# ADS Chapter 202

# Achieving

**Functional Series 200 – Programming Policy**
**ADS 202 – Achieving**

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\*An asterisk indicates that the adjacent material is new or revised.

*An asterisk indicates that the adjacent material is new or substantially revised.                3

**ADS 202 – Achieving**

**202.1        OVERVIEW**
Effective Date:  01/31/2003

This chapter outlines the basic policy directives and required procedures used in achieving foreign assistance results with USAID-managed program and staff resources. USAID Missions, Regional Platforms, and USAID/Washington Bureaus and Offices should apply these policy directives and required procedures to help ensure that the development results that USAID seeks are obtained in a cost-effective and timely manner, consistent with applicable regulatory and accountability requirements.

Achieving with program resources begins after the planning and approval of Assistance Objectives (AOs), projects, or activities and ends with the completion or termination of the AO. However, establishing the basis or environment of the assistance often begins during planning, when team members can negotiate necessary policy and/or institutional reforms, changes, or modifications prior to the expenditure of program funds. Assessing impact and learning from experience takes place concurrently with achieving. (These functions are described in detail in **ADS 203**). New planning may take place when new or modified AOs, projects, and/or activities are identified in the course of achieving. Achieving includes the following steps or tasks:

- Structuring Assistance Objective Teams (AO Teams) for project and/or activity implementation;

- Mobilizing inputs;

- Supporting implementing partners to achieve results;

- Maintaining open and frank communications with host country counterparts and partners;

- Monitoring quality and timeliness of key outputs;

- Managing U.S. Government (USG) program resources and requesting funds;

- Performing funds control, payment, and obligations management;

- Managing vulnerability; and

- Closing out programs and obligating instruments.

**202.2        PRIMARY RESPONSIBILITIES**
Effective Date:  01/31/2003

All USAID Missions, regional Platforms, and Washington Bureaus and Offices that provide support services to AO Teams share responsibility with these teams to achieve results included under their approved Operational Plan (OP).  For specific responsibilities, see **ADS 200.2**.

**\*202.3        POLICY DIRECTIVES AND REQUIRED PROCEDURES**
Effective Date:  09/01/2008

**\*202.3.1        Mandatory and Non-Mandatory Guidance**
Effective Date:  09/01/2008

This chapter describes both mandatory and non-mandatory procedures and practices. Mandatory procedures are identified with use of the words "must," "required," or other clear designation.  They are mandatory because they deal with policies or processes that are required by law, regulation, Executive Order, or a binding agreement.  In some cases, the underlying law, regulation, Executive Order, or binding agreement will include provision for exceptions, waivers, and national interest determinations and these provisions must be followed.  Please consult with the Office of General Counsel (GC) or a Regional Legal Advisor (RLA) if in doubt about whether a provision is mandatory and the process, if any, for exceptional treatment.

The non-mandatory procedures described in this chapter are intended to increase consistency and predictability of operations. Non-mandatory procedures are identified with use of the words "should," "recommended," "may," or other clear designation. Although USAID Missions/Offices should generally follow these procedures, they may choose to allow exemptions or adapt procedures to particular situations, especially when such exemptions correspond to guiding principles and increase cost-efficiency. USAID Missions/Offices do not have to document exemptions from non-mandatory procedures.

**Note:** To alert readers, the word "MANDATORY" will often appear at the start of a paragraph. The paragraph itself may contain a combination of mandatory and non-mandatory language, as signaled by the words listed above.

\*Special exemptions from some mandatory procedures are noted in the text. Assistant Administrators have authority to approve, as necessary, additional exemptions from the mandatory procedures beyond those exemptions specifically mentioned in this chapter. Approval for any such additional exemptions must be obtained in writing from the Assistant Administrator of the responsible Bureau and must be written as an action memorandum and cleared by the Office of the Chief Operating Officer (COO) and GC.

> **Special Exemptions:** Certain programs are exempted from the mandatory procedures described in this chapter, including (1) emergency disaster assistance such as that under the International Disaster Assistance (IDA) account and (2) emergency food aid authorized under Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480).

### *202.3.2    Rationale for Using Assistance Objective Teams
Effective Date:  09/01/2008

*USAID promotes the use of multi-functional AO Teams for program management. These teams include staff with a broad range of skills, who are all committed to achieving defined results and willing to be held jointly accountable for these results. (See **ADS 200.3.2.3**.) Before discussing some of the characteristics of such teams, it is useful to outline some of the reasons why USAID uses teams and identify some of the particular requirements for ensuring successful team-based management.

To benefit from the advantages of teams, it is important to understand potential pitfalls and recognize that an investment of time and effort on the part of team members and USAID Mission/Office managers is necessary.

The fundamental rationale for using teams is cost-effectiveness. Careful comparisons of teams and traditional hierarchical office structures in a private-sector setting have shown that teams can achieve higher productivity. At USAID, informal estimates based on before and after comparisons suggest that significant improvement in productivity (20 to 25 percent or more) is possible with the use of teams.

Several factors combine to boost productivity when multi-functional teams are used:

- **Better use of employee skills.** The traditional office structure tends to "box" employees within narrow job descriptions. Teams expand the potential range of work to which any given employee can contribute. This means that existing skills can be utilized more effectively. For example, some AO Teams have used specialized staff (such as financial analysts) to assist in managing activities during absences of technical staff.

- **Interdependence of team members.** Interdependence creates more transparency in employee performance, which in turn creates strong incentive for good performance. When all members share responsibility for achieving a common set of results, interdependence and performance incentives are increased.

- **More effective use of staff time.** In a team setting, it is easier to reallocate "down time" across team members and ensure that everyone is focused on priority actions. In a traditional office setting, some units may be overloaded

when others are in a lull, simply because workload has been fragmented across different units.

- **Higher morale.** Many staff members who have experienced both traditional office structures and real teamwork express a preference for the latter. The feeling that their efforts are more closely linked to results and that their skills are in greater demand tends to boost staff morale.

- **Greater flexibility.** Teams provide USAID Missions/Offices with the ability to customize their organizational structure around the targeted results and the tasks that this involves. This flexibility contributes to improved use of limited staff.

- **Team structures.** Using team structures in operational decision-making and assessing effectiveness can greatly facilitate involvement of partners, customers, and stakeholders of USAID programs.

When team-based organizations fail, especially in the transition phase when becoming a team, it is typically due to lack of clarity of role (especially the authority and responsibilities of a Team Leader), improper training, and/or a misunderstanding of authorities delegated by their superiors.

Continuous attention to team strengthening is needed to achieve the greatest level of benefit from teams. This includes:

- Clarifying the respective roles of team members and related authorities;

- Developing team membership skills;

- Developing team leadership skills; and

- Encouraging all USAID Missions/Offices to support their teams.

It is important to note that the use of teams does not imply suspending the notion of individual responsibility or relying exclusively on consensus decision-making. Additionally, not all staff members necessarily belong on a team, and some may belong to more than one team.

### *202.3.3    Establishing an Assistance Objective Team During Planning
Effective Date:  09/01/2008

*USAID Missions/Offices are strongly encouraged to establish AO Teams to plan and manage AOs. In some circumstances, however, USAID Missions/Offices may at their discretion choose to manage activities through an organizational structure other than an AO Team. If a USAID Mission/Office chooses not to establish an AO Team, this decision, and the alternative means of management selected, should be documented in writing. (See **ADS 201.3.12.13**)

Actions that are critical to establishing effective AO Teams include:

**Step 1.** Appoint an AO Team Leader

**Step 2.** Identify and recruit core members of the AO Team

**Step 3.** Delegate appropriate authorities to core members

**Step 4.** Identify and recruit other AO Team members

**Step 5.** Document the establishment of AO Teams

### *202.3.3.1    Appointing an Assistance Objective Team Leader
Effective Date:  09/01/2008

*The role of the Team Leader is to provide overall guidance and direction to the AO Team, to represent the USG on behalf of USAID, and to manage relationships between the AO Team and other organizational units. The USAID Mission Director may delegate certain specific authorities to the Team Leader related to actions and decisions necessary for planning and achieving.

Individuals selected to be team leaders must be USG staff members because only USG staff members are eligible for carrying out inherently governmental functions. USG members include many types of staff such as Foreign Service Nationals (FSN) (either FSN Direct Hires (DH) or FSN Personal Service Contractors (PSC)), Third Country Nationals (TCN), U.S. Personal Services Contractors (USPSC) (including Technical Advisors in AIDS, Child Survival, and Population (TAACS)), Participating Agency Service Agreement staff (PASA), and U.S. Direct Hires (USDH). Thus, USG members from all the above categories are eligible to serve as AO Team leaders, according to their experience, skills, and qualifications.

*Certain authorities, described in **202.3.3.3**, may not be delegated to non-USDH staff.  If in doubt about authorities that may be delegated to a particular individual, consult GC or an RLA and the references listed in **202.3.3.3**.

The AO Team Leader may or may not be a formal supervisor of USAID team members. Team leadership may be shared between two or more team members, provided that the lines of authority, responsibility, and accountability are made clear. When AO Team members report to a formal supervisor who is outside the team, this supervisor should obtain and use substantive feedback on the team member's performance from the Team Leader and other team members to complete the employee's annual performance evaluation. As with traditional supervisors, AO Team leaders are expected to play a significant role in recruiting and coaching all members of a team.

