



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S CAPITAL PLANNING AND INVESTMENT CONTROL FOR THE FOREIGN ASSISTANCE COORDINATION AND TRACKING SYSTEM (FACTS)

AUDIT REPORT NO. A-000-07-006-P

SEPTEMBER 14, 2007

WASHINGTON, DC



USAID
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Office of Inspector General

September 14, 2007

MEMORANDUM

TO: Acting Administrator, Henrietta H. Fore

FROM: Inspector General, Donald A. Gambatesa /s/

SUBJECT: Audit of USAID's Capital Planning and Investment Control for the Foreign Assistance Coordination and Tracking System (FACTS)
(Audit Report No. A-000-07-006-P)

This memorandum transmits the Office of Inspector General's final report on the subject audit. In finalizing this report, we considered your comments on the draft report and made changes where appropriate. Your comments are represented in their entirety in Appendix II.

This report contains three recommendations to improve the controls over the Foreign Assistance Coordination and Tracking System. Based on the responses received to our draft report, management decisions have been reached on Recommendations Nos. 1, 2, and 3. Please notify the Bureau for Management's Audit, Performance and Compliance Division when final action is completed.

I appreciate the cooperation and courtesies extended to my staff during this audit by members of the Office of the Director of Foreign Assistance and of the Bureau of Global Health.

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SUMMARY OF RESULTS

The Information Technology and Special Audits Division of the Office of Inspector General (OIG) in Washington, DC, conducted this audit to determine whether USAID's capital planning and investment control (CPIC) process requirements were followed for vetting and approving the Foreign Assistance Coordination and Tracking System (FACTS) in accordance with the Clinger-Cohen Act. The act requires executive agencies to use a CPIC process to acquire, use, maintain, and dispose of information technology (IT), and requires the Office of Management and Budget (OMB) to establish processes to analyze, track, and evaluate the risks and results of major capital investments in IT systems. Executive agencies submit Exhibit 300 business cases in their annual budget submissions to OMB to provide capital investment data on IT systems (pages 3-4).

FACTS will provide a single repository for data and a common planning and reporting tool for foreign assistance resources across U.S. Government agencies implementing programs with foreign assistance funds. The intent is to ensure that all foreign assistance resources are coordinated, appropriately linked to foreign policy objectives, supportive of integrated country strategies, and designed to collect standardized data about foreign assistance programs. FACTS, which is owned and sponsored by the Office of the Director of Foreign Assistance (State/F), is intended to replace each agency's foreign assistance planning and programming systems. The Director of Foreign Assistance also serves as the Administrator for USAID. State/F directed the development and implementation of FACTS; however, the funding and contract mechanism for its development and implementation was supported through USAID (page 3).

The audit found that USAID's CPIC processes were not used for vetting and approving FACTS in accordance with the Clinger-Cohen Act. State/F's project team for FACTS considered preparing and submitting an Exhibit 300 to OMB using USAID's or State's CPIC processes, but neither was used because of the budget cycle's timing. Specifically, State/F's project team for FACTS did not do the following:

- Prepare an Exhibit 300 for evaluation and submission to OMB through the budget process, which would address the following bulleted items (page 6).
- Prepare a formal analysis of system alternatives (page 7).
- Use prescribed OMB metrics to monitor cost and schedule performance (page 8).
- Review FACTS' architecture to ensure compliance with Federal enterprise architecture requirements (page 9).

FACTS is at increased risk of not meeting cost, performance, and promised capabilities and of not obtaining sustainable funding for continued development, support, and operation. The primary causes for these problems are (1) the unclear oversight roles and responsibilities for FACTS between USAID and State at the outset of the project and (2) the aggressive schedule imposed by State/F to deploy FACTS for the fiscal year 2007 planning cycle (pages 9-11). FACTS' far-reaching vision is ambitious and commendable, reinforcing the need to follow a CPIC process and ensure compliance with the Clinger-Cohen Act. To improve the controls over FACTS, the OIG recommended that the Acting Administrator (1) explicitly clarify whether FACTS will be subject to USAID's or State's CPIC review oversight processes; (2) ensure that a business case is developed, vetted,

and submitted to OMB for funding; and (3) suspend additional funding for further development of FACTS until it is vetted through the CPIC review process (page 11).

