

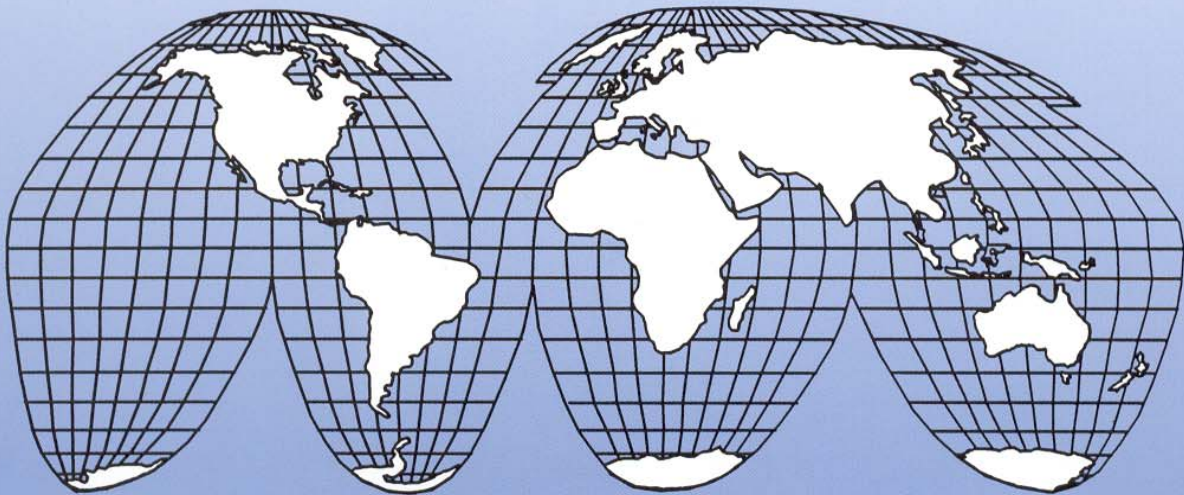
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID's Human Capital Data

Audit Report Number 9-000-03-002-P

December 20, 2002



Washington, D.C.



December 20, 2002

MEMORANDUM

FOR: M/HR/OD, Rose Marie Depp

FROM: IG/A/PA, Dianne L. Rawl /s/

SUBJECT: Audit of USAID's Human Capital Data (Report No. 9-000-03-002-P)

This is our final report on the subject audit. In finalizing this report, we considered management's comments on our draft report. We have included those comments, in their entirety, as Appendix II.

This report includes seven recommendations that are designed to improve USAID's human capital data. In your response to our draft report, you concurred with recommendations 1 through 6 and their potential benefits. We therefore, consider that a management decision has been reached on those six recommendations. Please coordinate final action for each of the recommendations where a management decision has been made with USAID's Office of Management Planning and Innovation. Based on your response to our draft report, we do not consider Recommendation No. 7 to have received a management decision. Consequently, we request that you provide written notice within 30 days relating to actions taken, or planned with accompanying target dates, to complete the corrective actions for recommendation No. 7.

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

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Summary of Results

The ability of USAID to carry out its mission in the 21st century will depend, in part, on successfully managing its human capital. At the end of fiscal year 2001, USAID's workforce, in excess of 7,000 individuals, consisted of U.S. and foreign national citizens working under a variety of arrangements. (As discussed in the scope and methodology section, all workforce numbers in this report exclude Office of Inspector General personnel.) During this time period, USAID employed 1,951 U.S. citizens working as direct hires in USAID/Washington and in overseas missions. In addition to the direct hires, USAID's workforce also consisted of non-direct hires. USAID reported that there were more than 5,000 individuals in its non-direct hire workforce who worked in USAID/Washington and abroad at the end of fiscal year 2001. The bulk of these non-direct hires were foreign service nationals and third country nationals who worked overseas as personal services contractors.

USAID's workforce data was not up to date, consistent, totally accurate, or complete because:

- overseas missions did not all adhere to the quarterly reporting schedule established by USAID's Bureau for Management, Office of Human Resources (M/HR), thereby precluding up-to-date reports (see page 8);
- USAID/Washington and overseas missions submitted data with dissimilar specificity, resulting in M/HR being provided inconsistent and incomplete data to analyze (see page 8);
- USAID bureaus and overseas missions did not adhere to M/HR requirements to report data on USAID's external workforce (institutional and service contractors), thereby excluding significant numbers of non-direct hire personnel from M/HR's workforce analysis (see page 9);
- M/HR staff responsible for correcting direct hire data in the direct hire database were not making corrections in a timely manner as required (see page 11);
- USAID overseas missions did not review their data as required by M/HR, before sending reports to USAID/Washington, thereby allowing errors to be incorporated into M/HR's reports (see page 13).

To help USAID improve the quality of its human capital data, we are recommending that M/HR (1) develop a procedure to notify bureau and mission management when workforce data is not being submitted in a timely manner (see page 11), (2) issue guidance to the missions and bureaus explaining their

responsibilities for workforce reporting under the new workforce reporting system (see page 11), (3) develop definitions and requirements so that workforce data submitted by the missions and bureaus is reported on time and is accurate, complete, and consistent (see page 11), (4) provide additional training for staff members who are responsible for entering and correcting personnel data (see page 13), (5) develop procedures for missions to attest to the accuracy of their workforce data and remind the missions of the requirements for reclassifying position classifications and backstop codes (see page 14), (6) institute a process to collect data on the reasons for employee attrition (see page 19), and (7) develop workforce plans for USAID's civil service and non-direct hire workforce (see page 23).

Improved workforce data is important because USAID will need reliable workforce data in developing future workforce strategies. USAID's direct hire workforce is aging, with high rates of retirement anticipated in the near future. Although USAID has developed a preliminary workforce plan, more work remains in order to meet the requirements established by the Office of Management and Budget. Further, although USAID has a recruitment plan to address anticipated Foreign Service retirements and resignations, a similar plan is not developed for the civil service nor for the non-U.S. direct hire workforce (see page 22).

Background

In December 2000, USAID's Office of Inspector General (OIG) identified human capital management as a serious challenge to USAID's management. The OIG recognized that in order for USAID to successfully manage its programs, it must have the right people—with the right training and skills—in the right places at the right time. Shortly thereafter, the U.S. General Accounting Office (GAO) included strategic human capital management as a high-risk area for the federal government. GAO stated that after a decade of government downsizing and curtailed investments in human capital, the human capital strategies of federal agencies were not appropriately constituted to adequately meet the current and emerging needs of the federal government. In addition, GAO reported that USAID's ability to carry out its foreign assistance mission was directly affected by its human capital challenges.

USAID's human capital expertise is vested in a wide array of workers such as direct hires, personal services contractors, workers on loan from other governmental agencies or private organizations, institutional contractors, and fellows. This diverse workforce is critical to USAID's achievements in a variety of developmental activities in areas such as agriculture, health, and democracy. Among its personnel-related responsibilities that help support human capital, the Bureau for Management, Office of Human Resources is responsible for maintaining and reporting workforce data as well as

workforce planning. Strategic workforce planning is a systematic approach to (1) determining staffing needs, (2) analyzing the current workforce, and (3) developing an action plan to address the gaps in staff numbers and competencies.