**\*202.3.3.2    Identifying and Recruiting Core Members of the Assistance Objective Team**
Effective Date:  09/01/2008

\*Each AO Team should designate certain USAID staff to serve as "core members" of the team. Team members should be selected for the expertise, experience, skills, and authorities that they possess and that are necessary to support functions such as:

- Support in carrying out policy dialogue;

- Customer outreach;

- Technical oversight;

- Assessment of progress;

- Planning of projects and activities;

- Reporting;

- Programming policy and legal compliance;

- Acquisition and assistance; or

- Budgeting and financial management.

\*For example, members of a Primary Education AO Team might include education specialists, a program/project development officer, a financial management specialist, and an acquisition and assistance specialist. Some of these team members may participate on the team on a part-time basis, sharing their time with other teams.

\*Individuals selected to be core members of an AO Team must be USG members because only USG members are eligible for carrying out inherently governmental functions. (See **202.3.3.1**)

**\*202.3.3.3    Delegating Appropriate Authorities to Core Members**
Effective Date:  09/01/2008

\*If a USAID Mission establishes one or more AO Teams, the head of that USAID Mission must provide a clear written delegation of authority for these teams and their members consistent with the authorities provided to him or her by the Bureau Assistant Administrator. This delegation of authority will address the range of approval and clearance requirements needed for the most common implementation and approval documents that are expected for a given AO. One internal delegation of authority document may be created to cover all AO Teams in a USAID Mission. USG members

are eligible to carry out inherently governmental functions for which they are qualified, and for which they have been given a delegation of authority. USAID Missions should keep in mind that FSNs, TCNs, private sector fellows, and USPSC staff may be delegated numerous authorities, with four exceptions. The following excerpt from **ADS 103.3.1.1** states:

**a.** General Rule.  USPSCs and non-U.S. citizen employees (host country and third country Personal Service Contractors (PSCs) and Foreign Service National (FSN) direct-hire employees) may be delegated any authority, duty or responsibility, except as outlined below.  This particular rule supersedes any other ADS provision, existing Agency policy (e.g., AIDAR) or other delegation that conflicts with this provision.

**b.** Limitations.

(1) While USPSCs and non-U.S. citizen employees (collectively, "non-U.S. citizen Direct Hire" or "non-USDH") may supervise other non-USDHs, they may not supervise U.S. citizen direct-hire (USDH) employees of USAID as part of their regular duties and responsibilities.  Non-USDH employees may supervise the daily work activities of USDH employees on a limited basis, not to exceed 60 days in any 180 day period, to cover a temporary USDH absence or when both non-USDH and USDH employees are participating in emergency temporary duty assignments, such as Disaster Assistance Response Team (DART) deployments.

(2) Non-USGH employees may participate in personnel selection matters, but they are not delegated authority to make a final decision on USDH personnel selections.

(3) Non-USDH employees may represent the Agency and communicate planning and implementation decisions. Communications that reflect a final policy decision of the Agency must be cleared by a USDH employee.

(4) Non-USDH employees may be designated a Cognizant Technical Officer (CTO).  They may be authorized to sign other documents, e.g., travel authorizations (TAs), miscellaneous obligation documents (MODs), and SF-1190s (Foreign Allowances Application, Grant and Report). However, they are not authorized to sign (1) grants, contracts, and other obligations that require a warrant and (2) grants to foreign governments, and multilateral organizations composed of foreign governments (including public international organizations, as defined in **ADS 308**).

USAID warrant policy is stated in AIDAR 701.6 for contracting and in **ADS 303.2.d** for assistance.

(5)    A USPSC serving as an Executive Officer may sign residential and functional leases, subject to approval of an exception by the M/OMS Director, or designee, and adherence to the procedures in **ADS 535, Real Property Management Overseas** and **15 FAM 730**. The Director, Overseas Management Support Staff (M/OMS), is authorized to approve an exception to **103.3.1.1.b.5**.

**c.**    Exceptions

(1)    The Director, Overseas Management Support Staff (M/OMS), is authorized to approve an exception to **103.3.1.1.b.5**.

(2)    Other exceptions to the limitations in paragraph b, above, must be approved by the Assistant Administrator for the Bureau for Management (AA/M).

If in doubt about which authority may be delegated to a particular individual, consult GC or an RLA and the following references for additional information:

- Discussion of delegations of authority to non-USDH staff in "Delegation to U.S. Citizen Personal Services Contractors (USPSCs) and Non-U.S. Citizen Employees" in ADS **103.3.1.1;**

- Examples of "inherently governmental functions" in the Mandatory Reference, **Office of Management and Budget (OMB) Circular A-76, Performance of Commercial Activities;**

- Discussion of "inherently governmental functions" in **ADS 601.5.7**, section a;

- Discussion of roles, responsibilities, and employment mechanisms used in the Agency in section 10 of **ADS Series 400, Interim Update #2, Appropriate Use and Funding of USAID's Non-Direct Hire Workforce**;

- Discussion about Agency Fellows in **ADS Series 400, Interim Update #3, Implementation of Policy Guidance Concerning Fellows;**

- Policy regarding interagency agreements, such as the PASA, in **ADS 306**.

**\*202.3.3.4    Identifying and Recruiting Other Assistance Objective Team Members**
Effective Date:  09/01/2008

\*An AO Team should have access to the broad range of skills and experience that are necessary to achieve foreign assistance results. Other team members should be selected on the basis of their skills, expertise, and institutional representation. They are expected to strengthen the team's overall capacity to manage for results. They may include staff or representatives from other USAID Offices, USG agencies, host government, and partner organizations who share an interest in, and commitment to, achieving these results. Other AO Team members should help to assess the impact of ongoing activities, identify important changes in the operating environment, recommend alternative courses of action, and coordinate with other partner, stakeholder, and customer organizations that are not part of the team. The opportunity to incorporate non-USAID staff on AO Teams is particularly useful for small USAID Missions that may need additional expertise to support the team.

All AO Team members share a common responsibility for managing to achieve the foreign assistance results.

For intermittent tasks, AO Teams can decide to either include such expertise on the team itself or draw upon non-team members on an as-needed basis, depending on what is most efficient.

**\*202.3.3.5    Documenting Roles, Responsibilities, and Structure of Assistance ObjectiveTeams**
Effective Date:  09/01/2008

\*There is no one prescribed format for documenting the establishment of AO Teams. At a minimum, documentation must include:

- Identification of the AO for which the team is being established;

- The name of the AO Team Leader;

- The names of the AO Team's core members; and

- The names of other AO Team members.

Commonly used and acceptable documentation formats include:

- A management agreement between the USAID Mission Director and the AO Team;

- An action memorandum approved by the USAID Mission Director;

- A Team Charter; or

- A delegation of authority, if it includes information showing that the AO Team(s) was established.

Organizational structures within an AO Team should be based on the actual management needs of that team and may consist of various sub-teams. The team should make its own decisions on its internal structure. Team structure must be consistent with general Agency guidance on organizational management, as described in **ADS 102**. Team membership and structure should remain flexible so that modifications can be made in response to programmatic needs. Documentation should be updated periodically to reflect changes over time.

### *202.3.4 Requirements for Assistance Objective Teams During Activity Implementation
Effective Date: 09/01/2008

*When an AO begins the achieving phase and formal obligating and sub-obligating agreements are being prepared, AO Teams must take some additional steps to prepare for project or activity implementation.

This section discusses these steps. Those steps that are mandatory are clearly identified with mandatory language (as described in **202.3.1**). AO Team leaders and the USAID Mission Director are jointly responsible for ensuring that the mandatory requirements are met.

### *202.3.4.1 Reviewing Team Membership and Structure
Effective Date: 09/01/2008

As AO Teams move from the activity planning stage to implementation, changes in membership should be considered to provide the skills and expertise necessary for achieving. Teams will require continued expertise from functional specialists in USAID (such as financial management, contracts, legal, and program), but the level and scope of expertise needed may change significantly from what it was in the planning stage. Teams may decide to recruit additional USAID staff to provide additional technical expertise and management support. As USAID establishes agreements with partner institutions, AO Teams may invite some individuals from these institutions to participate as team members. This could particularly be the case in countries where building institutional capacity is an important part of increasing aid effectiveness.

In all cases, the idea is to recruit new members based on their value added and the needs of the team. Figure 202A: Assistance Objective Team Membership illustrates team membership in the achieving phase. The graphic illustrates that the full team can, and should, reach beyond the staff categories that need to be in the core team to include partners, even those not receiving USAID funds.