USAID's management agreed to take corrective action on all three recommendations in the report. Based on management's response, management decisions were reached on all three recommendations (page 13).

BACKGROUND

The events of September 11, 2001, and the War on Terror have made foreign assistance an essential component of the President's National Security Strategy in supporting transformational diplomacy¹ efforts to make the United States and the world safer. Against this backdrop, in January 2006 the Secretary of State announced a major change in the way the U.S. Government directs foreign assistance by creating the Office of the Director of Foreign Assistance (State/F) to centralize the structure for rationalizing and coordinating U.S. foreign assistance policy, planning, and oversight. Organizationally, State/F is within the Department of State. The Director of Foreign Assistance (DFA) serves concurrently as the Administrator for the USAID.

The DFA is charged with directing the transformation of the U.S. Government's approach to foreign assistance and ensuring that foreign assistance is used as effectively as possible to meet broad foreign policy objectives. In support of the DFA, State/F needed a unified information system to link the Department of State, USAID, and other U.S. Government agencies' foreign assistance programs to their funding, activities, and results.

In June 2006, the DFA approved a request to develop a system to support foreign assistance monitoring, budgeting, and information requests. This system is known as the Foreign Assistance Coordination and Tracking System (FACTS). A sole-source justification prepared by USAID's Bureau of Global Health was approved for FACTS. This justification was based on the rationale that, if the system was not functioning in time to submit the fiscal year (FY) 2007 Congressional Notification, USAID's ability to meet foreign assistance objectives would be impaired. An existing USAID contract² to provide technical assistance and services in support of the Country Operational Plan and Reporting System (COPRS) was modified to provide approximately \$3 million³ in additional funds in FY 2006 for the development of FACTS. According to State/F officials, State/F used COPRS as the basis for FACTS because COPRS already incorporated features similar to those that were needed in FACTS. State/F indicated that this approach was communicated to and cleared by USAID's and State's offices of the chief information officer.

FACTS will provide a single repository for data and a common planning and reporting tool for foreign assistance resources across U.S. Government agencies implementing programs with foreign assistance funds. The intent is to ensure that all foreign assistance resources are coordinated, appropriately linked to foreign policy objectives, supportive of integrated country strategies, and designed to collect standardized data

¹ "Transformational diplomacy" describes efforts to build and sustain democratic, well-governed states that will be responsive to the needs of their people and conduct themselves responsibly in the international system.

² USAID's Bureau of Global Health entered into a cost-plus-award-fee contract (Contract No. GPO-C-00-06-0002-00). The Country Operational Plan and Reporting System is used to provide operational support, maintenance, management, and enhancement for the President's Emergency Plan for AIDS Relief. FACTS was initiated under Modification No. 1 to this contract, effective July 21, 2006, through July 20, 2007.

³ As of December 31, 2006, the project's contractor reported that of the approximate \$3 million obligated, \$2 million was expended for FACTS.

about foreign assistance programs. The goal is for FACTS to eventually replace each agency's existing foreign assistance planning and programming systems. FACTS went live on December 10, 2006, with an expanded scope from the initial pilot of State's 35 countries to USAID's entire foreign assistance budget. Although FACTS is funded by USAID, the system is sponsored, owned, and categorized as a major system by State/F. A major system is one that requires special management attention because of its importance to an agency mission; its high development, operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property, or other resources.

To improve the implementation and management of Federal information technology (IT) projects, the Clinger-Cohen Act was enacted in 1996 to require executive agencies to use a disciplined capital planning and investment control (CPIC) process to acquire, use, maintain, and dispose of IT. Furthermore, the Clinger-Cohen Act requires the Office of Management and Budget (OMB) to establish processes to analyze, track, and evaluate the risks and results of major capital investments in IT systems made by executive agencies.

