USAID

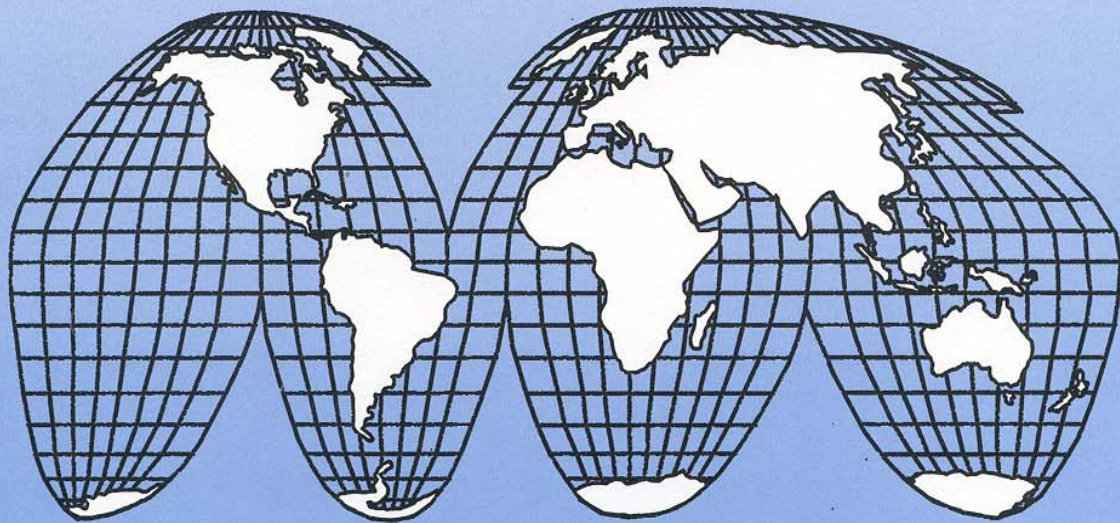## OFFICE OF INSPECTOR GENERAL

Audit of USAID/Guatemala-Central American Program's (G-CAP) Training, Use and Accountability of Cognizant Technical Officers (CTOs)

Audit Report Number 9-596-03-007-P

July 10, 2003

U.S. Agency for International Development

Washington, D.C.

July 10, 2003

MEMORANDUM

FOR: USAID/Guatemala-Central American Program
             (USAID/G-CAP) Director, Glenn E. Anders and Regional
             Contracting Officer, Braden W. Enroth

FROM: Acting Director, IG/A/PA, Roosevelt Holt /s/

SUBJECT: Report on Audit of USAID/Guatemala-Central American
             Program's Training, Use and Accountability of Cognizant
             Technical Officers (Report No. 9-596-03-007-P)

This memorandum transmits our final report on the subject audit. This
report includes four recommendations to help USAID/G-CAP improve
CTO training and to hold CTOs accountable for the performance of their
CTO tasks. In finalizing this report, we considered your comments on
our draft report and have included this response as Appendix II.

Based on your written comments, we consider all four recommendations to
have received a management decision. Information related to your final
action on these recommendations should be provided to USAID's Office
of Management Planning and Innovation.

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

An important member of any USAID acquisition or assistance team is its Cognizant Technical Officer (CTO). It is the CTO's responsibility to ensure, through liaison with the contractor or grant recipient, that the terms and conditions of the acquisition and assistance instrument are accomplished. (See page 5.)

As part of the OIG's multi-year strategy for auditing USAID procurement activities, the Performance Audits Division of the Office of Inspector General conducted this audit to determine whether USAID/Guatemala-Central American Program (USAID/G-CAP) provided adequate training and guidance to its CTOs and held them accountable for performing their responsibilities. (See page 6.)

The audit found that USAID/G-CAP lacked a system to identify the training needed by its CTOs and had not provided them the training they needed to acquire core competencies or to understand and perform the full range of tasks assigned to them. (See page 7.) In addition, contrary to USAID policies and regulations, USAID/G-CAP lacked a process to formally hold CTOs accountable for the performance of the tasks assigned to them, and the performance evaluations for most CTOs did not cover their duties. (See page 11.)

This report includes four recommendations to help USAID/G-CAP improve CTO training and to hold CTOs accountable for the performance of their tasks. (See pages 10 and 13.)

The Mission's comments are included in their entirety in Appendix II. USAID/G-CAP stated that it concurred with the audit findings and recommendations and has or will take specific actions to implement the recommendations. However, in addition to the Mission's concurrence, it expressed concerns over the form and adequacy of the Agency's current CTO training and certification. The Mission stated that some of their CTOs had previously taken two of the four original CTO core courses, yet these CTOs still felt unprepared and indicated the need for more training. Based on the Mission's written comments, we consider all four recommendations to have received a management decision. (See pages 14 and 17.)

Background

As a practical matter, contracting/agreement officers rarely have sufficient time or the necessary expertise in critical technical or program areas to single-handedly ensure successful contract/grant completion. Contracting/agreement officers, therefore, have been instructed to designate a properly trained individual to serve as the Cognizant Technical

Officer (CTO) for each contract or grant award.[1] CTOs serve as an important member of any acquisition or assistance team. It is the CTO's responsibility to ensure, through liaison with the contractor or grant recipient, that the terms and conditions of the acquisition and assistance instrument are accomplished. A formal designation letter, which may follow a standard format, delineates the specific actions the CTO can perform with respect to the award and is effective for the life of the instrument, unless rescinded in writing by the contracting/agreement officer.

