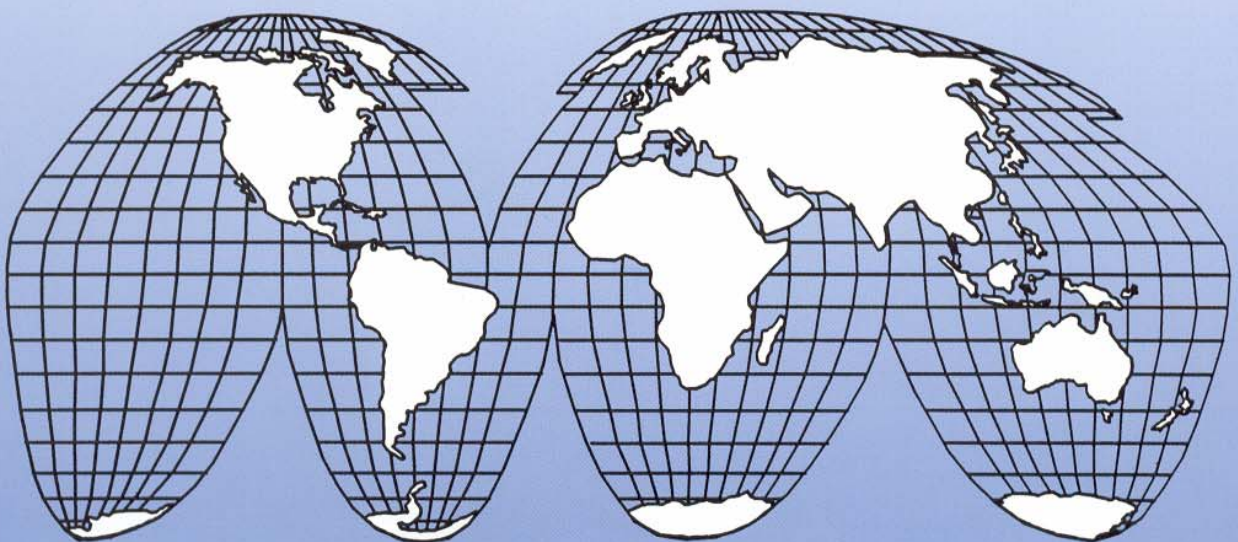# USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID's Training, Use and Accountability of Cognizant Technical Officers

Audit Report Number 9-000-04-003-P

March 31, 2004

Washington, D.C.

March 31, 2004

MEMORANDUM

FOR: M/HR/OD Director, Rose Marie Depp
                 M/OP/OD Director, Timothy T. Beans

FROM: IG/A/PA Director, Nathan S. Lokos /s/

SUBJECT: Audit of USAID's Training, Use and Accountability of Cognizant
                 Technical Officers
                 (Report No. 9-000-04-003-P)

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

This report includes five procedural recommendations. In your written comments,
you concurred with these recommendations and identified actions to address our
concerns. Consequently, management decisions have been reached on all five
recommendations. Please provide documentation supporting final action on these
recommendations to USAID's Office of Management Planning and Innovation.

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

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Summary of Results

This report summarizes the results of six Office of Inspector General (OIG) audits conducted at selected missions worldwide and one audit conducted at several USAID/Washington, D.C. bureaus. In addition to summarizing results, this report addresses Agency-wide issues identified during the course of these audits. (See Appendix III for a summary of audit recommendations, both by type of recommendation and by operating unit audited, and Appendix IV for a list of audit reports issued.)

The audits were conducted as part of the OIG's multi-year strategy for auditing USAID procurement activities. They were conducted to determine if USAID provided adequate training and guidance to its cognizant technical officers (CTOs) and held them accountable for performing their responsibilities in accordance with USAID policies and regulations. (See page 7.)

CTOs are important members of USAID's acquisition and assistance teams. The term *acquisition* entails the use of contracts, while the term *assistance* involves the use of grants or cooperative agreements. It is the CTO's responsibility to ensure—through liaison with the contractor or recipient—that the terms and conditions of the acquisition or assistance instrument are accomplished. (See page 6.)

The audits found that, in general, USAID had provided adequate guidance but had not provided CTOs enough training to acquire core competencies or to understand and perform the full range of tasks assigned to them. USAID either lacked a mechanism to identify the training needed or did not properly monitor the mechanism in place. (See page 8.) In addition, USAID did not hold all its CTOs accountable for the performance of the tasks assigned to them and, in some cases, did not evaluate CTOs at all. (See page 14.)

This report includes five recommendations. To strengthen CTO training, we recommend that USAID identify its CTOs and develop training plans. (See page 14.) To strengthen CTO accountability, we recommend that USAID incorporate CTO responsibilities into performance documents, perform annual evaluations, and solicit feedback on CTO performance. (See pages 17 and 18.)

Management's comments are included in their entirety in Appendix II. In their comments, the Office or Human Resources and the Office of Procurement concurred with our recommendations and described the actions planned to address our concerns. When fully implemented, these actions should significantly strengthen CTO training and accountability. (See page 25.)

Background USAID uses the term *cognizant technical officer* (CTO) in lieu of other commonly used U.S. Government terms, such as *contracting officer's technical representative* or *contracting officer's representative*. The term *CTO* denotes that the individual may be responsible for certain defined actions involving grants and cooperative agreements, as well as contracts. CTOs fulfill a vital role in USAID's acquisition and assistance process; when acting within the scope of their delegated authority, they bind the U.S. government as surely as the contracting officer.[1]

CTOs fulfill a vital role in USAID's acquisition and assistance process. They are responsible for performing critical procurement tasks, such as:

- Verifying that USAID-funded activities conform to the terms and conditions of the award, to technical requirements, and to quality standards.