The requirements established by the Clinger-Cohen Act are prescribed best practices intended to reduce potential problems surrounding IT projects, including cost escalations. These best-practice requirements include the following:

- Selection, control, and evaluation of IT investments
- Use of performance- and results-based management
- Accountability and IT asset management
- Review of IT architecture

OMB plays a key role in the oversight of Federal IT investments, how these investments are managed and evaluated, and how they use prescribed best practices. OMB collects and evaluates IT investments primarily by executive agencies submitting business cases (Exhibit 300s) as part of their budget requests. Exhibit 300 is a key document of the CPIC process. It provides information to help stakeholders make "go" and "no-go" decisions, and manage cost and schedule performance goals. Specifically, agencies submit this document to OMB to justify resource requests for major IT investments. Furthermore, as a reporting mechanism, Exhibit 300 enables an agency to demonstrate to OMB that it has (1) developed a strong business case for the IT investment, (2) used good project management practices, and (3) defined the proposed cost and schedule performance goals for the investment. Exhibit 300 consists of the following key sections: alternatives analysis, cost and schedule performance, enterprise architecture, and security and privacy.

A CPIC process relates to an agency's selection of IT investments, the management of such investments, and the ongoing evaluation of investments. USAID's CPIC phases and the actions and outputs occurring within each phase are presented in table 1.

Table 1. Actions and Outputs of the Four Phases of USAID’s CPIC Process

Phase	Actions	Outputs
Preparation	<ul style="list-style-type: none"> • Formulate investment concept • Determine potential investment level • Prepare investment proposal documentation • Check proposal for architectural compatibility and security compliance 	<ul style="list-style-type: none"> • OMB Exhibit 300 (or other business case proposal documentation) • Decision on congruence of proposal with architecture requirements
Selection	<ul style="list-style-type: none"> • Prepare investment proposal presentation • Present proposal to CPIC committee • Submit accepted proposals to Administrator for final approval 	<ul style="list-style-type: none"> • Investment presentation material • Recommendation on investment • Approval
Control	<ul style="list-style-type: none"> • Oversee and manage • Report on status • Have CPIC committee review status 	<ul style="list-style-type: none"> • Periodic progress reports • Decision on whether to continue project
Evaluation	<ul style="list-style-type: none"> • Assess success of project • Review reports • Determine lessons learned 	<ul style="list-style-type: none"> • Implementation review report • Lessons learned

AUDIT OBJECTIVE

The audit team evaluated the FACTS project against USAID’s policy because USAID provided the contract and funding for the project. This audit was added to the Office of Inspector General’s annual audit plan to answer the following question:

Did USAID follow capital planning and investment control process requirements for vetting and approving the Foreign Assistance Coordination and Tracking System in accordance with the Clinger-Cohen Act?

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

AUDIT FINDING

USAID did not follow capital planning and investment control (CPIC) process requirements for vetting and approving the Foreign Assistance Coordination and Tracking System (FACTS) in accordance with the Clinger-Cohen Act. This was due in part to the unclear roles and responsibilities between USAID and the Office of the Director of Foreign Assistance (State/F). Although both USAID and the Department of State have developed policies and procedures for information technology (IT) capital planning and investment reviews in support of the Clinger-Cohen Act, they did not use those policies and procedures in the development and implementation of FACTS.

FACTS Did Not Go Through a Capital Planning and Investment Control Review Process

Summary: The FACTS project did not go through a CPIC review process at USAID as required by the Clinger-Cohen Act. Nor did State/F use State's CPIC review processes over FACTS.

For example,

- A business case was not prepared and submitted to OMB for review.
- An alternatives analysis was not formally conducted.
- The development and implementation of FACTS was not monitored using OMB's prescribed methods to monitor cost and schedule performance.
- A review of FACTS' architecture was not undertaken to ensure compliance with Federal enterprise architecture requirements.

The above conditions occurred primarily because of the following:

- The unclear oversight roles and responsibilities for FACTS between State and USAID at the outset of the project.
- The aggressive schedule imposed by State/F to deploy FACTS for the fiscal year (FY) 2007 planning cycle.

Because FACTS was not subjected to a CPIC process, it is unknown whether FACTS, as implemented, was the best alternative for its intended purpose, was meeting project cost and schedule performance goals, and will obtain sustainable funding for continued development, support, and operation.