Accurate and complete workforce data are important for USAID's managers in making decisions on how to best address the human capital challenges facing USAID. In addition, the U.S. Office of Management and Budget is requiring USAID and other federal agencies to develop human capital strategies. These strategies are being measured through the Executive Branch Management Scorecard which assesses an agency's performance in each of the five government-wide initiatives (including strategic management of human capital) described in the President's Management Reform Agenda. Finally, today's heightened awareness of the potential risks from terrorism to U.S. government facilities and its workforce underscores the importance of USAID having complete and accurate data on its Washington and overseas workforces.

Audit Objectives The Performance Audit Division of OIG/Washington initiated this audit in order to establish baseline data to support future audit work in the area of human capital. This audit was designed to answer the following questions relating to human capital data collected and analyzed by USAID's Office of Human Resources:

- What human capital data are being collected by USAID?
- Are the human capital data complete and accurate?
- When analyzed, what do the human capital data indicate?

Appendix I describes the scope and methodology for this audit.

Audit Findings **What human capital data are being collected by USAID?**

USAID captures a significant amount of human capital data on its U.S. Foreign Service and civil service employees. This U.S. direct hire (USDH) workforce numbered 1,951 at the end of fiscal year 2001. The Office of Personnel Management (OPM) establishes the data requirements that federal agencies need to report for their federal workforce. Some of the key data required by OPM includes date of birth, organization, pay plan, grade, and service computation date. USAID's direct hire workforce data is provided

online by the Bureau for Management, Office of Human Resources (M/HR) to the U.S. Department of Agriculture's National Finance Center (NFC).¹ This data is subsequently provided to OPM.

M/HR also collects data on a quarterly basis from USAID's overseas missions and Washington bureaus on their non-direct hire workforces. According to M/HR records, at the end of fiscal year 2001, the non-direct hire workforce was composed of 5,528 individuals, the majority of whom were non-U.S. personal services contractors working overseas.² Missions are expected to submit workforce data files via e-mail, using a reporting format created by M/HR that is referred to as the Mission Staffing Pattern System (MSPS). These files include data such as name, contract number (for personal services contractors), organizational entity, grade, backstop code, and service computation date. Washington bureaus provide M/HR with data on their non-direct workforces through hard copy reports. Although missions provide data on individuals, bureaus provide only summary data on workforce categories. According to M/HR, bureaus were unwilling to collect and report data on individuals.

M/HR publishes USAID's workforce data through its *Quarterly USAID Worldwide Staffing Pattern Report*.³ According to M/HR, historical workforce data reported in the *Quarterly USAID Worldwide Staffing Pattern Report* is stored in electronic data files.

Are the Human Capital Data Complete and Accurate?

The human capital data collected and maintained by USAID was neither complete nor totally accurate. This occurred because (1) some missions had not submitted workforce data to M/HR on a quarterly basis as required, (2) Washington bureaus did not submit data on individuals and their summary reports lacked the specificity of data reported by most of the missions, (3) M/HR had not collected data for USAID's complete workforce; for example, it did not collect data on individuals working for institutional contractors, (4)

¹ Since October 2000, the U.S. Department of Agriculture's NFC has been responsible for maintaining personnel and payroll data in an online database for USAID's USDH workforce. When USAID transferred its personnel and payroll processing functions to NFC, only information for on-board USDHs was transferred from USAID's databases to the NFC. Following deployment of the NFC system, USAID archived its historical personnel data on computer tapes that were later downloaded onto USAID's local area network for future use, if needed.

² There were 4,397 non-U.S. personal services contractors at the end of fiscal year 2001 (59 percent of the total workforce).

³ M/HR also publishes a *Quarterly Mission Staffing Pattern Report* that disaggregates data published in the *Quarterly USAID Worldwide Staffing Pattern Report* for those missions that provided workforce data in an electronic format.

USAID was slow to correct data identified as erroneous by the NFC, and (5) missions submitted unverified and erroneous data to M/HR.

In addition, tests of direct and non-direct hires personnel data elements maintained by M/HR found that some data could not be traced or compared to source documents. Generally, these problems were a result of non-compliance with USAID's directives and guidance as well as the guidance established by NFC and OPM.

USAID Needs Complete, Consistent, and Accurate Data on Its Non-Direct Hire Workforce

Good information is important because it is used for workforce planning and is reported to other entities such as the Congress, Office of Management and Budget (OMB), and the General Accounting Office (GAO). However, data submitted to M/HR by the missions and bureaus on their non-direct hire workforces were not complete, consistent, or accurate. M/HR received incomplete data because some missions did not provide workforce data on time and it could not be included in required reports. Data were also incomplete because M/HR's requirement for complete workforce reporting was never fully implemented and data were not collected on individuals working for institutional and service contractors and some fellows were excluded from workforce totals. Data were inconsistent because M/HR did not obtain comparable workforce data from missions and bureaus. In one case, inaccurate workforce data provided by a mission was repeatedly reported by M/HR for three quarters. These problems were caused, in part, by the guidance provided. But missions and bureaus also did not comply with existing guidance. M/HR did not take action to improve compliance because M/HR staff believed that they had no formal mechanism to elevate their data concerns to the bureaus and missions.

According to USAID's Automated Directives System, section 101.3.1.4 (g)(2)(a), M/HR is responsible, among other things, for (1) managing and maintaining the human resources database, (2) monitoring workforce data and total USAID staff, and (3) providing periodic reports and projections on USAID's human resource configuration. M/HR has informed missions and bureaus of specific workforce data quality requirements through a series of MSPS Exonets and e-mail messages, which date back as far as March 24, 1995.⁴ This guidance advises missions and bureaus that they should check the accuracy and completeness of their workforce data before sending it to M/HR. E-mail guidance sent to MSPS users in June 1996 stated "it is very critical that all required MSPS data fields be furnished and correct for each employee/position. Data taken from the MSPS is being used in congressional testimonies, inquiries from OMB, GAO, and others."

⁴ An Exonet is an electronic newsletter sent to USAID's Executive Officers and their staff.

Below are examples of problems related to completeness, consistency, and accuracy of workforce data.

- **Incomplete Data** -- Several missions did not provide or were late providing workforce data to M/HR, even though USAID's March 1995 e-mail guidance to system users required all missions to provide current workforce data for the Quarterly *USAID Worldwide Staffing Pattern Report*. During fiscal years 1995-2001, these year-end staffing pattern reports in 32 instances did not include current workforce data for USAID's missions. This occurred because the missions did not submit data or submitted data that were too late to be included for publication. When the data were not submitted or not submitted on time, M/HR used old, previously reported data for the delinquent mission. This resulted in M/HR reporting some outdated workforce data. For example, in the *Quarterly USAID Worldwide Staffing Pattern Report*, fourth quarter fiscal year 2000, M/HR reported workforce data for one mission that was 15 months old.

M/HR stated that missions are occasionally unable to transmit their workforce data because of technical problems. However, there were also occasions when missions simply did not submit the data. M/HR identifies delinquent missions in each *Quarterly USAID Worldwide Staffing Pattern Report*. However, according to M/HR, there is not much it can do to ensure that workforce data is submitted on time because there are no procedures that allow M/HR to raise data concerns with non-M/HR officials.