- Administering financial management responsibilities, such as voucher approval, forward funding, deobligations, and closeouts.

- Monitoring, evaluating, and reporting on contractor and recipient performance.

- Conducting price and cost determinations.

As a practical matter, contracting officers do not have sufficient technical expertise or time to ensure successful administration and completion of all aspects of each award. Therefore, they rely on CTOs to act for them with respect to certain critical administrative actions and technical issues arising under these awards. It is the CTO's responsibility to ensure—through liaison with contractors or recipients—that the technical and financial aspects of the acquisition or assistance instrument are realized. For that reason, contracting officers are required to designate a properly trained individual to serve as the CTO for each contract or assistance award.

USAID's Office of Human Resources, Learning Support Division, has designed an acquisition and assistance training program based on the core competencies required by the Office of Management and Budget's Office of Federal Procurement Policy. Core competencies consist of the knowledge and skill areas required by CTOs to administer contracts, grants, and cooperative agreements, such as the ability to develop contract requirements, conduct market research, and monitor performance. The training program is designed to provide CTOs with the

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

basic knowledge and skills needed to effectively fulfill their responsibilities. A CTO is certified after successfully completing the program.

Three Washington bureaus[2] and six missions[3] were selected for audit. During fieldwork (from October 2002 through July 2003), these bureaus and missions had approximately 276 designated CTOs who, according to unaudited information provided by the units, were responsible for managing contracts, grants, and cooperative agreements estimated at $7.4 billion.

Audit Objectives

This worldwide audit was conducted as part of the OIG's multi-year strategy for auditing USAID's procurement activities to answer the following questions:

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

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

Appendix I contains a discussion of the audit's scope and methodology. (Page 21)

Audit Findings

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

USAID provided adequate guidance but did not provide enough training to its cognizant technical officers (CTOs) to ensure that they not only understood the full range of assigned tasks but also had the competence and confidence to perform these tasks successfully.

Examples of guidance commonly available included appropriate chapters of USAID's Automated Directives System, USAID Acquisition Regulations, Contract Information Bulletins, the Guidebook for Managers and CTOs, and the Federal Acquisition Regulations, as well as communications with contracting officers.

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[2] The three bureaus audited included one geographic bureau—Asia and the Near East—and two pillar bureaus—Global Health and Economic Growth, Agriculture and Trade. The report on this audit is included in the list of audit reports issued in Appendix IV.

[3] The six missions audited were Guatemala (Central American Program), Nepal, Egypt, Mexico, Malawi, and the Central Asian Republics. See Appendix IV for the list of audit reports issued.

However, CTOs responding to an OIG questionnaire[4] reported that they needed additional training in many of the core competencies established by USAID. Contracting officers, contractors, and recipients also reported that CTOs needed more training, especially in the following areas: financial management, procurement regulations, and CTO authorities. The need for USAID to provide additional training is discussed in further detail below.

USAID Needs to Provide Additional
CTO Training

Contrary to requirements of the Office of Federal Procurement Policy (OFPP), USAID's Automated Directive System (ADS) and, in some cases, mission orders, USAID did not provide enough training to its CTOs to ensure that they understood and could perform the tasks assigned to them. More than two-thirds (69 percent) of the 191[5] CTO questionnaire respondents reported that they needed training in specific competencies required to perform their tasks. This lack of training came about because training plans had either not been prepared or had not been properly monitored. As a result, problems occurred because CTOs had not fully understood the responsibilities and authorities delegated to them.

OFPP Policy Letter No. 97-01 requires agencies to develop training requirements to ensure that contracting officers and CTOs possess certain core competencies. (See page 6.) ADS 202 acknowledges OFPP's training requirements and discusses how USAID officials should comply with them. It also recognizes that there may be times when it is necessary to nominate an individual to be designated as CTO who does not have the mandatory training required by OFPP. In these cases, the operating unit should develop a written plan that allows that individual to receive the necessary training as quickly as possible in order to obtain these competencies and subsequent certification.

In many cases, mission orders even provided guidance to mission personnel on the preparation, submission, and monitoring of training plans. Properly implemented and maintained, these training plans would provide a mechanism to identify training needs and ensure that those requiring training received it.

CTOs are a highly educated group—72 percent of those completing the questionnaire possess at least a masters degree; 25 percent have a PhD, MD, JD, or other professional degree. The need for CTO training, however, is driven by the fact that CTOs are hired primarily on the basis of their technical skills, not

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[4] The OIG distributed a questionnaire to selected CTOs in the bureaus and missions audited. See page 22 for further discussion.

[5] Of the 199 CTOs responding to the questionnaire, 191 completed some portion of the multi-part question regarding specific training needs. See Table 1 on page 10 for a summary of results.

their procurement or business management skills. Procurement management training is necessary to ensure that they have the skills to properly perform their tasks.

A recently completed study[6] commissioned by USAID supports this need for CTO training. The study concluded that new Foreign Service Officers must have the skills necessary to serve as CTOs and should have CTO certification and strong managerial skills. A related study[7] found that Foreign Service Officers today find themselves "engaged in greater management and administration of people and projects, and in far less direct technical implementation." The study recommended that USAID begin recruiting "managers of technical resources, as opposed to the traditional technical implementer."

A significant number of CTOs responding to the OIG questionnaire reported a need for more training. One of the questions asked respondents to indicate the amount of training they had taken in various core competencies within the last two years—on the average, nearly half (48 percent) of the respondents indicated they had not taken any training in the core competencies listed.