FACTS business case, Exhibit 300, is needed – A first step in USAID's CPIC process is the evaluation of a proposed project and the preparation of an Exhibit 300. However, USAID did not complete or present an Exhibit 300 to the CPIC committee, so the FACTS project began without the oversight of a CPIC process. Furthermore, an Exhibit 300 was not submitted to OMB as part of the agency's budget request. Exhibit 300 is important because it justifies the necessity for a project and lays the foundation for how the project will be evaluated, managed, and funded.

In the course of the audit, the audit team noted several problems that might have been prevented if the FACTS project had been vetted through a CPIC process and if an Exhibit 300 had been prepared. These problems are highlighted in table 2.

Table 2. Relationship Between Exhibit 300 Planning Sections and Problems Noted with the FACTS Project

Selected Exhibit 300 topics and requirements	Problems that might have been prevented or reduced
<p>Alternatives Analysis – Requires structured investment analysis that considers life-cycle costs, defined return on investment, quantitative benefits, and explanation of alternative chosen.</p>	<ul style="list-style-type: none"> • A formal and structured investment analysis of alternatives was not conducted to demonstrate that FACTS would be the most efficient and effective option based on cost and functional business requirements over the life of the system.
<p>Metrics for Measuring Cost and Schedule Performance – Requires the use of <i>earned value</i> metrics to show whether a project is meeting approved cost and schedule performance goals.</p>	<ul style="list-style-type: none"> • Prescribed methods were not used to determine whether development of project components were meeting expected cost and schedule performance goals.
<p>Enterprise Architecture – Requires a definition of the relationship between the system, business, and data needs of the organization.</p>	<ul style="list-style-type: none"> • The FACTS architecture was not reviewed to ensure that key Federal enterprise architecture requirements with USAID or State were fully addressed.

The following sections describe these problems in detail.

Alternatives analysis is needed – OMB guidance for completing the Exhibit 300 requires agencies to analyze alternatives to compare viable solutions and include a general analysis of the benefits for each alternative presented. However, formal analyses of FACTS and the existing systems were not prepared, and the determination that existing systems could not meet State/F needs was made through meetings and discussions. For example, no formal cost analysis was performed at the outset of the project to estimate the total cost of the system. As of December 2006, approximately \$2 million of the \$3 million obligated had been spent. The final cost of the system is unknown.

The FACTS project team stated that it considered, in discussions and at meetings, at least four alternative systems before deciding to create FACTS by modifying a similar system used by the Office of the U.S. Global AIDS Coordinator. The four systems were USAID’s existing Annual Reporting system, the COPRS used by the Office of the U.S. Global AIDS Coordinator, State’s Mission Performance Plan, and the International Affairs Database. Although these alternatives were considered, their strengths and weaknesses were not formally evaluated using prescribed methods. Because this comparative analysis was undocumented, the project team could not demonstrate

whether or how it considered items required by Exhibit 300, including life-cycle costs, defined return on investment, quantitative benefits, or the availability of commercial products.

The absence of a rigorous method for conducting and documenting a comparative analysis raises questions about whether project managers are selecting the most cost-effective and beneficial option.

Earned value metrics should be used to monitor the project – The cost and schedule performance section of Exhibit 300 provides a summary of the investment's status in meeting baseline cost and schedule goals through the use of an *earned value management system* for new systems such as FACTS. An earned value management system is used to compare the value of work performed with its actual cost during the development of an investment. OMB guidance requires agencies to have a process in place to measure work performed using earned value metrics. FACTS was not subjected to a structured process that used OMB-prescribed methods for assessing and monitoring the performance for accomplishing baseline cost and schedule performance goals.

To monitor the progress of the project, the FACTS project team stated that it held monthly budget meetings with the contractor to discuss progress on the following high-level activities:

- Project management
- Ongoing maintenance
- Software development
- External integration
- System security
- Help desk support
- Training
- Data warehouse and ad hoc reporting
- Outsourcing hosting

In the meetings, the team evaluated the rate at which funds were being spent for budgeted line items for each of the nine high-level activities. To determine the reasonableness of the spending rates, team members relied on their experience from past projects and on the expertise of the contractor that was developing the system to monitor the progress toward meeting the high-level tasks.