M/HR stated that a new reporting system would be available in December 2002 for the missions to provide their workforce data. According to M/HR, it was aware of the data problems that existed under the current reporting system and was thus developing the new system to improve future data. M/HR believes that the new web-based system will decrease the time needed by mission staff to maintain the workforce data. In addition, M/HR believes that the new system will better serve the missions and be more accessible through the web-based approach.

- **Inconsistent and Incomplete Data** — According to the *MSPS User Reference Manual*, missions are required to report workforce data through the MSPS for each individual in their workforce. However, M/HR stated that some missions were experiencing technical problems in providing data by individual and, thus, only reported summary data by workforce category. There has been an increase in the number of missions providing only summary information. As a result, M/HR lacks consistent workforce mission-level data. Bureaus, on the other hand, only provide non-direct hire workforce data only in summary form. According to M/HR, when the

Mission Staffing Pattern System was developed, it envisioned that Washington bureaus would provide non-direct hire workforce data by individuals in the same fashion as missions. However, bureaus did not favor more detailed reporting. Consequently, because it does not have data on individuals, M/HR lacks detailed and consistent information on the entire non-direct hire workforce and cannot attest to the accuracy and completeness of the summary data that it receives from the bureaus. A new policy will be implemented in late 2002 that will require the bureaus to begin providing workforce data for individuals as part of the new workforce reporting system.

- Inconsistent Data — The *Worldwide USAID Staffing Pattern Report* for fiscal year end 2001 identified 114 “fellows” in USAID’s workforce;⁵ but the same report inconsistently identified 37 additional fellows (all from one university) as not being part of the workforce totals. According to M/HR, the reporting bureau requested that the 37 fellows not be included in the workforce totals because they were not sitting in USAID space. Although M/HR attempted to monitor the number of fellows in the workforce, not including some fellows in the workforce totals precluded accurate reporting for this segment of the workforce.
- Inaccurate Data — Included in the fiscal year-end 2001 *Quarterly USAID Worldwide Staffing Pattern Report*, among the 290 members of one mission’s workforce, were 110 individuals labeled as “others.” These were the mission’s guard force. This was inconsistent with the reporting practice of other missions that did not report workforce data for their guard forces in a similar fashion. M/HR’s guidance for the Mission Staffing Pattern System does not address when the “other” category should be used, although M/HR officials stated that mission guard forces should not be reported as “other.” Subsequently, M/HR also found that the same mission had double counted 75 members of its workforce. M/HR provided us with adjusted workforce numbers to reflect the actual workforce for that time period. However, six months later, the *Quarterly USAID Worldwide Staffing Pattern Report* still included the mission’s inaccurate data. A notation in the report stated that this information continued to be used because the mission had not submitted current workforce data.
- Incomplete Data — M/HR does not know the number of individuals who are performing services for USAID under institutional and service contracts, the “external workforce,” and information on this workforce is not reported in the *Quarterly USAID Worldwide Staffing Pattern Report*. Institutional contracts are designed to provide essential support for program

⁵Fellows are provided to USAID under institutional contracts, grants, or cooperative agreements with institutions. They are given practical work experience in the areas of economic and humanitarian assistance.

activities by providing individuals to help USAID in advisory and assistance roles. Contractors may supply information resource management assistance in Washington, implement programs overseas, or provide housekeeping as well as transportation and related services. Institutional contractor personnel can prepare project papers and internal reports, arrange conferences, implement programs, and provide secretarial and other administrative support. These personnel remain employed by their parent organizations and may not be assigned work in the same manner as a manager would be able to assign work to a direct hire employee.

Guidance issued by M/HR in June 1995 required that workforce reports include the “external workforce” (i.e., institutional and service contract personnel) data in summary form so that it could “accurately reflect the workforce of USAID.” However, there has been widespread non-compliance with this requirement. M/HR reported that 32 percent of missions met the requirement in December 1995 and 41 percent met the requirement in March 1996. M/HR stated that the number of missions reporting this information had since been reduced to only a few missions.

M/HR said that the 1995 external workforce requirement was never fully implemented because the external workforce was difficult to define and collate. They also noted that USAID’s contractual obligations are with the institution or company rather than with the individuals working for these organizations. USAID recently determined that there were approximately 700 institutional contractor employees working for USAID in various locations in the Washington, D.C. metro area. According to USAID, “using an institutional contractor helps ensure that personnel with current and appropriate skills are applied for the tasks at hand. It would not be possible for the Agency to maintain an USDH staff with the necessary current skills or to maintain those skills.”

In an effort to obtain accurate and complete information on the total Washington workforce, which was requested by the Administrator, an Executive Message, effective February 11, 2002, required that all new hires for services to be performed predominately in the Washington, D.C. area be approved by the Chief of Staff. The message covered full-time, part-time or intermittent appointments or contracts with duration of one year or more. The guidance specifically addressed all direct and non-direct hires, as well as other individuals providing services to the Agency, such as employees of institutional contractors. The guidance also requires notification of such actions to M/HR.

In order to have better quality workforce data, M/HR will need to take a more proactive position in ensuring that the data that it receives is complete, consistent, and accurate. The new web-based workforce reporting system

that M/HR intends to use as a replacement for the MSPS provides an opportunity to ensure that both missions and bureaus are reporting comparable and high-quality data. Beyond introducing this new reporting system, M/HR must take steps to ensure that the data submitted through the system will not mirror previous longstanding problems. M/HR must also determine whether or not the external workforce should be included as part of USAID's worldwide workforce. The following recommendations are intended to help improve workforce data.

Recommendation No. 1: We recommend that the Director of the Office of Human Resources develop a procedure to notify bureau and mission management when workforce data is not being submitted in timely manner.

Recommendation No. 2: We recommend that the Director of the Office of Human Resources issue comprehensive workforce reporting guidance to missions and bureaus clearly explaining their responsibilities for workforce reporting under the new workforce reporting system.

Recommendation No. 3: We recommend that the Director of the Office of Human Resources develop definitions and requirements so that workforce data submitted by missions and bureaus is reported on time and is accurate, complete, and consistent.

Corrections to the National Finance Center Data Should be More Timely

Although the OPM and NFC require agencies to maintain accurate workforce data, M/HR staff members did not correct known errors in USAID's workforce data within required timeframes. Once NFC identifies and reports errors in an agency's workforce data, it expects agencies to correct the errors within the same pay period. M/HR stated it did not meet NFC's deadlines because (1) it lacked a process to ensure that corrections were made, (2) its staff have other priorities, and (3) it has systemic problems including training. As a result, untimely data corrections affected the quality of data maintained on USAID's direct hire workforce.

M/HR staff is responsible for entering and correcting data related to personnel actions for USDH staff into NFC's database. As it processes personnel actions, NFC tests the data to ensure that the entries are valid. When invalid entries are identified, such as the use of an incorrect code, the data is rejected. USAID receives a daily NFC report that identifies data errors that pertain to USAID's direct-hire workforce. According to NFC, the errors are not being corrected in a timely manner.