Figure 202A:  Assistance Objective Team
Membership

| USG Staff: | Partners: |
| --- | --- |
| • USAID Staff<br> - USDH & PASA<br> - FSNDH & FSNPSC<br> - PSC & Fellows<br> - TCN<br>• Other USG Members | • USAID funded<br>• Non USAID funded |

**Assistance Objective Team**

Core Members
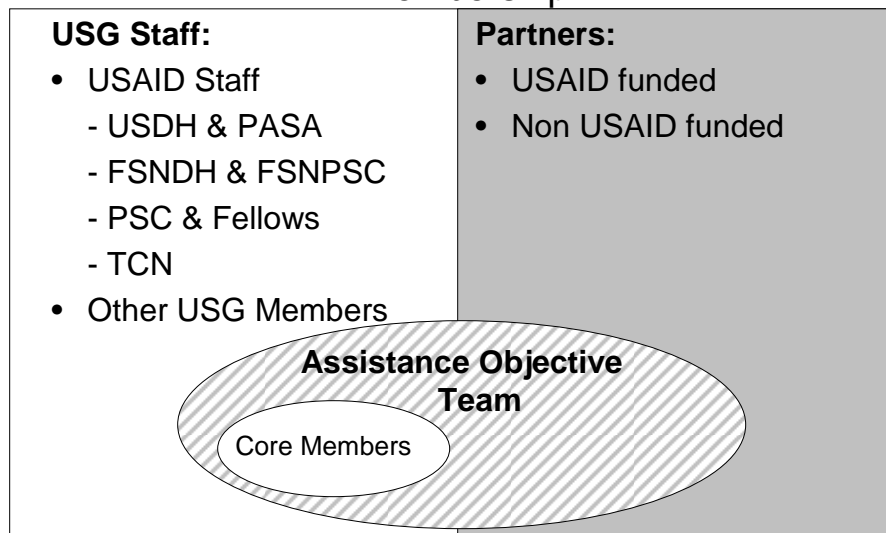
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If several projects are underway, the AO Team may need to adjust its structure. One or more sub-teams may be established to focus on specific sets of activities. No single standard approach to structuring teams during activity implementation exists. However, in organizing workload, teams should avoid creating unmanageable or inefficient arrangements such as:

• Expecting a large AO Team to manage, through group consensus, a broad set of complicated activities; or

• Unnecessarily excluding external partners in program assessment and decision-making, and thus losing valuable ideas, experience, and knowledge that increase the quality of decisions.

For large AOs, entire sub-teams may be created to manage specific sets of activities.

For small USAID Missions with few USAID employees, AO Teams are a mechanism for bringing additional expertise and support to assist in overseeing activities. Some small USAID Missions have been very successful at incorporating partners in a way that effectively compensates for limited USAID technical staff. In the case of inherently governmental functions that can only be carried out by USG employees, small USAID Missions can formalize virtual AO Team membership roles with staff located in supporting Regional Platforms or Washington Operating Units. These virtual teams can help obtain necessary commitments and support.

*AO Teams may also wish to consider the importance of knowledge sharing and collaboration, between team members, and across teams; this is particularly important

when teams comprise USAID staff as well as partners who will be working together to achieve the AO.  Communities of practice and other approaches for linking staff and partners across AO teams and other boundaries can be cost-effective ways to encourage the transfer of knowledge, improving efficiency and promoting quality control.

### *202.3.4.2    Mobilizing Inputs
Effective Date:  09/01/2008

*In the early stages of achieving, mobilizing inputs absorbs the majority of AO Team members' time and effort, as well as that of partners receiving USAID funds. Teams are responsible for many processes, including:

- Reviewing and, as necessary, modifying implementation plans;

- Preparing an annual Acquisition and Assistance (Procurement) Plan, as discussed in **ADS 201.3.11.11**;

- Preparing documentation that forms the basis of the obligating or sub-obligating agreements, and the agreements themselves (such as Statements of Work (SOW), Requests for Application (RFA), Requests for Proposal (RFP), Annual Program Statement (APS), Assistance Agreements (AA), contracts, and grants) in close coordination with other staff who are expert in program policies, procurement, financial management, and legal matters;

- Assisting in negotiating these instruments with the parties involved, as appropriate;

- Recruiting new personnel, if necessary;

- Facilitating various administrative approvals and logistical backstopping, such as moving personnel and commodities to activity sites in host countries;

- Coordinating USG-funded inputs with those provided by other partners and donors;

- Providing guidance to staff of new partner organizations on AO results and approaches;

- Starting work related to creation of outputs; and

- Continuing the process of policy dialogue.

To create and establish each type of acquisition and assistance (A&A) instrument, particular processes and procedures must be followed. A&A instruments establish the legally binding roles and responsibilities of each party and provide a formal structure for the relationship. This makes the transfer of USG funds to non-USG entities possible**.**

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**ADS 300** provides extensive guidance on mandatory procedures for establishing various instruments. For more information about obligations, see **ADS 621**.

*In the case of public-private alliances, some alliance arrangements may require exemptions from existing policy and new, streamlined forms of documentation. The AO Team should contact GC; the Bureau for Management, Office of Acquisition and Assistance (M/OAA); and the Office of Development Partners, Private Sector Alliances Division (ODP/PSA) for assistance in structuring alliance implementation instruments. (See **A Practical Framework.**) Some specific suggestions for how to structure these relationships to maximize synergy and minimize potential conflicts of interest are found in the Additional Help document, **Tools for Alliance Builders**, part 5.

**\*202.3.4.3    Identifying Cognizant Technical Officers and Activity or Project Managers**
Effective Date:  09/01/2008

a.      **Summary of Requirements**

- **\*Cognizant Technical Officers (CTOs) for direct USAID procurement instruments:** There must be a formally designated CTO for each active acquisition and assistance instrument awarded by USAID. Only a core member of an AO Team may be designated as CTO. The Contracting/Agreement Officer responsible for the award formally designates the CTO after issuance of an award.

  **Special Exemption**: Do not use a CTO for agreements with host-country government entities (such as host-country contracts, fixed amount reimbursement agreements, cash transfer agreements, credit authority) or for Personal Services Contracts (PSC).  However, it is a "best practice" to assign a team member to monitor progress of these agreements.

- **Activity or Project Managers:** AO Teams may, at any time, designate one or more core team members as "USAID Activity Manager." The title suggests to external organizations that the individual will represent the Agency at some level. Therefore, to remain consistent with limitations related to inherently governmental functions, the formal title of "USAID Activity Manager" must be limited to core AO Team members, as described in **202.3.3**.

b.      **Differentiating and Clarifying CTO and Activity/Project Manager Roles**

The CTO function is designed to help manage the formal relationship between USAID and the awardee institution, and to perform certain administrative actions required in the award, as well as the associated financial management functions required. For both acquisition and assistance awards, the award itself and the Contracting Officer/Agreement Officer's memorandum formally designating the CTO, taken together, spell out the CTO's administrative responsibilities and limitations. Limitations on the role of the CTO in the case of assistance awards are discussed further in **ADS 303**, Grants

and Cooperative Agreements. See **ADS 302**, USAID Direct Contracts, for Agency policy and required procedures for designating CTOs under contracts. CTO responsibilities for both acquisition and assistance instruments are specific to a particular award. In most cases, these responsibilities begin with the formal designation by the Contracting or Agreement Officer and end with the process of closing out the award.

*In contrast to the required role of the CTO, AO Teams may designate a USAID Activity or Project Manager at any time for any type of activity to manage a broad range of tasks. The following examples reflect common combinations:

**Example 1:** For smaller AO Teams with few agreements to manage, the simplest possible arrangement may be to merge the roles of AO Team Leader, Activity or Project Manager, and Cognizant Technical Officer (CTO), and make the Team Leader formally responsible for all three functions. Other team members would then take on specialized responsibilities that support these and other team functions.

**Example 2:** When AOs are more complex, involving several activities/projects or many partner institutions and customers, it may be essential to differentiate these three roles explicitly and assign them to different members of the AO Team in order to distribute and manage the workload. AO teams may, in this case, choose to designate one or more core members of the AO Team as Activity or Project Managers for different activities/projects. When a specific acquisition or assistance award triggers the requirement to designate a CTO, the Activity or Project Manager could be nominated to be the CTO as well. The AO Team Leader, in this example, would not take on additional roles.

**Example 3:** In the most complex situations (involving, for example, a bilateral AO with several distinct projects, each of which involves large or multiple acquisition or assistance awards), several CTOs and Project Managers could be appointed. Each Project Manager could coach or help manage the work of one or more CTOs in coordination with the Contracting/Agreement Officer. The Project Managers would address management and coordination issues that go beyond the prescribed role of the CTO(s). This can be useful, for example, when several acquisition and assistance instruments are funded under one Assistance Agreement, and it is necessary to coordinate and negotiate current and expected future awards with one or more host country Ministries and other entities.

**Example 4:** Another example of a complex scenario is when one acquisition or assistance instrument is used to implement a very large project that includes multiple sub-components or activities. In this case, under a single CTO, there might be multiple Activity Managers who help provide oversight for the overall project and support the CTO in management and coordination tasks.

**Example 5**: In some cases, a project may encompass multiple countries and be funded by USAID/Washington or from a regional platform, where the CTO is also

based.  USAID may then designate Activity Managers in each country to provide appropriate oversight and management of the project at the country-level.

These five examples cover a range of program complexity and demonstrate that there is considerable flexibility in structuring these key roles among core members of an AO Team. It is important for all members to understand clearly the scope and limitations of the particular role they assigned and to consult with the Contracting/Agreement Officer on potential arrangements.

**c.      Nominating and Designating the Cognizant Technical Officer (CTO)**
*For both acquisition and assistance implementing mechanisms, the AO Team (or if AO Teams are not used, the alternative organizational unit responsible for managing the activity) is responsible for nominating to the Contracting Officer/Agreement Officer a qualified team member to be the CTO. This nominee must have received appropriate training and certification, based on mandatory references, including the Office of Federal Procurement Policy (OFPP) Policy Letter 05-01 and USAID's Policy Notice 05-13. The Contracting Officer/Agreement Officer is then responsible for designating this individual in writing as the CTO, using the standard CTO designation letter, as prescribed in **ADS 302.3.7.1** for contracts and **ADS 303.3.17** for assistance. Once the team member has been designated as the CTO, he or she can perform certain contract administration functions, such as reviewing and approving the contractor's invoices and issuing written interpretation of contract technical requirements, or assistance administration functions, as described in more detail in **ADS 303**.