Exhibit 300 sets a more objective requirement. The exhibit requires cost and schedule milestones and the formulation of *earned value metrics*. Earned value metrics demonstrate the relationship between project tasks and deliverables and the resources used to produce them. These metrics are useful for quantifying the level of effort and the resources planned for completing a task and for allowing an objective comparison between planned efforts and the efforts used. For example, in using earned value metrics, each of the nine high-level activities would have been broken down into smaller distinct steps. The level of effort expected for each step would have been estimated in advance and the actual effort spent for each step would have been tracked to allow management to assess how efficiently resources were being used. Without these

metrics, the project team could not demonstrate whether the development of the project's components was efficiently meeting cost and schedule performance goals.

Alignment with Federal enterprise architecture is needed – *Enterprise architecture* is a roadmap that defines in logical, business, and technical terms how an organization operates, intends to operate in the future, and intends to invest in technology during the transition to this future state. The enterprise architecture section of Exhibit 300 demonstrates that the investment is included in the agency's enterprise architecture.

The audit team found no indication that the FACTS architecture had been reviewed or found to be compatible with existing and future USAID or State IT architectures. As a result, the systems may need to be reworked to align FACTS with USAID's and State's operating vision, embodied in the Federal enterprise architecture. Furthermore, FACTS is at risk of failing to integrate adequately with other systems and, therefore, may be too expensive to operate and integrate at a future date.

Causes of problems are identified – The incidence of noncompliance with Clinger-Cohen identified in the audit and the cost and implementation uncertainties associated with that noncompliance were caused primarily by (1) unclear delineation of oversight roles and responsibilities for FACTS between USAID and State at the outset of the project and (2) the aggressive schedule imposed by State/F for deploying FACTS for the FY 2007 planning cycle.

Oversight roles and responsibilities were unclear – The blurring of reporting lines between USAID and State/F created confusion over the roles and responsibilities in the development and implementation of FACTS and left a gap of accountability for following best practices and government requirements related to IT system investments. From the start, FACTS project ownership was not clearly defined according to Federal standards and management controls for clearly communicating key areas of authority and responsibility. Consequently, FACTS did not receive the level of oversight needed to ensure that the project met Federal requirements, such as the capital planning and investment process.

Although the project is funded by USAID, USAID has been unclear about its roles and responsibilities. For example, USAID managers had little involvement in the project. Furthermore, USAID stated that the cognizant technical officer's responsibility to oversee the contract was complicated by the day-to-day interactions between the State/F team and the contractor.

The project team did consider submitting an OMB Exhibit 300, but it could not decide whether the exhibit should be submitted through USAID or State channels. At the outset, the team's impression was that neither USAID nor the State Department considered the project their responsibility.

Aggressive scheduling of FACTS had effect – The approach for implementing FACTS was oriented toward rapid deployment to meet critical needs. It was implemented in 6 months, a schedule that State/F agreed was ambitious. This schedule left limited time to subject FACTS to a CPIC review and to test and validate the system and data. This lack of testing and validating contradicts best practices that

advocate evidence of successful milestone completion before continuing with subsequent phases.

According to the sole-source justification, which was signed on June 8, 2006, the Country Operational Plans for FACTS should have been submitted to State/F by December 15, 2006, and the Congressional Notification should have been submitted by April 30, 2007. Although the project team indicated they had considered submitting an OMB Exhibit 300 in 2006 and consulted with the chief information officers at the Department of State and USAID about their annual CPIC process (which had already begun), waiting for the next CPIC review cycle was not an acceptable solution for the system owner, State/F. The goal to have operational plans by mid-December led the project team to forgo the submission of the Exhibit 300 in 2006 and to proceed beyond the confines of the CPIC process.

Moreover, to meet the December milestone date, internal testing and validations had to be in place by August 2006,⁴ just 2 months after signing the sole-source justification. This aggressive testing schedule did not allow sufficient time to correct problems, so FACTS may have been deployed without the management capabilities to correct problems before they affected employee productivity. Some of the problems FACTS encountered when it was deployed included (1) vendor tables were not fully populated, (2) data entry was overwhelming, and (3) system response time was slow.