Another question asked whether they needed additional training in the various core competencies to properly perform their CTO duties. On the average, more than two-thirds (69 percent) of the 191 respondents indicated they needed more training in various core competencies. As shown in the table on page 10, a significant number believed they needed additional training in specific competencies. The questionnaire results for selected competencies are summarized in the following table.

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[6] "Evaluation of USAID's NEP Training Program," ICF Consulting, October 16, 2003.

[7] "Evaluation of USAID's Foreign Service Recruitment Programs," ICF Consulting, July 7, 2003.

Table 1: Number and Percentage of CTOs Responding to an OIG Questionnaire Who Said They Needed Additional Training in Selected Competencies Required to Administer Contracts, Grants, or Cooperative Agreements

	No. of CTOs Responding	CTOs Who Said They Needed More Training	
		No.	%
Required Competencies for Contracts			
Ability to request/assess bids and proposals	189	147	78
Ability to develop contract requirements, conduct market research, and prepare required documents and statements of work	188	146	78
Ability to conduct price and cost determinations	189	142	75
Ability to process close-outs, terminations, appeals, and protests	186	138	74
Knowledge of contracting law and regulations	189	139	74
Knowledge of documentation requirements, including tracking orders, deliverables, timesheets, and other record keeping	183	124	68
Ability to monitor contractor performance	188	123	65
Ability to process contracting actions	188	120	64
Knowledge of contracting ethics including conflicts of interest and security of information	189	113	60
Ability to administratively approve vouchers for payment	187	99	53
Required Competencies for Grants and Cooperative Agreements			
Ability to process closeout procedures	183	138	75
Knowledge of USAID's policy on competition	184	138	75
Knowledge of elements of an award	178	122	69
Knowledge of USAID source/origin/nationality requirements	183	121	66
Knowledge of types of assistance instruments	185	122	66
Ability to monitor and evaluate recipients' performance	184	117	64
Ability to review and analyze performance and financial reports and verify timely delivery	183	114	62
Other Skills and Competencies			
Proficiency using financial systems	191	127	66

The contracting officers interviewed also reported that CTOs needed additional training and specified the following areas:

- Financial management, including cost reviews and analysis, budget processes, and "working with numbers."

- USAID policies and procedures, including the procurement process and activity and project management.

- Contracting ethics and the limits of CTO authorities.

The individual audit reports (see Appendix IV) noted a number of reasons leading to the need for additional training, for example:

- Lack of or inadequate monitoring of training plans[8]:

    - ✓ Three of the six missions audited did not comply with their own mission orders related to training plans.

- Confusion over the training required for certification and equivalencies for prior courses taken.[9]

- Limited resources, lack of funding, and course unavailability.

Additionally, CTOs reported that they lacked training because the training program had been suspended while USAID's Office of Human Resources, Learning Support Division redesigned the certification courses. Four new courses required for certification began in 1998. In the fall of 2002, the four courses were condensed into three, and several months later were further condensed into two courses. When the new streamlined certification courses began in the fall of 2002, courses were over-subscribed and many CTOs were unable to attend.

Fortunately, the Learning Support Division reported that the 2004 fiscal year CTO training budget has been increased, enabling the Division to offer additional courses. Although course schedules for the two years are not comparable on a one-to-one basis due to changes in the number, content, and titles of courses required for certification, seven more USAID/Washington-funded *Acquisition and Assistance Management* courses are scheduled for fiscal year 2004 compared to fiscal year 2003. Additionally, although not required for certification, the number of courses for CTO supervisors has more than doubled.

CTOs also indicated that their heavy workloads made it difficult to spend one or two weeks at a time in training. Most (70 percent) of the questionnaire respondents worked on two or more awards at the same time, while many (25 percent) worked on at least four simultaneously. In addition to their CTO responsibilities, they had programmatic and sometimes supervisory responsibilities. As a result, they reported that they often had only limited time to dedicate to CTO training.

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[8] None of the three bureaus audited had prepared written training plans; neither had two of the six missions audited. One of the six missions had developed training plans, but had not adequately monitored or maintained these plans. Recommendations directed to the missions and bureaus involved were made to address this issue.

[9] As of the issuance date of this report, USAID is revising the related ADS. This revision should clarify certification requirements as well as course equivalencies.

In USAID/Washington, in addition to lacking individual training plans for their uncertified CTOs, the bureaus audited did not maintain updated comprehensive lists of their CTOs (master lists). Master lists are important because they identify all the CTOs who potentially need training. Without such lists, the bureaus were unable to verify whether all their CTOs had received the training necessary for certification. Although the Learning Support Division had developed a database of those who had completed training, there was no mechanism in place to ensure that CTOs who needed training actually received it. According to bureau personnel, master lists were not maintained because USAID's financial management and procurement systems did not generate an accurate inventory of each bureau's awards, detailing the CTO responsible for managing each award.

Moreover, bureau personnel also indicated that they had made repeated attempts to correct the CTO-related information in the systems but the information remained outdated.[10] Although bureau personnel believed master lists would be useful, they felt it would be too labor-intensive to produce such lists themselves due to frequent personnel changes and a recent bureau reorganization. Additionally, because ADS 202 did not specify a deadline for CTO certification, the bureau personnel did not feel monitoring CTO training was a priority.