The task of managing a group of projects under an AO can be complex, particularly when USAID awards acquisition and assistance instruments under higher-level agreements with a host country (such as an Assistance Agreement) or when the skills and expertise needed for effective management go beyond those held by any one member of the AO Team. Consequently, other team members often work with the CTO to carry out the various tasks related to activity management. A certified CTO helps to clarify formal roles and responsibilities; simplifies communication between the Contracting/Agreement Officer, AO Teams, recipients, and contractors; and reduces the potential for disputes arising from mixed signals.

There may be situations where it is necessary to nominate an individual to be designated as CTO who does not have the mandatory certification required by the Mandatory Reference, **Office of Federal Procurement Policy (OFPP) Policy Letter 05-01**, based on competencies that the Agency requires. In these cases, USAID Missions/Offices must develop a written plan that allows the individual to receive the necessary training, within the timeframe stipulated in the CTO Designation Letter, and to obtain these competencies and subsequent certification. A detailed discussion of CTO responsibilities is available in Contract Information Bulletins (CIBs); Acquisition and Assistance Policy Directives (AAPDs); and at the Web site of the USAID Office of Acquisition and Assistance, available at **http://inside.usaid.gov/M/OAA** or **http://www.usaid.gov/business**. Also see the Web site on CTO certification at

**http://inside.usaid.gov/M/HR/lsd/ctosched.html**. [Note: this document is only available on the intranet.  Please contact ads@usaid.gov if you need a copy.]

**\*202.3.4.4    Working Within the Delegation of Authority**
Effective Date:  09/01/2008

USAID has a defined system for delegating authority which, among other purposes, helps to minimize the Agency's vulnerabilities and maintain accountability standards.

A delegation of authority occurs when an official vested with certain authorities extends that authority to an individual within a chain of command. The official retains the oversight responsibility over the individual and retains concurrent authority to exercise the authorities delegated, as provided in **ADS 103.3.1** paragraph c. By accepting the authority, the empowered staff member agrees to exercise the delegation in a responsible manner and is willing to be held accountable.

\*USAID and its Administrator generally obtain their authorities by law or through delegations from the President of the United States and the Secretary of State. The Director of Foreign Assistance obtains authorities through delegations from the Secretary of State. The Administrator re-delegates some of these authorities to the Assistant Administrators of each Bureau, who in turn delegate some of their authorities to Mission Directors and heads of Washington Bureaus and Offices. These delegations are specified in **ADS 103**, Delegations of Authority.

Certain authorities, such as many of those related to procurement or financial management, reside only with those staff who have been trained and certified to do the job. For example, Contracting Officers have personal contracting warrants that may not be re-delegated.

USAID Mission management decisions concerning the mix of authorities that are delegated to teams and individuals must take into account the experience and expertise represented on the team and Agency regulations about delegation of authority. Management should ensure that all individuals who are delegated authority have the proper training and skills to accomplish delegated responsibilities. Management should not delegate authority to individuals who have insufficient skills or knowledge to fulfill their duties.

AO Teams only have specific implementation authorities to the extent that these have been formally delegated to the AO Team Leader and that some team members bring with them specific authorities.

Procurement, legal, program, and financial staff serving on the AO Team will have certain functional responsibilities they must exercise. They may or may not have the full authorities for executing that function. For example, an AO Team member from the procurement office may or may not possess a contracting warrant. Therefore, consultation with and approval from his or her functional office may be required to complete certain actions.

Other staff may also have individual responsibilities. For example, the Contracting Officer may delegate authorities to a CTO nominated by the AO Team for that role as described in **202.3.4.3**.

It is critical that all staff be aware of the specific authorities they do or do not have and avoid creating audit risk by attempting to exercise authorities that they do not possess. USAID Missions/Offices should issue a Mission Order or Notice that specifies what specific authorities are vested in which individuals and that covers common approvals on various internal documentation and actions. If you do not have clear, specified authorities, do not sign any instrument or modification to an instrument or direct any implementing organization to take an action that is not within the scope of the instrument and your authority. Always seek the advice of GC or your RLA if you have questions about your authority to take particular actions on behalf of USAID (see **ADS 103.3.1.1**). USAID Missions/Offices should also periodically review and update Mission Orders and Notices.

### *202.3.4.5    Supporting Effective Team Functioning and Decision-Making
Effective Date:  09/01/2008

*Directors of USAID Missions/Offices that manage AO Teams should take appropriate and sufficient steps to ensure that these teams have the capacity to function effectively. No single prescribed set of interventions to meet this requirement exists. Rather, each USAID Mission/Office is expected to develop its own set of interventions based on good management sense, availability of resources, and the particular situation faced by individual AO Teams. USAID has found the following team building efforts to be particularly useful:

- **Clarifying roles and authorities:** Assigning clear roles and responsibilities to individual team members is necessary for effective teamwork. Members need to understand what is expected of them and how to perform their roles. Lack of clear roles will cause a team to fail. Team leaders in particular need to understand that their roles are different, and at times more complex, than simply being a "boss" to full-time employees. Part-time members who have other formal supervisors, as well as non-USAID members of teams, may not respond well to a Team Leader who acts more like a "supervisor" than a coach. When implementing an alliance, the clarification of roles should acknowledge that while team leadership is necessarily a USAID function, roles and responsibilities need to reflect the nature of the alliance partnership (see the Additional Help document, **Tools for Alliance Builders** Parts 4 and 5).

- **Clarifying decision-making processes:** Group consensus decision-making can either be the best or the worst way to make a decision, depending on the circumstances. To function effectively, teams need a variety of decision-making approaches, from "top-down" to "full consensus," that they can apply to different decision-making situations and needs. The Team Leader should play a key role in determining how the team makes decisions. The types and level of

involvement of various team members in team decision-making should vary according to the type of decision made, the speed with which it needs to be made, and the relative importance of consensus around that particular decision.

- **Brokering agreements with organizations that support AO Teams:** Expert staff in USAID Missions/Offices may provide important services to AO Teams without necessarily being members of the team. This can be the case when Regional Platforms or Washington Offices provide services on a part-time basis from another country (including legal, contract, financial management, program, and technical development expertise). Encouraging these organizational units to view AO Teams as key internal customers and working out effective support agreements is very important for enabling AO Teams.

- **Developing team membership and management skills:** This includes providing training and reference materials, helping teams assess strengths and weaknesses, identifying means of improvement, and encouraging productive feedback and conflict resolution among team members.

- **Assisting AO Teams in managing team boundaries:** This refers to situations where significant decision-making takes place outside of the AO Team in areas considered by members to be part of their responsibility and authority. Given that AO Teams function in the context of an administrative hierarchy, this issue may arise. To avoid potential problems, the senior management of USAID Missions/Offices should reach prior agreement with AO Teams on decisions that require higher-level consultations, initiative, or authority above the AO Team.

**\*202.3.4.6    Maintaining Official Assistance Objective Team Files**
Effective Date:  09/01/2008

**\*MANDATORY.** AO Teams must ensure that they have adequate official documentation on agreements used to implement USAID-funded activities, resources expended, issues identified, and corrective actions taken. As stipulated in **ADS 502, The USAID Records Management Program,** USAID Missions/Offices and their AO Teams must maintain the following list of standard documentation for the duration specified by Agency rules on document retention.

- \*Joint country assistance strategy or USAID country strategic plan (see **ADS 201.3.4** and **201.3.6**);

- \*Operational Plan (OP) and modifications;

- Performance Management Plan (PMP) and supporting documents, updates, and amendments;

- \*Data Quality Assessments (DQAs);

- Country checklists;

- Assistance checklists;

- AO Team delegations of authority and membership lists (including sub-team information), as appropriate;

- Activity Approval Documents (AADs);

- Environmental reviews (including  documentation);

- Waivers;

- Congressional Notifications (CNs);

- *Bilateral obligation documents (grant and loan agreements) and related sub-obligating documents which USAID approves, but is not a party to, such as host country contracts and grants, fixed amount reimbursement agreements, and performance disbursement agreements;

- Non-bilateral obligation documents, such as direct contracts, grants, cooperative agreements, purchase orders, and interagency agreements, including participating agency service agreements (PASA);

- Non-obligating agreements (such as memoranda of understanding, Collaboration Agreements);

- Procurement requests and commitment/obligation records;

- Implementation letters;

- Official correspondence;

- Accrual documents and supporting information;

- Pipeline analysis information;

- Audit reports;

- Performance Reports;

- Evaluations; and

- Close-out Reports.

*An asterisk indicates that the adjacent material is new or substantially revised.