Vendor tables – After FACTS was deployed, users noted that system information on organizations that implement USAID programs was incomplete. FACTS requires users to identify a relationship between the funding source and the organizations that implement foreign assistance activities, such as contractors, grantees, and partners, by selecting the appropriate organization from a predefined list included in FACTS. In cases in which the partner or subpartner responsible for implementing an activity had not been included in FACTS, users were instructed to send the information to the FACTS project team, which would then add the organization to the database. According to the FACTS project team, 97 operating units had submitted requests to add various organizations into the FACTS system. Additional contractor support was obtained and the due date for completing the operating plan was extended.

Data entry – After FACTS was deployed, users discovered that it was time-intensive to enter data in FACTS for program-funded costs when a cost had to be allocated among many program objectives, areas, elements, and subelements.⁵ To decrease this burden, operating units were instructed to enter total costs.

FACTS users noted that the number of individual grants, subgrants, and small purchases that needed to be entered in FACTS was burdensome at times. The solution

⁴ Testing was subsequently delayed and did not begin until mid-November. Because the system went live on December 10, Country Operational Plans were rescheduled to be due to State/F on January 31, 2007.

⁵ Examples include security guard contracts, a voucher examiner, a public affairs person, or an evaluation and monitoring specialist. Under previous guidance from the State/F project team, the cost for each example has to be apportioned across all program objectives, areas, and elements. This process required many entries into FACTS for each person or contract. The extent and impact of these types of transactions have not been quantified. They depend on the number of resources being shared between programs and projects at a particular organizational unit.

to reduce this data entry burden was to allow operating units to group similar grantees, subgrantees, or small purchases into single entries. This solution creates two unforeseen problems. First, the change could diminish the usefulness of FACTS by eliminating low-level data. Because summarized data are being entered in the FACTS database, answers to queries become limited to data at the summarized level. Second, the solution spawns a need to create and maintain a new set of records to support the data entered at the summarized level. Any data requests that seek to answer questions at a level lower than the data summarized in the database have to be answered by an ad hoc request submitted to the operating unit. The project team stated that the loss of such data would not have a significant impact. Whether or not this data loss is the case, it illustrates a tradeoff in functionality that had to be made to reduce unforeseen levels of effort.

System response time – The project team did not have data available to show the various system response times at the different locations where FACTS was used. However, the team acknowledged that some locations were experiencing difficulties. The audit team found at least three USAID missions that experienced slow system response times. One organizational unit noted that it took between 15 and 90 seconds for data to be recorded before they could proceed with the next action. This is especially problematic when users try to enter data into the indicator section of FACTS, where there are sometimes more than 100 indicators. At times, the user's session would time out before the transaction could be recorded. Users trying to save data after receiving error messages found that data had been lost.

Conclusion

The vision that FACTS is supposed to meet in support of the President's National Security Strategy is commendable and necessary. However, FACTS is an ambitious undertaking, and it is precisely the far-reaching potential coverage of FACTS that makes participation in a CPIC process critical. Exhibit 300 requires that a project's mission and strategic goals be defined and mapped to clearly measurable outcomes. The Clinger-Cohen Act was enacted in part to address the propensity of IT projects to exceed budgeted costs and fail to provide working solutions. Because the development of FACTS has not complied fully with the Clinger-Cohen Act, cost overruns are likely.

Overall, work on FACTS continues even though an OMB Exhibit 300 has not been submitted and the system has not been vetted by either USAID or State capital planning and investment board equivalents. Therefore, there is no assurance that FACTS' current implementation and future additions and enhancements have been fully vetted. At this point, the course that FACTS will take into the future is unclear.

Following are three recommendations to improve the controls over FACTS.