The lack of training mentioned above was mitigated somewhat by other guidance provided to CTOs. The guidance differed among the various audit locations. Although there is no one central source of guidance, CTOs, their supervisors, and contracting officers interviewed offered the following examples of guidance commonly available to CTOs:

- Routine visits, telephone, and electronic mail communications by contracting officers.
- USAID's Automated Directives System, Acquisition Regulations, and Contract Information Bulletins.
- Federal Acquisition Regulations.
- Learning Support Division classroom materials.
- Guidebook for Managers and CTOs (last revised November 1998).
- The contract, grant, or agreement instrument.
- Designation letters.[11]

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[10] Bureau personnel also reported that the lack of master lists resulted in delays in voucher processing and problems managing quarterly accruals, unexpended balances, and deobligations. These concerns were referred to the OIG's Financial Audit and Information Technology and Special Audit Divisions.

[11] This source of guidance was unavailable to those USAID/Washington CTOs who were not issued designation letters, as discussed on page 18.

CTOs who understand their roles and responsibilities contribute to an effective and efficient procurement process. It is critical that trained personnel administer this process, given that USAID is essentially a procurement and project management agency. Contracting officers who worked directly with CTOs described problems that occurred because CTOs had not fully understood the responsibilities and authorities delegated to them. For example:

- CTOs had inappropriately approved actions, made unauthorized commitments, and made informal promises without the prior approval of the contracting officer:

  - ✓ On several occasions, this caused the contracting officer to modify the contract, creating additional cost for USAID.

  - ✓ In a recent case, a CTO performed unauthorized procurement activities in modifying an award by $1 million.

  - ✓ In another case, a CTO performed work that the contracting officer should have done, causing the contractor involved to file a protest.

- CTOs became overly involved with implementing partners without regard to the type of instrument the partner was implementing, resulting in micromanagement of grants and cooperative agreements. Also, some CTOs became involved in conflicts of interest, such as:

  - ✓ Riding into work with a contractor or prospective contractor.

  - ✓ Accepting lunches and other inappropriate invitations.

  - ✓ Trying to obtain sensitive procurement information from the contracting officer.

Contractors and recipients also reported problems that arose because CTOs did not understand the limits of their authority. Several stated that some CTOs were inappropriately involved in staffing, office space, and travel budget decisions. Some noted that there seemed to be a fair amount of confusion over CTO roles and their authority to make certain decisions, as well as in determining their boundaries in overseeing the various types of instruments used by USAID.

In summary, when untrained individuals do not perform their duties properly or on a timely basis, contracting officers must ultimately complete or correct the CTOs' work. This in turn interferes with the performance of the contracting officers' already burdensome workload and may cause contracts to be modified or USAID to incur additional costs. If CTOs are expected to perform critical tasks efficiently and correctly, they must be fully aware of the extent of their

responsibilities and have the requisite competencies to perform them. Therefore, we are making the following Agency-wide recommendations:

> **Recommendation No. 1:** We recommend that the Office of Procurement, in coordination with the Bureaus and Offices, maintain updated master lists of its cognizant technical officers. These lists should indicate whether or not each officer is certified.

> **Recommendation No. 2:** We recommend that the Office of Human Resources, in coordination with the Office of Procurement, develop training plans for its uncertified cognizant technical officers and schedule them to attend the training required for certification.

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

USAID did not hold all of its CTOs accountable for performing their CTO-related responsibilities. In many cases, contrary to Federal regulations and USAID guidance, USAID did not establish performance expectations for critical CTO tasks. Position descriptions, annual performance plans, and annual work objectives often did not include CTO duties and responsibilities. Furthermore, some CTOs were not evaluated at all. As a result, CTOs were not always evaluated as to how well they performed their CTO duties. In addition, USAID did not require supervisors to contact contracting officers and other pertinent sources for input as to the CTO's performance. Lastly, many CTOs in USAID/Washington did not have designation letters; the Office of Procurement has drafted a policy directive to correct this issue. The importance of building accountability into the evaluation process is discussed in the following sections.

**USAID Needs to Strengthen the
Evaluation of CTO Performance**

As indicated above, many CTOs were not evaluated on their performance of CTO tasks. In some cases, CTOs were not evaluated at all. Furthermore, supervisors responsible for evaluating CTOs did not always solicit feedback from contracting officers and other pertinent sources as part of the annual performance evaluation process.

Performance of CTO Duties Should Be Evaluated – Contrary to Federal regulations and USAID guidance, USAID did not always establish performance expectations for critical CTO tasks and evaluate CTOs against those expectations. Although CTOs play a critical role in the acquisition and assistance process, USAID did not hold all of its CTOs accountable for performing their

responsibilities. Almost half (45 percent) of the CTOs interviewed could not demonstrate that they were held accountable for performing their CTO tasks. This situation occurred because, in some cases, a greater emphasis was placed on program management and technical skills and performance than on CTO competencies and performance. As a result, USAID management could not make fully informed judgments as to which CTOs were performing their duties adequately.

According to the Office of Personnel Management's 2001 *A Handbook Measuring Employee Performance*, performance management is the systematic process of:

- Planning work.
- Setting expectations for critical tasks.
- Monitoring performance.
- Developing the capacity to perform.
- Rating performance periodically.
- Rewarding good performance.

An important element in this process is establishing performance expectations for critical tasks and periodically assessing actual performance against those expectations. Accordingly, Federal regulations and USAID policies require that employees and personal services contractors have established work objectives and that those staff be evaluated annually. For example:

- ADS 462, entitled *Employee Evaluation Program*, requires that supervisors 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. Similarly, although it does not dictate the nature and extent of the written evaluation, USAID Acquisition Regulations require that U.S. personal service contractors (USPSCs) perform satisfactorily, as evidenced in their annual written evaluation, to qualify for annual salary increases. On the other hand, an evaluation is not required if a USPSC is ineligible for a salary increase.