### *202.3.5    Supporting Implementing Partners to Achieve Results
Effective Date: 09/01/2008

### 202.3.5.1    Providing Information on Assistance Objectives
Effective Date:  09/01/2008

USAID Missions/Offices lose opportunities for creating synergy if partner staff is unaware of the desired results of USAID AOs. Therefore, it is important to ensure that the implementing partners have complete information on the AO results to which their activities are expected to contribute. Ideally, this may be done by including relevant Results Frameworks in the background information section of Statements of Work and Program Descriptions (for Requests for Proposals and Requests for Applications). Briefing new partner teams may also be very helpful. USAID strongly encourages AO Teams to share their planning documentation with partners within the guidelines and restrictions established in **ADS 201.3.12, Public Access to Planning Documents.**

In an alliance, the problems identified and the results desired are decided jointly with other partners. This requires a close working relationship and will most likely be explained in a memorandum of understanding. For more information, see the Additional Help document, **Tools for Alliance Builders**, Parts 1 and 4, and Attachment D.

### 202.3.5.2    Providing Services Efficiently
Effective Date:  01/31/2003

Recipients and contractors at times require certain services from USAID to conduct their work. This can include, for example, processing documentation to secure duty free release of equipment and commodities or providing adequate information on USAID regulations that partners will need to follow. When USAID provides any type of service to an implementing partner, it should view the partner as an intermediate customer and seek to provide the service efficiently and effectively. Obtaining feedback from intermediate customers is extremely helpful and encouraged.

AO Teams should make every effort to ensure that partners working overseas receive the logistical support agreed to in their acquisition or assistance instrument. Before finalizing logistical support terms and conditions for an award, AO Teams based in USAID/W Offices or Bureaus should coordinate the details of this support with the relevant USAID Missions in the field or, if appropriate, the U.S. Embassy in non-presence countries where performance under the award is likely to occur. This coordination should ensure that the USAID Mission or Embassy can provide the support proposed in the draft award document and arrange for any payments due through International Cooperative Administrative Support Services (ICASS) arrangements. For example, the team should confirm the contractor or grantee's eligibility for expected tax and duty exemptions and any procedures that must be followed in the host country to ensure that such exemptions are honored.  (See **ADS 527, Functions of the Mission Executive Office**.)

**\*202.3.5.3    Supporting Coordination and Collaboration with Partners, Host Country Entities, Other Donors, and Customers**
Effective Date:  09/01/2008

\*USAID plays a critical coordination role with respect to its partners and host country governments. AO Team Leaders and, in some cases, Activity or Project Managers are often considered official USG representatives and can open lines of communication with host governments.

**MANDATORY**. When planning to engage host country political parties, USAID Missions must follow the Mandatory Reference, **USAID Political Party Assistance Policy**.

\*USAID encourages AO Teams to establish periodic meetings with broader partner groups to share information and to elicit feedback. Normally accepted means include:

- Focus groups;

- Town meetings;

- After Action Reviews (AARs);

- Formal and informal consultations;

- Systematic formalized customer surveys or research;

- Rapid appraisal methods that involve customers; or

- Other means that the AO Team may decide upon as a productive way of acquiring partner and customer input.

\*In the case of public-private alliances, an AO Team should ensure a deeper level of coordination than simply communicating its program approach and decisions because an alliance implies a joint definition of the problem and solution in exchange for the synergies that the alliance creates. (See the Additional Help document, **Tools for Alliance Builders**, Part 1.)  For guidance on working with the host government and other donors to promote aid effectiveness, see **ADS 200.3.3.**

**\*202.3.6    Monitoring Quality and Timeliness of Key Outputs**
Effective Date:  09/01/2008

\*Monitoring the quality and timeliness of outputs produced by implementing partners is a major task of CTOs and AO Teams. Outputs are specifically described in contract Statements of Work and grant agreement Program Descriptions. Outputs are critical to achieving results. Delays in completing outputs or problems in output quality provide an early warning that results may not be achieved as planned. Timeliness of key outputs may affect the achievement of performance targets that the team presents in the

Performance Report. Early action in response to problems is essential in managing for results.

*Monitoring compliance with **22 CFR 216** environmental determinations is part of this task. Environmental reviews should be actively managed throughout the life of the AO to ensure environmental soundness of activities, as provided in **ADS 204.3**, **204.5.4**, and the mandatory reference **22 CFR 216**.

### *202.3.6.1    Assessing Performance of Contractors and Recipients
Effective Date:  09/01/2008

Assessing performance in the achieving stage normally refers to whether the outputs produced by the contractor or grantee are timely and of acceptable quality. Performance in terms of higher-level development results (as opposed to outputs) is discussed more broadly in **ADS 203**.

*The CTO for direct procurement instruments must ensure that the implementing partner is performing in accordance with the terms contained in the contract or other agreements. For CTOs, responsibilities for monitoring contractor performance may include:

- Reviewing and approving deliverables and performance reports;

- Maintaining a CTO work file, as specified in the CTO designation letter;

- Reporting variations, proposed substitutions (see **ADS 302.3.5.4** on key personnel), and problems;

- Recommending modifications;

- Analyzing financial reports;

- Approving interim payments; and

- Preparing annual Contractor Performance Reports for contracts that have a value of more than $100,000, and submitting them to the Contracting Officer.

For additional information about evaluating performance for direct contractors, see **ADS 302.3.8.7**, and the Mandatory Reference, **Past Performance Handbook, Contractor Performance Report Card**.

When the implementing instrument is a grant or cooperative agreement, the role of the U.S. Government in day-to-day assessment of grantee performance is generally limited to certain fiscal oversight responsibilities, such as obtaining quarterly reports and other minimal management areas as described in the Mandatory Reference, **22 CFR 226**. Ultimately, as part of assessing the effectiveness of projects and activities in achieving

results (as discussed in **ADS 203**), the AO Team should form an opinion about overall grantee performance and its implications. For more information, see **ADS 303**.

AO Team members and CTOs must immediately notify the Contracting or Agreement Officer of any suspected procurement fraud, bribery, conflict of interest, or other improper conduct, and then report these promptly and directly to the Inspector General.

### *202.3.6.2    Using Customer Feedback
Effective Date:  09/01/2008

*Use of customer feedback is essential. AO Teams should develop mechanisms to ensure that partners share the Agency's commitment to customer focus and that an effective feedback loop exists to bring customer information into management decisions. Customer participation can take place in several ways, including:

- Involving customer representatives from associations, non-governmental organizations, informal groups, and/or other AO Team members;

- Making sure all acquisition and assistance instruments identify the intended customers;

- Eliciting feedback from ultimate customers and stakeholders (through focus groups, town meetings, formal and informal consultations, systematic formalized customer surveys or research, and rapid appraisal methods that involve customers) and explaining how the team incorporated their recommendations; and

- Recognizing the roles and responsibilities of the full range of customers, including both women and men.

### *202.3.6.3    Making Necessary Adjustments
Effective Date:  09/01/2008

*USAID Missions/Offices and AO Teams must make adjustments in tactics when conditions warrant. This may include developing an entirely new project (or activity) and instrument, or simply modifying and changing existing projects or activities. In either case, the Contracting/Agreement Officer must be involved early in the process.

Changing projects and instruments mid-stream can create legal problems and disrupt implementation. Consequently, the risk of such changes must be balanced prudently against the intended benefit. Always remember that once a plan is finalized and implementation begins, learning occurs. In some cases, the lesson might be that the original plan needs to be modified or that the contractor or grantee is not appropriate for the job. The AO Team must consult the Contracting/Agreement Officer and, if appropriate, GC or its RLA as soon as possible when it is considering any change that would affect a legal agreement. The AO Team must also determine whether and when it

is appropriate to consult with USAID Mission management, the host country government, and/or other country partners when it contemplates such changes.

As discussed in **ADS 201**, the AO is broader than just the contracts, grants and other instruments funded by USAID; an internal review of progress of the overall AO is also essential, in order to ensure that the lessons learned, and changes contemplated, take into account all of the factors affecting the AO.  Continuous review of the underlying development hypothesis, the use of internal tools such as After Action Reviews by the AO Team, and the application of other knowledge sharing tools and approaches as developed and tested throughout USAID, can be extremely important.  These can help AO teams to keep improving performance, within the limitations of existing instruments, or identifying and justifying changes in those instruments.

### *202.3.7 Managing USAID Program Resources and Requesting Funds
Effective Date:  09/01/2008

*The USAID Mission/Office and its AO Teams are responsible for managing the resources made available to them so that planned outputs and results are achieved in a cost-effective and timely manner, in accordance with applicable regulatory requirements. These resources include program and operating expense (OE) funds, staffing, and, where appropriate, in-kind and local currency resources. This section focuses on the management of program resources.

### *202.3.7.1 Financial Planning, Monitoring, and Budgeting for Results
Effective Date:  09/01/2008

**MANDATORY:** AO Teams must prudently plan, monitor, and manage the financial aspects of their AO throughout its life. This responsibility, in fact, can extend beyond the life of the program when issues remain unresolved, such as a lingering dispute with a contractor over a reimbursement issue. The financial position of a program and its activities is critically important to achieving desired results. An AO's financial position can be planned and measured by projecting and analyzing trends and relationships of several key sets of budget and financial data such as:

- Authorized program funding level;

- Life of mechanism funding;

- Mortgage;

- Obligations, sub-obligations, and de-obligations;

- Accruals;

- Disbursements;

- Expenditures and expenditure rate ("burn rate");

- Unliquidated obligations; and

- Expenditure pipeline

Some of this data is generated in standard financial reports produced by the Bureau for Management, Office of the Chief Financial Officer (M/CFO) and/or the Controller's Office as agreements are executed, contracts are issued, and payments are made. This data should also be used during an USAID Mission's/Office's annual Portfolio Review, as described in **ADS 203.3.7**. The AO Teams, in the case of accruals and projected expenditures, should generate key financial information each quarter and should use this information to manage both results and future obligations. Therefore, it is important to understand the definition of these terms as USAID applies them.