OPM's guidelines for processing personnel data (*The Guide to Central Personnel Data File Reporting Requirements*) requires federal agencies to collect workforce information and edit it for validity, accuracy, and completeness. The guidance also states that agencies need quality control operations to detect and correct incorrect and incomplete data prior to sending the data to OPM. NFC's procedures state that agencies/bureaus should update personnel data as soon as possible, which NFC officials say is within the pay period when errors are detected and reported.

According to NFC officials, most of USAID's data errors were related to payroll actions, with a smaller number related to personnel actions. Most of USAID's errors were characterized as being relatively simple to correct. Some of the errors occurred during the transition period when USAID's data entry staff members were learning the NFC system. However, according to NFC, data errors have continued after the transition period.

A NFC Implementation Review Team, formed in February 2001 and consisting of USAID staff and contractors, also noted problems with errors. This team was responsible for performing a mid-term review to give USAID's management a more comprehensive view of the challenges, strategies and performance targets for better integration and utilization of NFC systems, products and services. The team's report stated that USAID had experienced an increased rate of errors for personnel and payroll transactions since converting to NFC's system in October 2000. It was noted that there were gaps and redundancies in the processes and errors that affected both human resources and payroll transactions. The team attributed this to processes, roles, and responsibilities that were not aligned between USAID's M/HR and payroll sections. Further, it noted that "for the most part, the errors that are occurring are not system faults, but could be traced to the lack of defined roles and responsibilities, incomplete or informal processes and procedures, skills gaps in staff, and a lack of training." The report also noted that:

System documentation and user manuals provided by the NFC are high level. The manuals are NFC-system specific, and cannot address Agency-specific policies, processes, and practices. NFC's manuals do not take into account the specific or unique requirements of USAID, nor can they anticipate individual Agency differences in policy and practices. Training provided by NFC is designed to provide a working knowledge of the functionality of the automated system, not to teach the individuals the requirements of their job or the specifics of law, regulation or Agency policy. It is assumed that users of the system are knowledgeable of their job requirements and proficient in the performance of their duties.

M/HR was aware that data corrections were not being made on a timely basis and agreed that it did not have a process in place to ensure that, when NFC identifies errors, M/HR staff members correct the errors. Second, M/HR staff responsible for correcting errors had heavy workloads that included higher priority duties.

On June 11, 2002, NFC was contacted for a status update and, although NFC remains concerned about the lack of correcting data errors in a timely fashion, USAID had made some improvement in correcting errors over the past 6 months.

Although several reasons have been provided which explain the lack of timely corrections made to personnel data, we believe that the proper way to begin addressing this problem is by providing training to M/HR staff members that is geared toward preventing and correcting data errors. Therefore, we are recommending the following action:

Recommendation No. 4: We recommend that the Director of the Office of Human Resources provide training to all staff members who are responsible for entering (and correcting) personnel data in the National Finance Center database, which addresses issues or problems unique to USAID and is geared toward preventing and correcting data entry errors.

Workforce Data Submitted by Missions Needs Verification

Contrary to M/HR guidance, missions are not submitting accurate workforce data to M/HR and that is causing erroneous data to be reported in agency reports. Although this has been a problem for several years, missions have not been required to attest that their data has been reviewed and is accurate. Erroneous data being provided by the missions makes it difficult for M/HR to carry out workforce planning.

USAID's problems with unverified mission data are longstanding. In November 1996, M/HR, in a MSPS Exonet, addressed concern about finding "old dates" in the missions' workforce data that M/HR believed raised questions about the validity, not just of the questionable dates, but of all the data. In March 1997, M/HR notified the missions that old contract end dates had been identified in their December 1996 data submissions. Three months later, M/HR sent another notice to the missions requesting that data be checked to ensure that it was accurate and consistent. The notice said problems were found most often in the following data fields: (1) employee names, (2) funding source codes, (3) hiring locations, (4) arrival/contract starting dates, and (5) departure/contract end dates. A June 1997 MSPS Exonet notice stated that there were approximately 300 erroneous "contract end dates" in the previous

March data submissions. A review of seven *Quarterly USAID Worldwide Staffing Pattern Reports* (end of year reports for fiscal years 1995 through 2001) also found that the number of personal services contractors with expired or omitted dates ranged from 140 in fiscal year 1998 to 304 in fiscal year 2001.

According to a M/HR official, human capital data are reviewed when received from the missions prior to including it in the *Quarterly USAID Worldwide Staffing Pattern Report*. This review seeks to identify aberrations in the reported data and, when aberrations are identified, missions are contacted for an explanation. M/HR's only quality control is its request that missions verify their workforce data before sending reports to M/HR through the MSPS system. Missions are not asked to certify the accuracy of their submissions.

Further problems were addressed in USAID's fiscal year 2001 Foreign Service Recruitment Plan. The "plan" expressed concerns about the missions' misclassification of the generic general development officer position. According to a M/HR official, missions are using the generic classification (backstop code) in place of eight more specific occupational codes as a cloaking device to get the people they want regardless of the duties of the position to be filled. The "plan" stated that M/HR was aware that missions were changing the classification of their position without requesting reclassification. According to the "plan", "such misclassifications directly affect the accuracy of our recruitment forecasts" and compounds the difficulties of determining future needs. An M/HR official said that proper position management requires that missions keep position classifications up to date.

In order for M/HR to report accurate workforce data and to perform workforce analysis and future planning it is important for the missions to submit accurate information. This can be achieved by having the missions verify the accuracy of their workforce data prior to its submission.

Recommendation No. 5: We recommend that the Director of the Office of Human Resources develop procedures for the missions to attest to the accuracy of the workforce data they send to the Office of Human Resources and remind missions of the requirements for reclassifying position classifications and backstop codes.

Workforce Data Problems Identified

Although most data contained in databases for both U.S. direct and non-direct hires could be validated by comparison with hard copy documents in the individuals' personnel files, statistically significant discrepancies were found in a few data fields that are described below. Errors in other data

fields were statistically insignificant. Although we are discussing this issue below, we are not making any recommendations relating to this specific issue because recommendations made elsewhere in this report should help prevent the recurrence of this problem.

An attempt was made to validate certain human capital data elements for both Foreign Service and civil service employees by comparing data maintained in M/HR databases with hard copies of the Notification of Personnel Action form (SF-50) maintained in selected individuals' personnel files. SF-50s are the official source documents for personnel actions and must be filed in each employee's official personnel file. Tested elements included: employee name, date of birth, organization, duty station, pay plan, grade, position number, service computation date, Foreign Service entry date (if applicable), and appointment type.

We selected a random sample of 174 direct hire employees identified by M/HR as being on board on October 1, 2001.⁶ In 11 instances (a 13 percent error rate) the entry date of a Foreign Service employee as reported in the personnel database could not be verified or the date was incorrect. In five cases, the date could not be verified because a SF-50 related to that personnel action could not be located. In five other cases, no date was included in the data field. In one case, the entry was incorrectly recorded. Errors for the other direct hire data elements tested were not statistically significant (above 2 percent).