- The Foreign Affairs Handbook[12] requires that USAID prepare annual performance evaluation reports for all foreign service national (FSN) employees based on their position descriptions. Moreover, FSNs under personal service contracts must also be evaluated in the same manner as direct-hire FSN employees, since the Foreign Affairs Manual indicates that personal services contracts with host country nationals (including third

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[12] Foreign Affairs Handbook, 3 FAH-2 H-135.5.

country nationals [TCNs]) must conform to the conditions of employment for direct-hire FSN employees.[13]

- While USAID does not have a formal policy regarding performance evaluations for other employment categories, such as Resources Support Service Agreements (RSSAs) and Technical Assistance in AIDS and Child Survival (TAACSs), best practices dictate that they should be held accountable for the performance of critical tasks in a manner similar to other employees.

USAID's CTOs are hired under a variety of employment mechanisms that fall into several of the categories mentioned above. When asked their workforce category, questionnaire respondents answered as follows:

Direct-hire employees	105
USPSCs	34
Foreign service national personal service contractors (FSNPSCs)	28
RSSAs	12
TAACSs	17
Other	3
	199

These CTOs generally spent a significant amount of their workday on CTO-related tasks. Seventy-six percent of questionnaire respondents indicated that they spent more than 25 percent of their time on CTO tasks; nearly half (49 percent) spent more than 50 percent of their workday on CTO tasks. Additionally, the vast majority of respondents (85 percent) felt that fulfilling CTO responsibilities was an important part of their overall job performance.

Despite their critical role and the amount of time spent on CTO-related activities, 54 of the 119 (45 percent) individuals selected for interviews could not demonstrate that they had tasks specific to their CTO responsibilities included in their performance management documents (e.g., in their position descriptions, statements of work, work objectives, and/or performance measures). Of these:

- Thirty-six were PSCs:

  - ✓ Eighteen were USPSCs: six had no work objectives at all, and two were not evaluated because they were at the top of their salary range.
  - ✓ Eighteen were FSNPSCs: two of whom had no work objectives at all.

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[13] FSNs are addressed in the Foreign Affairs Manual (FAM) in 3 FAM 7261.4, while TCNs are addressed in 3 FAM 7121.

- Fourteen were direct-hire employees.

- Four were RSSAs and TAACSs:

  - ✓ One RSSA did not have work objectives or a position description and had not been evaluated in over 12 years—since 1991.

One reason for the omission of CTO-specific tasks is that CTOs have overlapping and complementary responsibilities for programmatic and administrative management of a USAID activity. Although both sets of responsibilities are critical to the activity's success, several contracting officers believed that programmatic responsibilities were considered a higher priority, even though the CTO duties were often the most time-consuming. Because of this bias, position descriptions, performance plans, statements of work, and work objectives for many of the CTOs emphasized their programmatic responsibilities, but not their CTO duties.

Of course, compounding this situation is the fact that written annual evaluations are required for USPSCs only to qualify for annual salary increases. This resulted in some USPSCs at the top of their salary ranges not being evaluated. Additionally, USAID does not have a formal policy regarding evaluations in the case of RSSAs and TAACSs because the terms of their evaluations are governed by their sponsoring agency. Twenty-nine of the 199 questionnaire respondents were either RSSAs or TAACS, creating the potential for a significant number of unevaluated CTOs. Indeed, as mentioned above, one RSSA serving as a CTO had not been evaluated since 1991.

When CTOs are not formally evaluated on the performance of their CTO duties, USAID management cannot make fully informed judgments as to which CTOs are performing those duties adequately, which are excelling and which require additional help, such as training and supervision. Since CTOs play a significant role in the successful and efficient implementation of the contracts, cooperative agreements and grants through which USAID expects to achieve its program goals, it is important that CTOs be held accountable for the execution of those tasks. Accordingly, we are making the following Agency-wide recommendations to strengthen CTO accountability:

> **Recommendation No. 3: We recommend that the Office of Human Resources, in coordination with the Office of Procurement, incorporate cognizant technical officer duties and responsibilities into the position descriptions, work objectives, and statements of work of each individual designated to serve as a cognizant technical officer.**

> **Recommendation No. 4: We recommend that the Office of Human Resources, in coordination with the Office of**

Procurement, annually evaluate each individual designated to serve as a cognizant technical officer based on the performance of their cognizant technical officer duties and responsibilities.

360-Degree Input Should Be Obtained From Contracting Officers – ADS 462, which governs USAID's employee evaluation program, notes that in preparing performance evaluations, rating officials must utilize information solicited from individuals who can provide informed views of the employee's performance during the rating cycle (360-degree input sources).[14] Soliciting information from 360-degree input sources is an important step in preparing any performance evaluation, because it can identify relevant information that might not be obtained either through direct observation of the employee or from the employee themselves.

In the case of CTOs, contracting officers, who are responsible for designating the CTO and have immediate knowledge of their performance, are excellent sources of 360-degree input. The majority (83 percent) of the contracting officers interviewed felt that they should be asked for such feedback. Although most had been asked for feedback in the past, it happened infrequently. This was because USAID does not specifically require that supervisors solicit comments related to the performance of CTO tasks from contracting officers and other pertinent sources. Consequently, CTO performance evaluations may not have accurately reflected the actual execution of CTO duties.