The following list summarizes key financial management concepts and terms used in the achieving phase. For a more technical and authoritative description, refer to **ADS 631**.

- **Accruals:** The estimated cost of goods and/or services or other performance received, but not yet paid for by the Agency. Accruals are calculated for specific agreements and help provide current information on the financial status of an activity or project, agreement, or AO. For details, please see the internal Web site, **http://inside.usaid.gov/M/CFO/accruals.htm**.

- **Disbursements:** The actual payment by the Agency for goods and services or other performance under an agreement/instrument.

- **Expenditures (also called accrued expenditures):** The total of goods and services or other performance received, whether paid for or not.

**Accruals + Disbursements = Expenditures**

Expenditures are estimates of the total costs incurred by the Agency for a given activity or project, agreement, or AO. As such, expenditures offer a valuable indicator of progress in monetary terms of an activity, project, or program. Analyzing planned against actual expenditures is a valuable management tool for the AO Team.

- **Unliquidated Obligation:** The difference between the total amount that has been obligated in an agreement and the total accrued expenditure against that agreement.

- **Pipeline:** The difference between the total amount that has been obligated in an agreement and the total amount that has been expended.

- **De-obligation:** The process of removing unneeded funds from an obligating instrument. This is typically done during the annual review process for certification of unliquidated balances and the separate certification of the validity of recorded obligations and upon completion of activities when unliquidated obligations may no longer be needed for their original purpose (see **ADS 621**).

- **Mortgage:** A claim on future resources (which have been authorized in the joint Operating Unit's approved Operational Plan); the difference between the total authorized level of funding and the cumulative total amount of funds obligated to a particular AO, project, or activity.

### *202.3.7.2    Determining Accrued Expenditures
Effective Date:  09/01/2008

**\*MANDATORY:** As provided in **ADS 631**, USAID Missions/Offices and AO Teams must use an accrual based system of financial management and reporting at the AO and agreement/instrument level. Obtaining accurate estimates of expenditures is important from a program management perspective and is necessary for overall cash management by USAID and the USG.

*In projecting expenditures, USAID Mission/Office and AO Team estimates should project total multi-year costs, and update the Phoenix financial management accrual reporting system for the current quarter periodic accruals applicable to the reporting period -- even if USAID is incrementally funding the agreement or instrument over several years.  Only through this all-inclusive approach will the full picture of planned expenditures be considered in making decisions. The AO Team has primary responsibility for developing these projections. Expenditure projections are generally updated quarterly in order to help ensure that program and financial management staff can ensure that funds are available when needed. CTOs should discuss when to accrue costs, what kinds of costs should be accrued with their Office of Financial Management, and use **ADS 631** with its associated tools to determine how to develop the accrual information. (See also **http://inside.usaid.gov/M/CFO/accruals.htm**)

*In cases where an AO Team directly manages grant or contract instruments and information on disbursements to contractors and grantees is readily available, the process of determining disbursements and accruals is relatively straightforward. In some cases, however, information is not readily available. This occurs, for example, when AO Teams acquire services through contracts managed by other organizational units or, in some cases, when Letters of Commitment are used to finance a grantee's work in several countries and it is difficult to obtain timely information on disbursements made for a particular project or activity.  When disbursement information cannot be confirmed, accruals should be made based on estimates of costs incurred and retain the records of the estimated accrual for audit purposes for the prescribed time period (see **ADS 631**). This approach will permit an estimate of actual expenditures.

Making as accurate an estimate of accrued expenditures as possible is important to avoid a situation where funding pipelines erroneously appear to be growing. When this

happens, senior management may deny requests for new funding if it appears that the pipeline exceeds forward funding guidelines. This could cause an unintended slow down in activities if funds are insufficient to finance costs until the next time that new funds are available. For more information on forward funding, see **ADS 601**, **602**, and **603**.

### *202.3.7.3    Comparing Planned Versus Actual Expenditures
Effective Date:  09/01/2008

*A comparison of planned versus actual expenditures is a valuable means of tracking the progress of an instrument, activity, project, or AO. Variations between the planned and actual expenditures may mean that there is a potential overrun, that time has slipped and targets may not be met, or that planned outputs and results may have to be modified. Conversely, variations could indicate that implementation is more rapid than funds can be made available. In the case of inputs that are interrelated, as in the case of a construction activity that must be completed before certain equipment should be delivered, this analysis might indicate that action is needed to defer the provision of certain inputs. In order to prepare periodic accruals, the AO Team must have access to information that reflects actual costs incurred for each agreement/instrument.

*When AO Teams determine accrued expenditures, or when they compare actual to planned expenditures, they should also note whether the unliquidated obligations balance has become excessive or is no longer needed for its original purpose. If this is the case, the team should de-obligate the funds, as provided in **ADS 621.3.13**.

### *202.3.7.4    Formulating Resource Requests
Effective Date:  09/01/2008

*Requests for new funds are based on projected expenditures (see **ADS 621.3.14**), existing pipeline, and forward funding guidelines. USAID's forward funding policy for program funds is described in **ADS 602**, **Forward Funding for Program Funds**. In general, it states that current pipelines and new obligations should be adequate to finance 12 to 24 months of planned expenditures. This policy encourages USAID Missions/Offices and AO Teams to manage resource flows prudently so that scarce resources are optimally used throughout the Agency. By setting a limit on forward funding, it establishes an upper level for new resource requests. If pipelines at the end of a fiscal year are not adequate to finance the next fiscal year's projected expenditures, there is a risk that new funds will not be available in time to avoid a curtailing or even a shut down of activity implementation. It is, therefore, critical that USAID Missions/Offices and AO Teams make careful projections and monitor them closely so that adequate resources are available when needed. (See also **ADS 201.3.11.10**)

### *202.3.8     Performing Funds Control, Payment, and Obligations Management
Effective Date:  09/01/2008

*The mechanism and schedule for making payments under various instruments are usually established at the project or activity planning stage. Although both can be

amended during implementation, mechanisms, once established, are not easily changed. The AO Teams, in collaboration with M/CFO and/or the Controller's Office and the Contracting Officer, should therefore complete careful, up-front planning.

### *202.3.8.1    Payment Mechanisms
Effective Date:  09/01/2008

*Cognizant CTOs must administratively approve payment requests, whether the agreement is an Assistance Agreement with Implementation Letters; Host Country Contract as provided in **ADS 305**; or a USAID direct contract, cooperative agreement, or grant. The agreement can govern payment for activities, ranging from services and construction to equipment and cash transfers for policy reform, performance, and capitalization of endowments.

*As provided in **ADS 201.3.11.16**, Activity Approval Documents should include a description of the methods of implementation and financing selected. A justification should be included in those documents if the AO Team proposes to depart from USAID's general policies of using one of the following:

- **Direct Letter of Commitment:** USAID may issue direct letters of commitment to host country suppliers and contractors and make payment to them upon receipt of invoices and supporting documentation. The direct letter of commitment can be assigned to a bank and used as collateral against a loan. All USAID Controllers have been delegated authority to issue direct letters of commitment.

- **Direct Reimbursement for Goods or Services:** USAID reimburses the grantee/contractor or host country for eligible expenditures that are incurred and paid. This method of payment may be used with any USAID grant or contract.

- **Bank Letters of Commitment:** A bank letter of commitment is a financial arrangement between USAID and a U.S. bank under which the bank is authorized to make payments to contractors or suppliers for eligible commodities or services. Under this payment method, the approved applicant may request the letter of commitment bank to issue commercial letters of credit to suppliers or contractors financed under the letter of credit. Commercial banks in the host country may also be allowed to issue commercial letters of credit and have them confirmed by the letter of commitment bank. The authority to issue bank letters of credit is held by M/CFO and the Controller in Cairo.

- **Letters of Credit:** A Letter of Credit (LOC) is authorized for recipients as a means of timely drawing advances under grants and cooperative agreements and for nonprofit organizations under a contract, as described in **ADS 636**. USAID's LOC process has been transferred to the Department of Health and Human Services (DHHS), based on a cross-servicing policy established by the Chief Financial Officer (CFO) Council.

- **Fixed Amount Reimbursement:** Fixed Amount Reimbursement (FAR) is a method of financing under which the amount of reimbursement is fixed in advance based upon cost estimates reviewed and approved by USAID. Reimbursement is made upon the physical completion of an activity, a sub-activity, or a quantifiable element within an activity. The emphasis is on reimbursement based on outputs rather than inputs or costs. (See **ADS 317**)

- **Special Letter of Credit:** The special letter of credit (SLC) is an alternative to financing commodities and commodity-related services under a letter of commitment. The SLC becomes a foreign exchange asset for the host country, with an immediate impact on foreign exchange reserves. When the SLC is used as a means for financing local costs, the Bureau Assistant Administrator must approve the justification for its use.

- **Advances:** Advances are usually only available to nonprofit organizations or host country governments, unless approved by the Agency Procurement Executive. An advance may be given to a partner or vendor (such as a firm, non-governmental organization (NGO), international or government agency, or individual) before delivery of goods or services. Advances, for example, can be justified where an NGO has demonstrated working capital problems or when a commercial or noncommercial entity has specified mobilization or start-up costs. The latter could be expected with major construction activities. Advances are limited to 30 days immediate cash disbursing needs, the optional rolling advance may be used as an extended period up to 90 days as necessary (See **ADS 636**).