Workforce data was tested from a random selection of missions and field offices that provided workforce data by individuals, as reported through the MSPS. For the individuals selected, the data elements tested were start dates for personal services contractors, pay grades, organization, and name. A random sample of 196 non-direct hires working during the fourth quarter 2001 was selected. Two of the data elements tested, personal service contractor start dates and pay grades had unacceptable error rates (above 2 percent). The highest error rate of 19 percent was for the personal services contractor start date. Employee pay grades had a 3 percent error rate. In both of these cases, data that had been reported to M/HR against hard copy source documents could not be verified.

No recommendations relating to this specific issue are being made because other recommendations in this report that relate to other issues will help mitigate these problems. In addition, M/HR is in the process of developing a new workforce reporting system, which could address some of the existing data problems. According to an M/HR official, the new system will improve data quality because unlike the current system, entered data will require adherence to standardized coded entries. The new system will no longer require the

⁶ The foreign service sample size was 84 of the total 174.

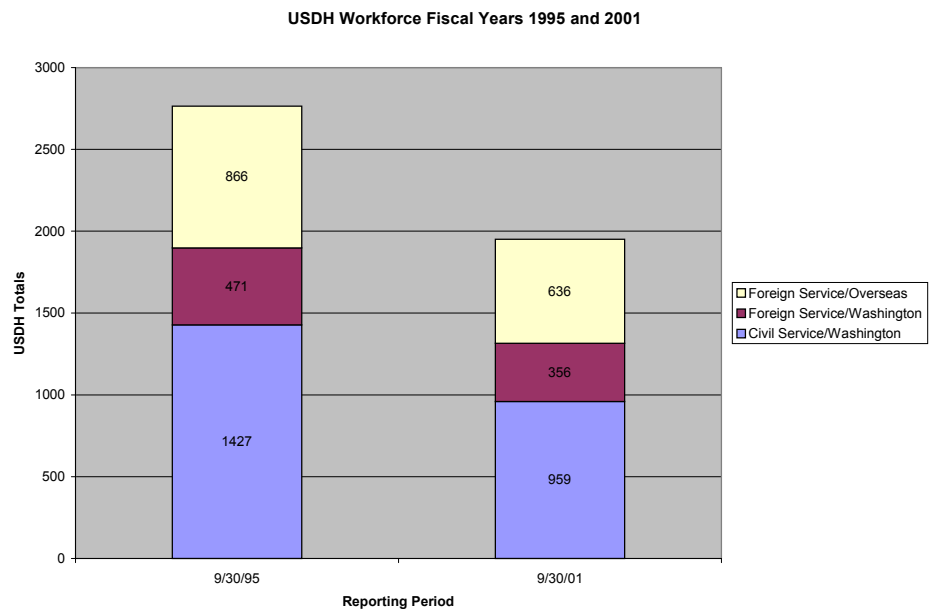
personal-service start date as a data field. Instead, this field will be replaced by the service computation date, which, according to an M/HR official, will reduce the confusion that currently exists.

When analyzed, what do the human capital data indicate?

USAID’s human capital data show that the USDH workforce is aging and is concentrated at higher grades due to limited hiring during the past decade. Although USAID has a plan for recruiting Foreign Service officers, a civil service recruiting plan will not be developed until fiscal year 2003. The data also show that USAID’s non-USDHs remain the largest portion of USAID’s total workforce. Nonetheless, a workforce plan for non-USDHs has not been developed. M/HR is taking steps to try to accomplish human capital planning strategies as required by OMB, but much work remains.

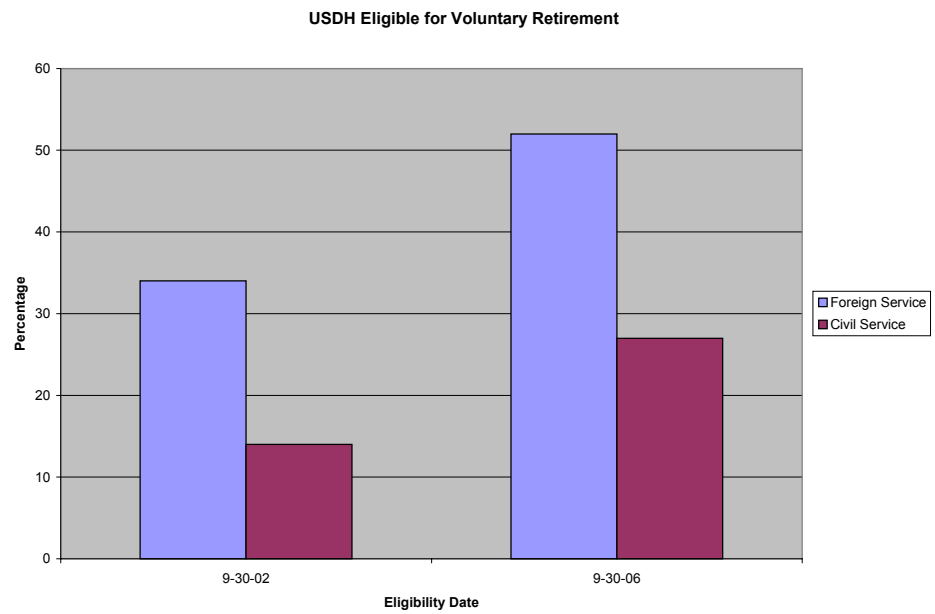
U.S. Direct Hire Data Show USAID’s Human Capital Challenges

USAID’s workforce is growing older, shrinking due to attrition, and becoming more heavily concentrated in the upper pay grades. As seen in the following chart, the USDH workforce has been reduced by 29 percent from 2,764 employees in fiscal year 1995 to 1,950 in fiscal year 2001. These reductions have taken place both in Washington and overseas and were largely due to attrition, combined with very limited hiring, to implement mandated workforce reductions.



Source: M/HR unaudited data

The average age for the USDH workforce increased from 45 years old at the end of fiscal year 1995 to an average of 48 years old at the end of fiscal year 2001. In addition to growing older, the average USDH employee now has about 18 years of federal service. As shown in the following chart, by fiscal year 2006, it is estimated that about one-quarter of USAID’s civil service workforce will be eligible for retirement, while more than one-half of the Foreign Service workforce will be eligible for retirement. These projections are based on the profiles of USAID’s average retirees, which show that direct hires do not typically retire upon reaching retirement eligibility.