CTOs play a key role in the successful implementation of USAID activities. Because it is important that performance evaluations be as accurate and realistic as possible, we are making the following Agency-wide recommendation to strengthen USAID's evaluation of CTOs:

> **Recommendation No. 5: We recommend that the Office of Human Resources, in coordination with the Office of Procurement, require that supervisors, when preparing annual performance evaluations, solicit comments from contracting officers and other pertinent sources on the cognizant technical officer's performance of his or her relevant tasks.**

**CTO Designation
Letters Should Be Issued**

In addition to performance evaluations, CTO accountability is maintained through the use of designation letters, which clearly delineate CTO responsibilities and

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[14] ADS 462.3.5.c., "Gathering Appraisal Information."

limitations. Federal Acquisition Regulations require contracting officers to provide written authorization to delegate contract administrative responsibilities. Additionally, USAID's Contract Information Bulletin 93-08[15] and ADS 202 require that contracting officers designate in writing the individual nominated by the strategic objective team to be the CTO. Without such letters, CTOs and contractors may be unaware of the limits and extent of CTO authorities and responsibilities.

Our audit found that while, for the most part, CTOs working in missions overseas had been issued the required designation letters, the majority of CTOs interviewed in USAID/Washington did not have them. One contracting officer interviewed indicated that it was difficult to manage the issuance of designation letters because the Office of Procurement did not have an updated list of pending procurement actions or a reliable list of CTOs and awards. Another indicated that the Office of Procurement had not been very good in the past about issuing designation letters and needed to do a better job.

Also, several CTOs interviewed speculated that they had not been issued a CTO designation letter because they had replaced the original CTO and the designation letter had not been reissued. Others said that perhaps they had been designated in the contract itself and that no separate designation letter had been issued. Although we could not conclusively determine the cause, in the absence of such letters, CTOs and contractors may be unaware of the limits and extent of CTO authorities and responsibilities.

A recommendation addressing this issue was included in the audit report issued for the USAID/Washington portion of this worldwide audit.[16] As of the issuance date of this report, the Office of Procurement is drafting an Acquisition and Assistance Policy Directive entitled "Standardized Model Letters for Designating the Cognizant Technical Officer for Contracts, Grants, and Cooperative Agreements." This directive acknowledges the importance of designation letters and requires that letters be issued for all contracts (except for personal services contracts and fixed-price supply contracts), grants, and cooperative agreements. Due to the impending release of this directive, we did not find it necessary to include a recommendation concerning designation letters in this summary report.

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[15] Contract Information Bulletin 93-08 was issued by USAID's Office of Procurement on March 10, 1993.

[16] Report No. 9-000-03-009-P, "Audit of USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers," September 22, 2003.

Management Comments and Our Evaluation

In their response to our draft report, the Office or Human Resources (HR) and the Office of Procurement (OP) concurred with our recommendations and described the actions planned to address our concerns. They also proposed changes in the wording of our recommendations, related to the appropriate action officer for each recommendation. We incorporated these changes into our final recommendations. When fully implemented, HR's and OP's actions should significantly strengthen cognizant technical officer (CTO) training and accountability.

To address all five recommendations, HR and OP will issue a joint policy notice addressing CTO training requirements as well as accountability issues. Therefore, the recommendations and the related planned actions will become USAID policy and adherence will be mandatory Agency-wide. The actions described below are specific actions which will be incorporated into the joint policy notice.

To address Recommendation No. 1: OP, in coordination with the Bureaus and Offices, will develop a format and procedures for the Bureaus and Offices to use in establishing and maintaining their CTO master lists.

To address Recommendation No. 2: HR, in coordination with OP, will require a program to develop, execute, and track individual training plans for all uncertified CTOs.

To address Recommendation No. 3: HR, in coordination with OP, will advise supervisors to prospectively incorporate CTO-related duties and responsibilities into position descriptions, work objectives, and statements of work.

To address Recommendation No. 4: HR, in coordination with OP, will require that annual performance evaluations of staff with CTO duties address their performance of those duties.

To address Recommendation No. 5: HR, in coordination with OP, will advise supervisors to obtain comments from contracting officers and other appropriate sources in evaluating the employee's annual performance of CTO-related duties and responsibilities.

Based on management's concurrence and their planned actions to address our concerns, management decisions have been reached on all five recommendations. Management's comments are included in their entirety in Appendix II. (See page 25.)

Scope and Methodology

Scope

The Office of Inspector General conducted these audits in accordance with generally accepted government auditing standards. This audit was designed to answer the following questions: Did USAID provide adequate training and guidance to its cognizant technical officers (CTOs) to help ensure that they were aware of and capable of performing their responsibilities? Did USAID hold its CTOs accountable for performing their responsibilities in accordance with USAID policies and regulations?

In conducting the audits, we assessed the effectiveness of USAID's management controls with respect to training CTOs and holding them accountable. We identified management controls as (1) the defining of training needs, (2) the developing and monitoring of training plans, (3) the establishing of work objectives and performance measures, and (4) the evaluating of actual performance. We conducted interviews with key USAID personnel, as well as with contractors and recipients. In addition, we reviewed pertinent employee evaluation documents and designation letters to determine compliance with Federal guidance and USAID policy.

This report summarizes the results of audit work conducted at selected overseas USAID missions as well as an audit conducted at several USAID/Washington, D.C. bureaus.[17] In addition, this report addresses Agency-wide issues identified in the course of these audits. Audit fieldwork was conducted in the following locations:

- Washington, D.C., in three USAID bureaus—Bureau for Global Health, Bureau for Asia and the Near East, and Bureau for Economic Growth, Agriculture and Trade—from February 5 through June 24, 2003.

- Guatemala, in Guatemala City, from October 21 through November 1, 2002.