Recommendation No. 1: *We recommend that USAID's Acting Administrator explicitly clarify whether USAID or the Department of State has capital planning and investment control oversight responsibilities and authorities to manage the development and implementation of the Foreign Assistance Coordination and Tracking System.*

Recommendation No. 2: We recommend that USAID's Acting Administrator ensure that a Foreign Assistance Coordination and Tracking System business case, Exhibit 300, is developed and vetted through the capital planning and investment control review process and submitted to the Office of Management and Budget for funding by the designated responsible party (see Recommendation No. 1). Such steps would ensure that the project team (a) prepares a formal analysis of system alternatives, (b) uses prescribed metrics to monitor cost and schedule performance, and (c) obtains documented approval of compliance with USAID's and State's enterprise architecture.

Recommendation No. 3: Until such time as the Foreign Assistance Coordination and Tracking System project is vetted through the capital planning and investment control review process, we recommend that USAID's Acting Administrator ensure that no funds are committed to the development of new features or functions for the Foreign Assistance Coordination and Tracking System.

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID agreed with the findings and recommendations in the report. USAID agreed to take corrective action on all three recommendations and provided corrective action plans and target completion dates. As a result, management decisions have been reached for Recommendation Nos. 1, 2, and 3.

In its response, USAID requested a briefing by OIG to clarify its understanding of the phrase “development of new features or functions” before the issuance of the final report. The OIG advised USAID that it was management’s responsibility to determine what constitutes new features or functions and that it should make those determinations in consultation with its CIO.

USAID provided additional comments that we considered in finalizing our audit report, and we made changes as appropriate.

USAID’s comments, which incorporated those from the Office of the Director of Foreign Assistance (State/F), are included in their entirety in Appendix II.

SCOPE AND METHODOLOGY

Scope

This audit was performed in accordance with generally accepted government auditing standards. The Office of Inspector General, Information Technology and Special Audits Division, performed this audit to determine whether USAID followed Federal capital planning and investment control (CPIC) requirements and best practices established by the Clinger-Cohen Act to improve the probability of success of information technology (IT) projects. Audit fieldwork was conducted at USAID headquarters in Washington, DC, between December 14, 2006, and February 8, 2007. The audit team met with the project management staff within the Strategic Information unit of the Office of the Director of Foreign Assistance (State/F). The Director of Foreign Assistance is the Administrator for USAID.

The audit team focused primarily on the need to use a CPIC process to justify and vet the Foreign Assistance Coordination and Tracking System (FACTS) project and the consequences of failing to follow up on the types of problems that result from not having submitted a project to the CPIC process. The team did not conduct an audit to determine the significance, extent, or severity of the issues noted in this report. Likewise, it did not attempt to identify an exhaustive list of problems.

The audit team evaluated internal controls related to the audit objective, and also evaluated whether the project team prepared the following project management deliverables:

- Business case (also known as Exhibit 300)
- Detailed design document
- Security categorization
- Systems development life cycle
- Project plan

As of December 31, 2006, the project team reported that approximately \$3 million of USAID funds had been obligated, approximately \$2 million of which had been spent in developing FACTS.

Methodology

As the framework for designing this audit, the team used selected detailed control objectives from the IT Governance Institute's 2005 edition of Control Objectives for Information and Related Technology (COBIT) under the Acquire and Maintain Application Software section. In addition to using the Clinger-Cohen Act as the criterion for this audit, the team reviewed the implementing documentation for IT CPIC policies contained in USAID's Automated Directives System 577 and the Office of Management and Budget's (OMB's) Circular A-11. The circular stipulates various requirements for IT investments, including Exhibit 300 elements. The audit team obtained the Department of State's policy for IT CPIC (contained in 5 Foreign Affairs Manual 1040) only to determine that such a policy exists in support of the Clinger-Cohen Act. The team also reviewed

numerous Government Accountability Office (formerly the General Accounting Office) publications and guides relating to IT investments, including “Information Technology Investment Management, A Framework for Assessing and Improving Process Maturity” (GAO-04-394-G) and “Assessing Risks and Returns: A Guide for Evaluating Federal Agencies’ IT Investment Decision-Making” (GAO/AIMD-10.1.13). The team obtained and reviewed contract documentation, including the sole-source justification for FACTS.

Using the COBIT-detailed control objects related to high-level design, detailed design, application control and auditability, application security and availability, and application requirements management, the team identified project deliverables and documentation that it expected would be available based on its review of documentation supporting the Clinger-Cohen Act. The audit team requested and evaluated those items.