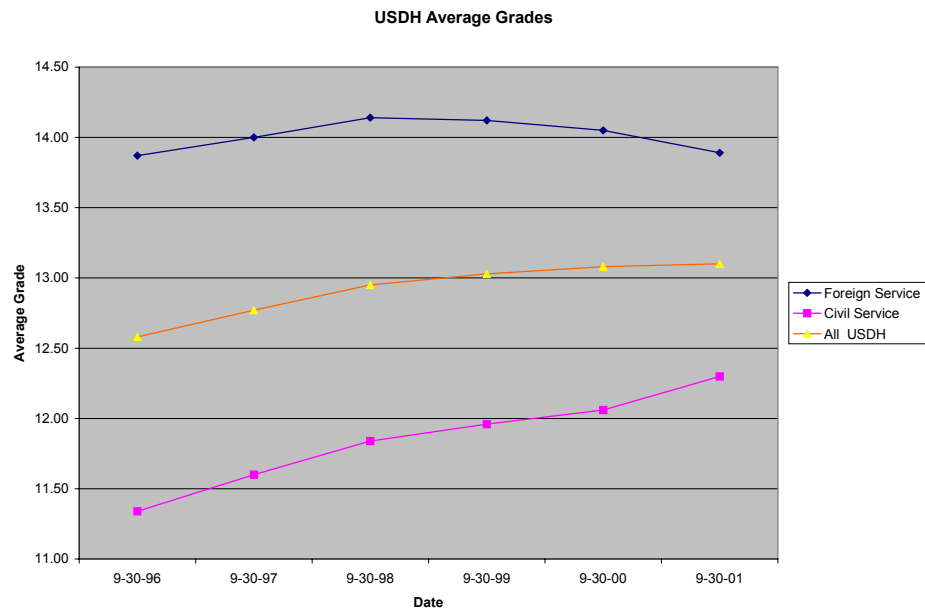
Source: M/HR unaudited data

To obtain better data on the date employees plan to leave the agency, USAID asked its direct hires and non-direct hires in 2001 “when are you planning on retiring or leaving the agency?” The responses are provided in the following table.⁷

Planned time period to retire or leave agency	Percent
Less than one year	5.90
One to three years	14.78
More than three years	40.60
Unsure	38.72

⁷The results of this survey indicate that “because the overall response rate was 40-50% of employees, the results are not necessarily representative of all USAID employees. However, they do accurately reflect the views of those who took the time to respond.”

USAID's USDH workforce is becoming increasingly concentrated at the upper pay grade levels. The trend toward higher grades has been particularly pronounced within the civil service workforce, where the average GS grade increased from GS 11.34 to above GS 12.30. The average grade for the Foreign Service at the end of fiscal year 2001 fell below the GS 14 equivalent for the first time in several years. According to an M/HR official, the decrease in the Foreign Service average grade is attributable to the hiring of new Foreign Service candidates through the New Entry Professionals (NEPs) program. This official thought that the increase of the civil service average grades probably reflected a loss of lower graded administrative staff.



Source: M/HR unaudited data

Because of the effects of attrition and limited hiring, USAID has resumed hiring new employees. For example, it has started using the Presidential Management Intern Program as a means to recruit future civil service managers, and, since 1999, it has used the NEP program to bring on board 178 Foreign Service career candidates.⁸

According to M/HR, the time required to bring a new civil service employee on board is three to six months and about one year to recruit and bring on board a Foreign Service career candidate. M/HR is hoping to significantly reduce the

⁸ This figure was current as of March 27, 2002. Twelve NEPs have resigned.

time for recruiting direct hires through use of an on-line automated recruiting tool that it recently acquired.

With the exception of efforts to determine why NEPs resign from USAID, M/HR has made no effort to collect data to determine the reasons for the non-retirement-related attrition of other employees. Such data has not been collected because USAID had been in a downsizing mode in recent years. Now that USAID is once again hiring, and competing with other federal agencies and the private sector, having information on attrition would be useful information for human capital planning purposes. The new on-line recruiting tool has an exit survey module that M/HR has discussed using.

Recommendation No. 6: We recommend that the Director of the Office of Human Resources institute a process to collect data on the reasons for employee attrition.

Non-U.S. Direct Hire Workforce Provides Important Role

Non-USDHs comprise the largest portion of USAID's workforce and provide valuable technical and administrative support both in Washington and overseas. Two factors contributed to the growth of the non-USDH workforce. First, USAID needed a source for additional specialized services as its workload increased and the political and regulatory environment it was operating in became more complex. Second, USAID experienced sharp reductions in operating expense funding that caused decreases in authorized employee ceilings leading USAID to seek services from the private sector. In this effort, USAID has used large numbers of foreign nationals and U.S. citizens working under personal services contracts. These individuals, called personal service contractors (PSCs) fall into two major groups: (1) foreign citizens of countries where USAID has missions (foreign service nationals, or FSNs) and expatriate foreign nationals who work in a country other than the U.S. or the individual's country of origin (third country nationals, or TCNs) and (2) U.S. citizens, hereafter referred to as USPSCs. The largest workforce category consists of FSN and TCN PSCs. This group represents 59 percent of the total USAID workforce at the end of fiscal year 2001. Missions and the bureaus manage this workforce category. FSN and TCN PSCs are assuming more responsible roles for the development and management of USAID's programs and often function as full team members alongside USDHs.

USPSCs often have unique job skills that are much needed for the success of specific program activities. USAID believes that USPSCs provide the necessary skills that can best be acquired on a temporary basis. At the end of

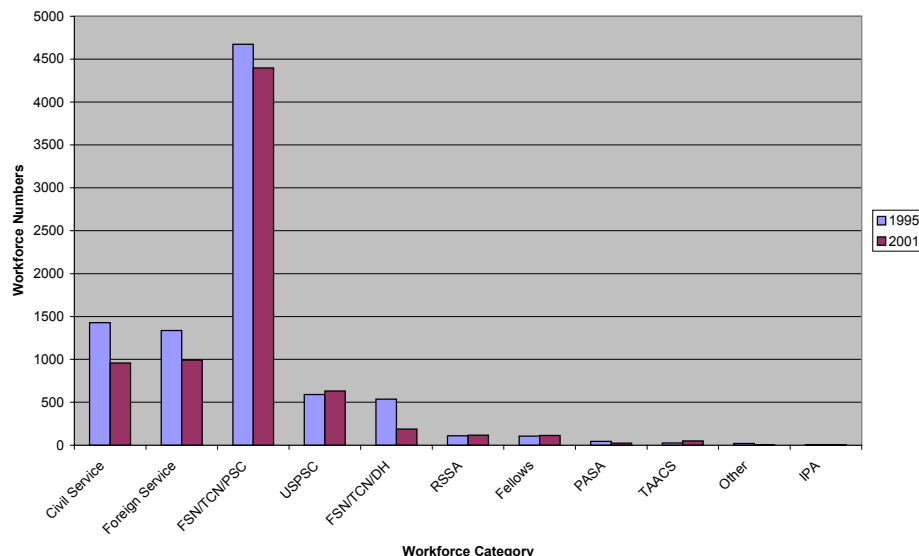
fiscal year 2001, USPSCs represented 8 percent of the workforce. Three-fourths of USPSCs under contract at that date worked overseas.

The workforce category of FSN/TCN direct hires are non-U.S. citizens. It is USAID's policy that these positions will be eliminated over time. These positions will be converted to PSC positions as the FSN direct hires separate from USAID. At fiscal year-end 2001, this group represented 3 percent of the total workforce and all worked overseas.

The remaining non-USDH workforce is described below. Each of these workforce categories represents 2 percent or less of the total workforce as reported by M/HR.