- Malawi, in Lilongwe, Blantyre, Mangochi, and Zomba, from May 12 to May 30, 2003.

- Kazakhstan (Central Asian Republics), in Almaty, from May 27 through July 18, 2003.

- Egypt, in Cairo, from March 18 through June 12, 2003.

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[17] See Appendix IV for the list of audit reports issued.

- Nepal, in Kathmandu, from April 21 through May 1, 2003.

- El Salvador (for USAID/Mexico, by telephone, electronic mail, and fax) from March 31 through April 25, 2003.[18]

During fieldwork, the bureaus and missions audited had approximately 276 designated CTOs, who, according to unaudited information, were responsible for managing contracts, grants, and cooperative agreements estimated at $7.4 billion. USAID estimated that there were approximately 1,500 designated CTOs worldwide; we distributed a questionnaire to 233 of these CTOs.

Methodology

Criteria for defining CTO roles and responsibilities included Office of Federal Procurement Policy Letters, USAID's Automated Directives System, Contract Information Bulletins, and Acquisition Regulations. 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 the regulations described above and Federal Acquisition Institute Training Material.

To address the audit objectives we distributed a questionnaire to 233 of the 276 CTOs in the bureaus and missions audited; 199 responded. Questionnaires were distributed to a judgmentally selected sample in the Washington portion of the audit due to the large number of CTOs in the bureaus selected for audit; in each of the six missions audited, 100 percent of the CTOs received questionnaires. From the questionnaires, we obtained information on the CTOs' background, training taken, additional training needs, and experience performing their tasks. With the exception of one mission audit,[19] we did not develop materiality thresholds for either of the audit objectives.

In addition to distributing questionnaires and summarizing and analyzing the responses, we interviewed CTOs, supervisors, contracting officers, contractors, and recipients. Judgmental sampling was used to select CTOs for interviews in three of the mission audits and in the Washington portion of the audit; statistical sampling was used in one mission audit; 100 percent of the CTO population was interviewed in the remaining two mission audits. We also interviewed judgmentally selected CTO supervisors, contracting officers, contractors and

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[18] Due to travel restrictions, we conducted interviews with CTOs, supervisors, recipients, and mission officials in USAID/Mexico by telephone from USAID/El Salvador. We received relevant documentation from USAID/Mexico by electronic mail and fax.

[19] Report No. 1-523-03-005-P, "Audit of USAID/Mexico's Training, Use and Accountability of Cognizant Technical Officers," June 27, 2003.

recipients. The interviews provided us with an understanding of how well CTOs performed their tasks, the level of their understanding of what was expected of them, and limits of authority and accountability issues.

To address the second audit objective, we reviewed pertinent employee evaluation documents for the CTOs interviewed. We reviewed and analyzed position descriptions, work objectives and statements of work, and performance evaluations to determine if they included CTO duties. For those managing contracts, we determined if designation letters had been obtained.

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Management Comments

MEMORANDUM

TO: IG/A/PA Director, Nathan S. Lokos

FROM: M/MPI, Connie Turner /s/

SUBJECT: Draft Report on Audit of USAID's Training, Use and Accountability of Cognizant Technical Officers (Report No. 9-000-04-00X-P)

Thank you for the opportunity to provide management comments on this draft report. This memo consolidates comments from M/MPI, M/OP, and M/HR. Following are our comments and planned actions for each recommendation.

Recommendation No. 1: We recommend that USAID maintain updated master lists of its cognizant technical officers. These lists should indicate whether or not each officer is certified.

Management Comments and Planned Actions: Please revise the wording of the audit recommendation by replacing "USAID" with "the Office of Procurement, in coordination with the bureaus and offices". M/OP concurs with this recommendation that the bureaus, offices, and missions to which CTOs are assigned maintain updated master lists of their respective CTOs to ensure that those officers requiring training receive it on a timely basis. M/HR and M/OP will jointly prepare and issue a Policy Notice regarding CTO training (see the Management Comments for recommendations 2 through 5). As an attachment to this Notice, M/OP will develop a standardized format and procedures for bureaus, offices, and missions to use in establishing and maintaining their master lists of CTOs.

Recommendation No. 2: We recommend that USAID develop training plans for its uncertified cognizant technical officers and schedule them to attend the training required for certification.

Management Comments and Planned Action: Please revise the wording of the audit recommendation by replacing "USAID" with "the Office of Human Resources, in coordination with the Office of Procurement".   M/HR and M/OP concur with the recommendation that supervisors develop training plans jointly with their employees and these plans should take into account the need to incorporate necessary training for performance of CTO responsibilities.   M/HR will develop with M/OP a joint Policy Notice regarding CTO training requirements and the need for bureaus to initiate a program to develop, execute, and track individual training plans for all uncertified CTOs.   Individual Development Plans, Form AID 400-21 (12/03), will be used for this purpose.

Recommendation No. 3: We recommend that USAID incorporate cognizant technical officer duties and responsibilities into the position descriptions, work objectives, and statements of work of each individual designated to serve as a cognizant technical officer.

Management Comments and Planned Action: Please revise the wording of the audit recommendation by replacing "USAID" with "the Office of Human Resources, in coordination with the Office of Procurement".   M/HR and M/OP concur with this recommendation. The joint M/HR and M/OP Policy Notice will advise supervisors to incorporate CTO-related duties and responsibilities into position descriptions, work objectives, and statements of work on a prospective basis.

It should be noted that a recent BTEC recommendation called for the streamlining of the CS and FS performance appraisal systems. Reforms in this area will result in a significantly reduced number of work objectives.   Because of this streamlining effort, it will not always be feasible to have a separate work objective dedicated to the performance of CTO tasks, but supervisors will be expected to incorporate CTO-related tasks as performance measures under a work objective unless a separate work objective has been established.