For more information on the above methods, see **ADS 300** and **600**.

### *202.3.8.2    Role of USAID Missions and their Assistance Objective Teams in Making Payment
Effective Date:  09/01/2008

**\*MANDATORY:** During implementation of activities, USAID Missions/Offices and their AO Teams must ensure maintenance of what the U.S. Government generally calls "funds control" (sometimes called financial accountability). This requirement applies to all agreements or instruments. The term "funds control" refers to management control over the use of fund authorizations to insure that:

- Funds are used only for the authorized purposes under the activity;

- Funds are used within their period of availability;

- Funds are economically and efficiently used;

- Obligations and expenditures do not exceed the amounts authorized;

- Obligation or expenditure of amounts authorized are under budgetary impoundment or rescission or statutory earmark restrictions;

- Legal requirements are met to avoid expending funds in a manner that would constitute an Anti-Deficiency Act violation. For more information on specific conditions resulting in violations, see (**ADS 634**) and the Mandatory Reference, **OMB Circular, A-11, Part 4, Section IV, Appendix G**.

**\*MANDATORY:** Before authorizing payment, the AO Team (or if there is no AO Team, the USAID Mission/Office as a whole) must take steps to determine that work has been completed in accordance with the terms and conditions of obligation or sub-obligation instruments. This determination must be made in a timely manner to authorize payment or reconcile any disputed costs previously paid. If payment is approved, it must be made to the recipient, as prescribed in the **Federal Prompt Payment Act**, generally within 30 days from the time an invoice or bill is submitted to USAID for payment (see **ADS 630**).

For payments governed by the **Federal Acquisition Regulations (FAR)**, where USAID is a direct party to the obligating or sub-obligating agreement (a direct contract), the person most knowledgeable about the activities (in most cases the Cognizant Technical Officer) should be assigned responsibility for providing "Administrative Approvals" for payment based on knowledge gained through contractor reports and site visits.

In other cases, such as policy or performance-based disbursements or host-country contracts, approvals for payment should be made in accordance with USAID Mission delegations of authority and generally involve the AO Team Leader or the Activity or Project Manager. See the Mandatory Reference, USAID Policy Paper: **Program Assistance** and **ADS 305, Host Country Contracts**.

### *202.3.8.3    Obligations Management
Effective Date:  09/01/2008

*AO Teams should ensure that obligations are sufficient and adequate to cover the forward funding needs of their activities and projects. Most important, funds that are no longer needed should be de-obligated, regardless of whether the agreement is completed or active.

**\*MANDATORY:** At least once a year, the USAID Mission/Office must review the status of all obligated funds and make any necessary adjustments to ensure that these funds are used in a timely manner or are de-obligated if no longer needed. The USAID Mission/Office should identify obligations with (1) unneeded balances (funds remaining after all goods and services have been delivered or completed and paid for) and (2) excessive balances (balances that exceed forward funding guidelines). De-obligation allows these funds to be used for other purposes. AO Teams have a key role in obligations management for the USAID Mission/Office. They must collaborate fully with their Mission Controller and/or Program Office on obligations management. For official

policies on obligations and associated tools for proper Obligations Management, see **ADS 621**.

### *202.3.9 Avoiding Conflict of Interest, Ensuring Procurement Integrity, Complying With Ethics Rules, and Meeting Audit Responsibilities
Effective Date: 03/19/2004

Development results can be most effectively achieved with the full and active participation of a broad range of partners. This is Agency policy and embedded in the Agency's guiding principles, as discussed in **ADS 200**. USAID seeks the engagement of partners during the planning, achieving, and assessing and learning phases of its programs. This policy must, however, be practiced within the boundaries of USG laws and regulations, especially those governing conflict of interest and procurement integrity. Engagement also means considering public-private alliances as a viable method of accomplishing development objectives.

### 202.3.9.1 Addressing Organizational Conflict of Interest
Effective Date: 01/31/2003

Organizational Conflict of Interest (OCI) occurs when an individual or organization is unable, or potentially unable, to provide USAID with impartial assistance or advice due to the individual's or organization's involvement in other activities or relationships. OCI also exists when an individual or organization's objectivity in performing contract work is, or might be, otherwise impaired, or when a person or organization might gain an unfair competitive advantage. OCI can apply to either for-profit or nonprofit organizations under either contract or grant instruments. For contracts, applicable OCI standards are described in the Mandatory Reference, **FAR 9.501**. OCI is less likely to arise under assistance instruments. It is in the Agency's interest to avoid conflicts of interest. Therefore, OCI should always be addressed, no matter what instrument is used.

An organizational conflict of interest may develop when the nature of the work to be performed under an active contract or grant creates an actual or potential conflict of interest on a future contract. In such cases, some restrictions on future activities of a contractor or grantee may be required. In assessing an OCI, the Contracting or Agreement Officer should identify and evaluate potential causes as early in the procurement process as possible. The Contracting or Agreement Officer should avoid, neutralize, or mitigate significant potential conflicts before contract or grant award. These actions will require advice of counsel and the assistance of appropriate technical specialists.

The Contracting or Agreement Officer must prevent the existence of conflicting roles that might bias a contractor's judgment or create unfair competitive advantage.

### *202.3.9.2    Practicing OCI Standards
Effective Date:  09/01/2008

*OCI standards, as applicable to acquisition instruments, are found in the Mandatory References, **CIB 99-17** and **FAR 9.5**.  (See **ADS 302.3.4.5**).  As a matter of policy, the Agency may apply certain standards to assistance instruments, although there is no statutory requirement to apply such standards. See the Additional Help document, **Legal and policy considerations when involving partners and customers on strategic objective teams and other consultations**.  Questions regarding OCIs should be resolved in consultation with the Contracting Officer and the cognizant legal advisor.

### *202.3.9.3    Observing Procurement Integrity and Ethics
Effective Date:  09/01/2008

*In the AO Team context, the procurement integrity and ethics rules are identical to those applicable in other U.S. Government work contexts. In general, ethics rules apply equally to assistance and acquisition matters. There are specific procurement integrity rules that apply to acquisition instruments. The rules apply to personal services contractors (PSCs), in addition to direct-hire Agency and USG employees, regardless of nationality. Other categories of employees are similarly included. If in doubt, see a legal advisor and actively participate in the annual ethics training.

By criminal statute, a Federal employee generally cannot participate "personally" and "substantially" on a matter that has a "direct" and "predictable" effect on the employee's financial interests. Another criminal statute also prohibits certain post-employment activities after one ceases to be a government employee. The Standards of Conduct also cover a variety of other situations involving the interaction between USAID employees and outside parties, as well as situations involving the interaction among USAID employees.

Procurement integrity rules include:

- Limiting disclosure or release by USAID employees and others of "contractor bid or proposal" and other "source selection" information (as defined in **FAR 3.104-3**) to persons with a "need to know" this information for purposes of carrying out the procurement;

- Requiring USAID employees involved in a procurement exceeding the Simplified Acquisition Threshold to report to their supervisor and Agency Ethics/Administration Official in the Office of General Counsel (GC/EA) any contact about future business or employment with a bidder or offeror during the course of that procurement; and

- Containing certain post-employment restrictions applicable to USAID employees for specified timeframes.

For more specific guidance on working with partners, AO Teams and their members should consult the Mandatory Reference, **Contract Information Bulletin (CIB) 99-17,** , and the Additional Help document, **Legal and Policy Considerations when Involving Partners and Customers on Strategic Objective Teams and Other Consultations**, and **Tools for Alliance Builders**. Specific questions should be directed to the cognizant RLA or GC.

### *202.3.9.4    Conducting Audits
Effective Date:  09/01/2008

*Periodically (often annually for financial audits), the USAID Office of the Inspector General (IG) audits or oversees audits of the results, agreements, accounts, and/or actions tied to an AO and its projects and/or activities. The two basic categories of audits are financial audits and performance audits. These categories are closely related. **Financial audits** examine how the USAID Mission/Office and AO Teams maintain accountability over USAID resources, primarily through audits of contractor or grantee financial statements and agreement implementation. It is imperative that the team keep the financial management documentation identified in the CTO letters complete and readily available for audit. **Performance audits** focus more on the output and results aspects of USAID's programs, including monitoring and measurement systems and management structure for producing results. The scope of audits can be very broad, extending from questions of government regulation compliance to management systems. Either (1) the IG and its field offices or (2) private audit firms, host country Supreme Audit Institutions, or the Defense Contract Audit Agency (DCAA), working with IG oversight or review, can conduct audits of USAID programs, grantees, and contractors.

*The IG conducts audits to assist USAID management by providing insight into how well the Agency is operating, making recommendations for improvement when problems are found, and acknowledging when a USAID activity is doing well. The IG maximizes audit coverage by developing its own audit strategy and an annual plan. USAID Missions/Offices and AO Teams should be aware of these plans and of the schedule of recipient-contracted financial audits of grantees and contractors. USAID Missions/Offices and AO Teams may use Certified Public Accountant (CPA) firms for consulting services, such as financial services reviews and evaluations, when such services are outside the scope of formal audits.