- Fellows--Fellowship programs are intended to provide individuals with practical work experience in the areas of economic and humanitarian assistance in order to foster a pool of experts devoted to international development assistance. Fellows are provided under contracts, grants, or cooperative agreements with institutions.
- Intergovernmental Personnel Act Employees (IPA)--Individuals working under an IPA agreement may be assigned to USAID under an appointment or by detail. They come from state and local governments, universities, and private voluntary organizations.
- Participating Agency Service Agreements (PASAs)--Individuals working under PASAs are the result of agreements between U.S. government agencies that allow for the detailing of personnel. PASAs detailed to USAID are generally assigned overseas.
- Resource Support Service Agreements (RSSAs)--RSSAs are identical in nature to PASAs, but their services are not project-specific and usually involve support services to USAID. RSSAs are normally assigned to offices in Washington, D.C.
- Technical Advisors In AIDS, Child Survival, and Population (TAACS)--These technical specialists perform program activities that can include inherently governmental functions—which are normally reserved for direct hires. The services of these individuals may be acquired from other agencies, local governments, universities, and private voluntary organizations.

Workforce Comparisons Fiscal Years 1995 and 2001



Source: M/HR unaudited data

Not included in the above chart of USAID’s official workforce are the unknown numbers of individuals working for institutional and service contractors who were helping support USAID’s goals during fiscal years 1995 and 2001. As stated earlier, M/HR has recently identified 700 individuals who were working for institutional contractors in support of USAID activities in Washington, D.C. This number does not include the unknown number of institutional and service contractors working overseas.

Progress Made Toward Assessing Workforce But More Still Needed

USAID’s ability to carry out its mission in the 21st century will depend, in part, on successfully managing its human capital. According to the General Accounting Office, “high-performing organizations identify their current and future human capital needs—including the appropriate number of employees, the key competencies for mission accomplishment, and the appropriate deployment across the organization—and then create strategies for identifying and filling the gaps.” Although USAID has made a good effort to establish a workforce plan as required by OMB, much work remains before the complete workforce is incorporated into workforce planning.

Annually, USAID prepares a Foreign Service recruitment plan that is used to determine the needs for Foreign Service officers for specific occupation groups, projected over a five-year period. When workforce needs are identified, a strategy is developed. An annual recruitment plan analysis uses

mission resource requirements data as well as known and potential attrition to determine the number of Foreign Service workers needed in each specific occupation. As part of the Foreign Service recruiting plan, USAID plans to recruit 80 to 85 entry-level candidates annually through fiscal year 2005 in an effort to offset the Foreign Service attrition rate.

USAID has not developed a civil service recruiting plan and is not planning to do so until the restructuring of USAID/Washington is completed. According to M/HR, each bureau will identify its optimum personnel structures. Occupational and skill requirements will then be developed. M/HR is planning to assist the bureaus in assessing potential staffing losses and developing a recruitment plan to address their needs. M/HR believes that with this information it will be able to develop a civil service recruiting plan in fiscal year 2003. M/HR stated that USAID is facing civil service skill shortages in information technology, financial management, and procurement.

The non-USDH workforce has not been included in any workforce plan. Missions and bureaus decide the size of the non-USDH workforce overseas. USAID's ability to successfully achieve its organizational goals will be closely associated with its ability to develop and implement an effective workforce plan for its total workforce. However, this task will not be easy and will require more transparency and coordination than currently exists. Consistent workforce data will be needed across the bureaus and missions as well as improved and more complete workforce data. For instance, basic data such as supervisor-to-employee ratios are not readily available for the complete workforce. USAID reported that on September 30, 2000, in Washington, D.C., there was a USDH supervisor-to-employee ratio of 1 to 4. However, this did not take into account non-USDH hires. Further, data are not currently available which allows for the assessment of the ratio overseas. According to an M/HR official, the new workforce reporting system that is being developed will require missions to report supervisor data. In this case, supervisors are being defined as individuals who have the ability to hire, discipline, and fire staff.

According to OMB, USAID's workforce analysis, reported in June 2001, showed high-level attention to workforce planning. OMB believed this represented a significant effort to compile meaningful baseline data. Yet, OMB stated that more work is needed to overcome several deficiencies that include:

- workforce planning is not integrated into budget and strategic plans;
- de-layering of organizational levels is not completed; and
- staff is not aligned to support missions, goals and organizational objectives in a systematic way.

According to OMB, these deficiencies should be corrected to address elements of the President’s Management Agenda which emphasize that workforce planning and restructuring undertaken as part of the “Strategic Management of Human Capital” will be defined in terms of each agency’s mission, goals, and objectives—a key element of “Budget and Performance Integration.” In the case of USAID, its current workforce data is not linked to its strategic objectives.

OMB asked USAID to finalize a five-year, workforce restructuring plan by February 2002 and develop performance indicators to evaluate recruitment and efforts to rationalize staff allocations. At the time of our audit, USAID had not provided this information to OMB because the reorganization of USAID was not yet complete. Further, USAID has not yet developed a timeline that breaks down the major tasks required to meet OMB’s requirements.

The Foreign Service recruiting plan used by M/HR to identify and address out-year needs is a “best practice” activity that merits expanded use for USAID’s civil service and non-direct hire workforce. Although such an undertaking may be difficult, the size and important roles provided by these segments of the workforce call for similar attention. Similar plans, if developed for USAID’s civil service and non-direct hire workforce, will help improve USAID’s ability to overcome its future human capital challenges. In addition, this effort will provide more complete workforce analysis as required by OMB.

Recommendation No. 7: We recommend that the Director of the Office of Human Resources develop workforce plans for USAID’s civil service and non-direct hire workforce.

**Management
Comments
and our
Evaluation**

In response to our draft report, USAID management concurred with the first six of seven recommendations that are included in this report and provided a plan for addressing them. Accordingly, we consider management decisions to have been reached on those six recommendations. For these six recommendations, USAID's management stated that it has taken steps or is planning to take steps to carry out the necessary action to implement these recommendations. We ask that M/HR coordinate final action with USAID's Office of Management Planning and Innovation in closing all recommendations. USAID's management comments are included in Appendix II.

An important step that USAID management is taking to help improve the accuracy of its workforce data is the implementation of e-World, a staffing report database. This database is scheduled for implementation in December 2002. USAID management believes that the implementation of e-World will address recommendations 1, 2, 3 and 5. We concur, if properly implemented and administered, e-World will provide the opportunity for USAID to address many of the data weaknesses identified in the report. In order to properly implement e-World and avoid past data problems, M/HR will need to provide the necessary procedures, guidance, definitions, and requirements that are included in recommendations 1, 2, 3, and 5. In addition to its management comments, M/HR provided a copy of a draft summary of USAID's FY 2003 Human Capital Plan. However, the draft summary of the plan lacked specificity on how M/HR will address recommendations 1, 2, 3, and 5.

M/HR agreed with recommendation No. 4, which in part deals with providing training to all staff members who are responsible for entering (and correcting) personnel data in the National Finance Center database. However the draft summary of the human capital plan, provided with the management comments, does not specifically address this recommendation.

M/HR agreed with recommendation No. 6, which addresses instituting a process to collect data on the reasons for employee attrition. It stated that implementation of this recommendation will be conducted in two stages. The first will put in place exit interviews for two critical occupations by the end of calendar year 2002. The second stage will expand the exit interviews to all occupations by the end of FY 2003.

