "virtually". Your staff was highly professional and consistently direct in dealing with the Mission.

Please do not hesitate to contact me or my staff if you need additional information to finalize this report.