Because USAID funds and a USAID contract were used in support of the development and implementation of FACTS, and because the contract stipulated the use of USAID requirements, the team relied on USAID’s CPIC policy as the basis for its review. Because FACTS’ development was directed by State/F and FACTS is owned by State/F, the team interviewed members of the FACTS project management team within the Strategic Information unit of State/F. It also obtained documentation from State/F for FACTS. The team did not interview State officials outside of State/F who are responsible for reviewing IT investment planning documentation in regard to State/F’s CPIC of FACTS, because this was perceived to exceed the team’s statutory audit authority. Nevertheless, in interviews, State/F’s project team indicated that neither USAID’s nor State’s CPIC review processes were used.

Because the audit would reveal whether or not the FACTS project had participated in a CPIC process, a specific materiality threshold was not set.

MANAGEMENT COMMENTS



August 17, 2007

Office of the Administrator

MEMORANDUM FOR THE INSPECTOR GENERAL

SUBJECT: Comments on Draft Audit of the U.S. Agency for International Development's (USAID's) Capital Planning and Investment Control for the Foreign Assistance Coordination and Tracking System (FACTS) (Audit Report No. A-000-07-00X-P)

Thank you for the opportunity to respond to the draft audit report. Following is my response to each recommendation:

Recommendation No. 1: *We recommend that USAID's Acting Administrator explicitly clarify whether USAID or the Department of State has capital planning and investment control oversight responsibilities and authorities to manage the development and implementation of the Foreign Assistance Coordination and Tracking System.*

Management Decision: An Action Memo will be signed by the Director of U.S. Foreign Assistance/USAID Acting Administrator clarifying which Agency has lead oversight and management responsibilities for the FACTS system. Since FACTS is a joint system, both Agencies' capital planning and investment control bodies will review the business case.

Target Completion Date: August 31, 2007.

Recommendation No. 2: *We recommend that USAID's Acting Administrator ensure that a Foreign Assistance Coordination and Tracking System business case, Exhibit 300, is developed and vetted through the capital planning and investment control review process and submitted to the Office of Management and Budget for funding by the designated responsible party (see recommendation 1). Such steps would ensure that the project team (1) prepares a formal analysis of system alternatives, (2) uses prescribed metrics to monitor cost and schedule performance, and (3) obtains documented approval of compliance with USAID's and State's enterprise architecture.*

Comment: State/F met with both State and USAID CIO offices to obtain guidance on the capital planning and investment control review processes and E300 business case requirements beginning in June 2006. The process was formally initiated with the submission of a "pre-select" worksheet to the State e-Gov office on May 8, 2007, which was approved on May 16, 2007.

Management Decision: The FACTS E300 business case was submitted to both USAID and State's capital planning and investment control bodies on July 27, 2007. This E300 includes a formal alternatives analysis, a proposed schedule for deliverables to be monitored, and compliance with enterprise architecture requirements. The business case is now under review and approval is expected by the end of August 2007.

Target Completion Date: September 10, 2007.

Recommendation No. 3: *Until such time as the Foreign Assistance Coordination and Tracking System project is vetted through the capital planning and investment control review process, we recommend that USAID's Acting Administrator ensure that no funds are committed to the development of new features or functions for the Foreign Assistance Coordination and Tracking System.*

Comment: We are requesting a briefing, prior to the issuance of the final audit report, so we can confirm our understanding of the phrase "development of new features or functions."

Management Decision: The FACTS business case was submitted to both State and USAID for review by the appropriate committees on July 27, 2007. It is anticipated that by the end of August, both agencies will have reviewed and approved the E300. Prior to approval, no funding will be committed for the development of new features or functions for the FACTS system.

Target Completion Date: September 10, 2007.

Additional Comment:

Page 9—Oversight roles and responsibilities were unclear: We recommend replacing the last sentence in the second paragraph of this section with the following sentence: "Furthermore, the cognizant technical officer's responsibility to oversee the contract was complicated by the day-to-day interaction that the State/F team had with the contractor."

[James R. Kunder for /s/]

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