Recommendation No. 7 is the only recommendation without a management decision. This recommendation addresses the need for developing workforce plans for USAID's civil service and non-direct hire workforce. Management's comments agreed with the portion of the recommendation that relates to developing a civil service workforce plan and stated that it planned to implement this activity by the end of fiscal year 2003. However, the portion of

the recommendation that addresses the need for the Director of the Office of Human Resources to develop a workforce plan for the non-direct hire workforce has not been agreed to by USAID's management. M/HR stated that it is M/HR's role to set the policy and issue guidelines on appropriate workforce employment mechanisms and the appropriate uses of U.S. direct hire and non-U.S. direct hire staff only. Further, M/HR stated that plans for the non-U.S. direct hire workforce are the responsibility of each mission. We believe that M/HR's decision to set policy and issue guidelines on appropriate workforce employment mechanisms and the appropriate uses of U.S. direct hire and non-US direct hire staff is commendable and needed. However, the size, importance, and wide dispersion of the contracted portion of USAID's workforce dictates a more centralized and directed management strategy. We continue to believe that the Director of the Office of Human Resources needs to develop a workforce plan for the non-direct hire workforce, similar to the Foreign Service plan and the planned civil service plan. A decentralized and delegated approach will not ensure that USAID will be in a position to overcome its human capital challenges and prepare the more complete workforce analysis required by OMB. As a result, we believe that a management decision has not been reached for recommendation No. 7.

Scope and Methodology

Scope

The Performance Audits Division of the Office of Inspector General conducted this audit in accordance with generally accepted government auditing standards. This audit was designed to answer the following questions. What human capital data are being collected by USAID? Are the human capital data complete and accurate? When analyzed, what do the human capital data indicate? The scope of this audit included human capital data collected by USAID's Bureau for Management, Office of Human Resources (M/HR) for fiscal years 1995 through 2001, excluding data from the Office of Inspector General. Where appropriate, we tested management/internal controls in relation to the collecting and reporting of human capital data. There were no previous audit reports on this subject matter, thus there were no previous audit findings for us to review.

Our audit included personnel data submitted by USAID's missions and field offices to M/HR as well as data collected and reported by M/HR through the National Finance Center (NFC). In addition, we interviewed officials from USAID, as well as other agencies who receive human capital data such as the NFC, Office of Management and Budget, and Office of Personnel Management. Our fieldwork was conducted at USAID in Washington, D.C., from June 2001 through March 2002.

Methodology

In order to answer the first objective to determine what human capital data are being collected by USAID, we reviewed USAID's year-end *Worldwide Staffing Pattern Reports* for fiscal years 1995 through 2001. We also reviewed USAID's Workforce Analysis, which was issued in June 2001. Further, we reviewed USAID's requirements for its Mission Staffing Pattern System, the Office of Personnel Data Reporting requirements, and the National Finance Center's procedures.

In order to answer the second objective to determine if the human capital data was complete and accurate, we designed workforce data testing plans to validate workforce data for direct and non-direct hires. We reviewed reports prepared by M/HR and looked for incomplete and inaccurate data. Further, we randomly sampled data reported at the end of fiscal year 2001 for US-direct hires and non-direct hires and tested it against source documents. The direct-hire data was provided by M/HR and extracted from NFC's database. The non-direct-hire data was obtained from M/HR and extracted from the Mission Staffing Pattern System. We did not test the USAID/Washington non-direct

workforce data because it was reported in summary form, whereas the audit testing focused on testing data elements of specific individuals.

In selecting direct hire data elements to test, we worked in conjunction with M/HR to identify human capital data elements that were important. These elements included: employee name, date of birth, organization, duty station, pay plan, grade, position number, service computation date, Foreign Service entry date (if applicable), and appointment type. We requested that the Office of Human Resources provide a list of all direct hires (excluding consultants and Office of Inspector General personnel) as of September 30, 2001 with the applicable data elements identified above. The Office of Human Resources was unable to obtain this data run on September 30, 2001, and instead obtained the data run on October 1, 2001, which showed 1,946 direct hires. We randomly sampled 174 direct hires. This sample size provided a 95 percent confidence level, with a precision of 2 percent for a 2 percent error rate. We selected 2 percent as the materiality threshold, meaning that errors that exceeded this percentage were deemed to be significant. For our testing, we compared the data elements provided by M/HR against the Standard Form 50s located in the official personnel files.

We also compared the total number of direct hires from which we pulled our sample against the total number of direct hires listed on a payroll report for pay period 19 (which ended October 6, 2001). After comparing the two reports, we identified some differences between the two reports. We met with officials from the Offices of Payroll and M/HR to resolve the differences. USAID was able to rectify the differences.

In order to assess the completeness and accuracy of the non-direct hires data provided by the missions and field offices, we tested data elements such as name, personal services contractor start date, pay grade, and organization. The sampling methodology for testing the non-direct-hire data was a two-step process. First, we developed a random sample of missions and field offices stratified by workforce sizes as reported for the fourth quarter of 2001. Workforces were stratified into four groups for workforces of less than 50, 50 to 99, 100 to 250, and 251 or over. We excluded missions that had reported summary workforce data to M/HR because our objective was to test data elements for specific individuals. Secondly, from the four groups we developed a stratified sample of 30 missions and field offices of which we selected a random sample of 196 non-direct hires. We requested each of the missions and field offices in our sample to provide documents to test against data that had been previously reported to M/HR on individuals in the random sample.

In order to answer the third objective to determine what the human capital data indicates, we reviewed USAID's trend data as well as various workforce reports for USAID from fiscal year 1995 through fiscal year 2001. In addition,

we supplemented this information with interviews of M/HR staff who were involved in analyzing this data.

**Management
Comments**



**The Office of
Human Resources**

United States Agency for International Development

Nov 13 2002

MEMORANDUM

TO: IG/A/PA, Dianne L. Rawl

FROM: M/HR/OD, Rose Marie Depp /s/

SUBJECT: Our Comments on Draft Report Audit of USAID's Human Capital Data Recommendations

Let me begin by thanking your staff, in particular Mr. James Charlifue, for the professional, collaborative manner in which they carried out this audit.

The Office of Human Resources agrees fully with all but one of the recommendations in the draft audit. We have taken or are planning to take steps to carry out the first six recommendations. The attached "Working Draft USAID Human Capital Strategic Plan" provides details on how we are or will address the audit recommendations and much more. For example, e-World (implementation scheduled for December 2002) will yield more accurate workforce data (recommendations 1 through 3, and recommendation 5). We will have an exit interview protocol in place for two critical occupations by the end of this year and expand it to all occupations by end of FY 2003 (recommendation 6).

The last recommendation, number 7, is the only one on which our offices differ to some degree. It reads: "We recommend that the Director of Human Resources develop workforce plans for USAID's civil service and non-direct

hire workforce." By the end of Fiscal Year 2003, we will develop the first annual Civil Service recruitment (workforce plan). But, as for plans for the non-USDH, each Mission must decide how to organize to accomplish its particular mission. I see this Office's role as setting the policy and issuing the guidelines on appropriate workforce employment mechanisms and the appropriate uses of USDH and non-USDH staff.

Attachment: a/s