### *202.3.9.5    Using the Management Control Review Committee
Effective Date: 09/01/2008

*Each Assessable Unit (i.e., Bureau, Mission, Office) conducts an internal control review and prepares a statement of assurance annually to comply with the **Federal Managers Financial Integrity Act (FMFIA)**.  In order to meet the FMFIA requirements, each assessable unit must conduct a risk assessment for vulnerability and on-going evaluations throughout the year to identify deficiencies and maintain an effective system of internal control. This purpose of these reviews, which are conducted Agency-wide, is

to identify potential control deficiencies and vulnerabilities and to develop, implement, and report on corrective actions that are taken.  Subject matter for the assessment is wide-ranging, covering all programmatic, operational, administrative as well as accounting and financial areas where accountability might be at risk. When there is a significant deficiency that may impact the Agency, it is brought to the attention of senior management.  Deficiencies reported by the responsible Assistant Administrator/Independent Office Director are brought to the attention of the Agency's Management Control Review Committee (MCRC), which is chaired by the Deputy Administrator. The Assistant Administrator/Independent Office Director determines whether deficiencies reported by their respective Missions/Offices either individually or collectively are significant enough to be reported to the MCRC. **ADS 596, Management's Responsibility for Internal Control**, provides further information on Agency policies with regard to management controls.  In the planning and design phase, the AO Team should consider and incorporate internal controls that ensure that (1) resources are used in a manner that is consistent with the Agency's mission, goals and objectives and do not result in a conflict of interest; (2) assets are safeguarded against waste, fraud, loss, unauthorized use, or misappropriation; (3) obligations and costs are in compliance with applicable law and do not violate statutory and regulatory requirements; and (4) revenues and expenditures applicable to Agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable and timely financial and statistical information to maintain accountability over assets and support management decision making. USAID Assessable Units and AO Teams should use the annual **FMFIA** review to identify and address vulnerability issues in program implementation.

### *202.3.10    Closing Out Assistance Objectives and Obligating Instruments
Effective Date:  09/01/2008

**\*MANDATORY:** When an AO concludes, USAID Missions or AO Teams, as appropriate, must execute formal AO close out procedures. Country and AO close out reporting focuses more on program issues, while instrument close out reporting is more oriented towards transactions and outputs. Close out reports allow the Agency to "close the file" officially on a program or instrument from both a procurement and financial sense. For more information on program close out reports, see **ADS 203.3.11**.

### 202.3.10.1    Closing Out Instruments Governed by FAR and 22 CFR 226
Effective Date: 01/31/2003

Close out of direct USAID acquisition and assistance instruments, in addition to recording major programmatic and performance issues affecting performance, must comply with close out procedures either in the Federal Acquisition Regulations (FAR) or as issued by the Office of Acquisition and Assistance for instruments issued both by USAID/W and field posts.  See the Mandatory References, **FAR 4.804**, and **22 CFR 226** section 71.) The Contracting or Agreement Officer is responsible for closing out these instruments and will provide guidance to CTOs and AO Teams on their roles in the instrument close out process.

Even though the Contracting/Agreement Officer handles a close out for direct USAID contracts and grants, the CTO, supported as needed by the AO Team, plays an important role in closing out the files.

**\*202.4        MANDATORY REFERENCES**
Effective Date: 09/01/2008

**\*202.4.1      External Mandatory References**
Effective Date:  09/01/2008

The external mandatory reference documents mentioned in this ADS chapter are listed below. Due to the interrelated nature of ADS chapters 200-203, please also consult the comprehensive list of documents in **ADS 200.4.1**.

| 202 External Mandatory Reference Title | Available At |
|---|---|
| 22 CFR 226, Administration of Assistance Awards to U.S. Nongovernmental Organizations | **http://www.access.gpo.gov/nara/cfr/waisidx_02/22cfr226_02.html** |
| 22 CFR 216, Environmental Procedures | **http://www.access.gpo.gov/nara/cfr/waisidx_02/22cfr216_02.html** |
| Contract Information Bulletin (CIB) 99-17, Organizational Conflict of Interest | **http://www.usaid.gov/business/business_opportunities/cib/pdf/cib9917.pdf** |
| Executive Order 13279, Equal Protection of the Laws for Faith-Based and Community Organizations | **http://www.whitehouse.gov/news/releases/2002/12/20021212-6.html** |
| Executive Order 13280, Responsibilities of the Department of Agriculture and the Agency for International Development With Respect to Faith-Based and Community Initiatives | **http://www.whitehouse.gov/news/releases/2002/12/20021212-5.html** |
| Federal Acquisition Regulation | **http://www.acqnet.gov/far/index.html** |
| \*Federal Financial Management Improvement Act of 1996, beyond original FMFIA [FFMIA], [P.L.104-208] | **http://www.usaid.gov/policy/ads/200/fmfia98.pdf** |
| OFPP Policy Letter 05-01, Developing and Managing the Acquisition Workforce | **http://www.whitehouse.gov/omb/procurement/policy_letters/05-01_041505.html** |
| OMB Circular, A-11, Preparation, Submission, and Execution of the Budget, Part 4, Section IV | **http://www.whitehouse.gov/omb/circulars/a11/03toc.html** |

| 202 External Mandatory Reference Title | Available At |
|---|---|
| OMB Circular A-76, Performance of Commercial Activities | **http://www.whitehouse.gov/omb/circulars/a076/a76_incl_tech_correction.pdf** |
| 31 U.S.C. 39, Prompt Pay (Federal Prompt Payment Act) | **http://www.usaid.gov/policy/ads/uscode.html - 31usc** |

### *202.4.2    Internal Mandatory References
Effective Date:  09/01/2008

The internal mandatory reference documents mentioned in this ADS chapter are listed below. Due to the interrelated nature of ADS chapters 200-203, please also consult the comprehensive list of documents in **ADS 200.4.2**.

| 202 Internal Mandatory Reference Title | Available At |
|---|---|
| *ADS 302, USAID Direct Contracting | **http://www.usaid.gov/policy/ads/300/302.pdf** |
| *ADS 303, Grants and Cooperative Agreements to Non-Governmental Organizations | **http://www.usaid.gov/policy/ads/300/303.pdf** |
| ADS 596 – Management's Responsibility for Internal Control | **http://www.usaid.gov/policy/ads/500/596.pdf** |
| ADS 621 – Obligations | **http://www.usaid.gov/policy/ads/600/621.doc** |
| ADS 631 – Accrued Expenditures | **http://www.usaid.gov/policy/ads/600/631.pdf** |
| *Interim Update 400 #05-13, Cognizant Technical Officer (CTO) Training and Certification Program | **http://www.usaid.gov/business/business_opportunities/cib/pdf/aapd04_10.pdf** |
| *Interim Update 07-17  Introduction of New Mandatory Phoenix Accruals Web-Based Training for Obligation Managers, including Cognizant Technical Officers (CTOs) | **http://iapp1.usaid.gov/notices/notDetail.cfm?msgID=13734&currmo=10&curryr=2007&prevnext=yes** [Note: this document is only available on the intranet.  Please contact ads@usaid.gov if you need a copy.] |
| *Joint DOS and USAID Strategic Plan | **http://www.state.gov/s/d/rm/rls/dosstrat/2007/** |
| Contract Information Bulletin (CIB) 99-17, Organizational Conflict of Interest | **http://www.usaid.gov/procurement_bus_opp/procurement/cib/pdf/cib9917.pdf** |
| Past Performance Handbook, Contractor Performance Report Card | **http://www.usaid.gov/policy/ads/300/30259m1.pdf** |

| 202 Internal Mandatory Reference Title | Available At |
|---|---|
| Program Assistance (USAID Policy Paper) | **http://www.usaid.gov/policy/ads/200/prog_asst/proasst.pdf** |
| Records Disposition Schedule – Agency Wide (USAID/W and Missions) | **http://www.usaid.gov/policy/ads/500/50255dm.pdf** |
| Series 400, Interim Update #2, Appropriate Use and Funding of USAID's Non-Direct Hire Workforce | **http://www.usaid.gov/policy/ads/400/updates/iu4-02.pdf** |
| Series 400, Interim Update #3, Implementation of Policy Guidance Concerning Fellows | **http://www.usaid.gov/policy/ads/400/updates/iu4-03.pdf** |
| Strategic Objective Document Disposition Schedule | **http://www.usaid.gov/policy/ads/500/502mab.pdf** |
| USAID Political Party Assistance Policy | **http://www.usaid.gov/policy/ads/200/200maz.pdf** |

**202.5 ADDITIONAL HELP**
Effective Date: 01/31/2003

The Additional Help documents mentioned in this ADS chapter are listed below. Due to the interrelated nature of ADS chapters 200-203, please also consult the comprehensive list of documents in **ADS 200.5**.

| 202 Additional Help Title | Available At |
|---|---|
| A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances Into USAID Strategic Planning | **http://www.usaid.gov/policy/ads/200/201saa.pdf** |
| Legal and Policy Considerations when Involving Partners and Customers on Strategic Objective Teams and Other Consultations | **http://www.usaid.gov/policy/ads/200/2016s1.pdf** |
| Tools for Alliance Builders | **http://www.usaid.gov/gda/tab.doc** |

**202.6 DEFINITIONS**
Effective Date: 09/01/2008

(See comprehensive list contained in **ADS 200.6**)

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