Recommendation No. 4: We recommend that USAID annually evaluate each individual designated to serve as a cognizant technical officer based on the performance of their cognizant technical officer duties and responsibilities.

Management Comments and Planned Action: Please revise the wording of the audit recommendation by replacing "USAID" with "the Office of Human Resources, in coordination with the Office of Procurement". M/HR and M/OP concur with the need to evaluate the performance of individuals with CTO duties and responsibilities.   The joint M/HR and M/OP Policy Notice will require that annual performance evaluations of staff with CTO duties address their performance of those duties.

Recommendation No. 5: We recommend that USAID require supervisors to solicit comments on the performance of cognizant technical officer tasks from contracting officers and other pertinent sources, as part of each cognizant technical officer's annual performance evaluation.

Management Comments and Planned Action: Please revise the wording of the audit recommendation by replacing "USAID" with "the Office of Human Resources, in coordination with the Office of Procurement". M/HR and M/OP concur with the recommendation that supervisors should obtain input from appropriate sources on the employee's performance of CTO-related tasks. The joint M/HR and M/OP Policy Notice will advise supervisors to obtain 360 degree feedback from contracting officers and other appropriate sources when evaluating the employee's performance of CTO work.

M/HR and M/OP anticipate issuing the joint Policy Notice by September 30, 2004. Accordingly, we request OIG concurrence with the management comments outlined above.

cc:
M/HR/OD, RDepp
M/HR/PPIM, JJones
M/OP/OD, TBeans
M/OP/POL, RPowell
M/MPI, KWilson

Table 2: Summary of Selected Audit Recommendations by Type of Recommendation

Recommendations	Central Asian Republics	Egypt	Guatemala	Malawi	Mexico	Nepal	USAID Bureaus
Audit Objective One (Training)							
Develop training plans			X	X			X
Monitor and maintain training plans						X	
Arrange for CTOs to attend training		X	X		X	X	X
Allow only certified CTOs to serve as alternate CTOs	X						
Maintain updated master CTO lists							X
Audit Objective Two (Accountability)							
Incorporate CTO tasks into position descriptions and performance documents	X		X	X	X	X	X
Solicit 360-degree feedback from contracting office staff and others	X		X	X	X	X	X
Evaluate all CTOs		X			X		X
Issue designation letters for each contract							X
Inform contracting officer of CTO personnel changes				X			

Table 3: Summary of Audit Recommendations by Bureaus/Mission Audited

Operating Unit	Audit Objective One (Training)	Audit Objective Two (Accountability)
Central Asian Republics	• Evaluate need for additional training • Permit only certified CTOs to serve as alternate CTOs	• Incorporate CTO duties into position descriptions and performance documents • Require that CTOs be evaluated against work objectives or statements of work • Solicit 360-degree feedback from contracting office and other pertinent sources
Egypt	• Arrange for CTOs to attend required training	• Utilize employee work plans and evaluate all CTOs
Guatemala	• Develop training plans for all CTOs • Arrange for CTOs to attend required training	• Incorporate CTO duties into position descriptions and performance documents • Solicit 360-degree feedback from contracting office and other pertinent sources
Malawi	• Develop training plans for all CTOs	• Inform contracting officer of CTO personnel changes • Incorporate CTO duties into position descriptions and performance documents • Solicit 360-degree feedback from contracting office and other pertinent sources
Mexico	• Arrange for CTOs to attend required training	• Evaluate all CTOs annually

Operating Unit	Audit Objective One (Training)	Audit Objective Two (Accountability)
Mexico *(continued from previous page)*		• Incorporate CTO duties into work objectives • Assess how well they meet objectives • Solicit 360-degree feedback from contracting office
Nepal	• Monitor and maintain training plans • Arrange for CTOs to attend required training	• Incorporate CTO duties into position descriptions and performance documents • Solicit 360-degree feedback from contracting office and other pertinent sources
USAID Bureaus (GH, EGAT, ANE)	• Develop training plans and schedule uncertified CTOs for required training • Maintain updated CTO master lists	• Incorporate CTO duties into position descriptions and performance documents and ensure all are evaluated • Solicit 360-degree feedback from contracting office and other pertinent sources • Issue designation letters for each contract

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Worldwide Audit Reports Issued

Seven reports were issued as part of the worldwide CTO audit, as follows:

Report No. 1-523-03-005-P, "Audit of USAID/Mexico's Training, Use and Accountability of Cognizant Technical Officers," June 27, 2003

Report No. 9-596-03-007-P, "Audit of USAID/Guatemala-Central American Program's Training, Use and Accountability of Cognizant Technical Officers," July 10, 2003 (this report represents the pilot audit)

Report No. 4-612-03-002-P, "Audit of USAID/Malawi's Training, Use and Accountability of Cognizant Technical Officers," August 27, 2003

Report No. 9-000-03-009-P, "Audit of USAID Bureaus' Training, Use and Accountability of Cognizant Technical Officers," September 22, 2003

Report No. B-176-04-002-P, "Audit of USAID/Central Asian Republics' Training, Use and Accountability of Cognizant Technical Officers," November 20, 2003

Report No. 5-367-04-002-P, "Audit of USAID/Nepal's Training, Use and Accountability of Cognizant Technical Officers," December 19, 2003

Report No. 6-263-04-003-P, "Audit of USAID/Egypt's Training, Use and Accountability of Cognizant Technical Officers," December 29, 2003