As of October 2002, USAID/G-CAP had 24 designated CTOs, and according to information provided by the Mission's contracting office, they were responsible for managing contracts, grants and cooperative agreements estimated at $179 million. Three of the 24 were U.S. Foreign Service Officers. Two of the 24 were employed as Technical Advisors in AIDS and Child Survival (TAACS). Nineteen of the 24 were employed as personal services contractors (PSC). Of the 19 PSCs, twelve were local nationals, six were U.S. citizens, and one was a third country national.

At USAID/G-CAP, each CTO was assigned to a strategic objective team. An individual who was selected to be a CTO usually first became involved with the contract or grant during its pre-award phase. The individual was later selected to serve as the CTO because of his/her technical knowledge of the program. Selected individuals then received designation letters from the contracting/agreement officer that detailed the specific tasks that they were authorized to perform. These letters were not identical but were modified slightly for the type of award and the position of the person serving as the CTO. At USAID/G-CAP, CTOs usually work on two to three awards at a time.

Audit Objectives   This audit was conducted as part of the OIG's multi-year strategy for auditing USAID's procurement activities.

The audit was conducted to answer the following questions:

- Did USAID/G-CAP provide adequate training and guidance to its Cognizant Technical Officers to help ensure that they were aware of and capable of performing their responsibilities?

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[1] As defined within the Office of Procurement's Desk Guide, the term, CTO, is used by USAID in lieu of other federal terms such as "Contracting Officer's Technical Representative (COTR)" or "Contracting Officer's Representative (COR)" and denotes that CTOs can be responsible for grants as well as contracts. When acting within the scope of the delegated authority, the CTO binds the U.S. Government as surely as the contracting or grant officer.

- Did USAID/G-CAP hold its Cognizant Technical Officers accountable for performing their responsibilities in accordance with USAID policies and regulations?

Appendix I contains a discussion of the audit's scope and methodology. (Page 15)

Audit Findings

Did USAID/G-CAP provide adequate training and guidance to its Cognizant Technical Officers to help ensure that they were aware of and capable of performing their responsibilities?

USAID/G-CAP did not provide enough training to its CTOs to ensure that they not only understood the full range of assigned tasks but also had the competence and confidence to perform these tasks successfully. CTOs responding to a questionnaire reported that they needed additional training in the basic competencies established by USAID. Additionally, contracting/agreement officers reported that CTOs could benefit from training in the following areas: award administration, limits on authorities, financial management and budget processes, proposal evaluation techniques, procurement regulations, and USAID policies and procedures. The need for the Mission to provide CTO training is further discussed below.

Mission Needs to Provide CTO Training

USAID/G-CAP did not provide enough training to its CTOs to ensure that they understood and could perform the tasks assigned to them. Of the 24 CTOs working at USAID/G-CAP, 21 reported that they needed training in specific competencies needed to perform their tasks. Contrary to its own requirements and those published by the Office of Federal Procurement Policy (OFPP), USAID/G-CAP had not prepared annual training plans for its CTOs and had not developed a system to ensure that they received appropriate training. As a result, the Mission's CTOs required additional training to equip them with the knowledge and skills needed to adequately perform core responsibilities.

OFPP Policy Letter No. 97-01, dated September 12, 1997, requires agencies to (1) identify and publish model career paths, (2) establish education, core training, and experience requirements for their acquisition workforce, and (3) develop a mandatory education, training and experience requirements to ensure that individual members of the workforce possess core competencies required of the position. According to OFPP the "acquisition workforce" includes contracting and purchasing officers, contracting officer representatives (CORs), and contracting officer technical representatives (COTRs) and "core competencies" are

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those in the Federal Acquisition Institute's COR/COTR Workbook. USAID's CTO is comparable to OFPP's COR and COTR.

USAID's Automated Directive System 202.3.1.2 acknowledges OFPP's training requirements and discusses how USAID officials should comply with them. However, it also recognizes that that there may be times when it is necessary to nominate an individual to become a CTO who does not have the mandatory training required by OFPP. In these cases, the operating unit should develop a written plan that allows the individual to receive the necessary training as quickly as possible in order to obtain these competencies and subsequent certification.

USAID has developed a series of courses designed to provide CTOs the basic knowledge and skills they need to effectively administer contracts and assistance instruments. After completing these classes, CTOs are certified. The first classes of the new curriculum were held in October 2002 and schedules for fiscal year 2003 were advertised. Missions were instructed to contact USAID's Learning Support Training Division in order to arrange training for their CTOs.

At the time of the audit, USAID/G-CAP had a training policy that required office chiefs to develop annual training plans for all U.S. direct hire employees and all U.S. and foreign national personal services contractors. Office chiefs were required to request input from the Strategic Objective team leaders on training needs and opportunities for all employees and submit an annual training plan for their offices to the Mission Personnel Office by January 31.

Although the Mission had provided an overview of acquisition and assistance processes to its CTOs, the training was not sufficient to enable individuals to understand the full extent (and limits) of their authority and responsibilities. Twenty-one of USAID/G-CAP's CTOs responded to an OIG questionnaire that asked their opinions related to the training they had received or needed. As shown in the following table, a significant number of the respondents believed that they still needed training specific to certain core competencies.

Table 1: List Showing the Number and Percentage of CTOs Who Said They Needed Additional Training to Demonstrate Selected Competencies Needed to Administer Contracts, Grants, or Cooperative agreements.

	No. of CTOs Responding	CTOs Who Said They Needed More Training	
		No.	%
Required Competencies for Contracts			
Knowledge of contracting law and regulations	21	16	76
Knowledge of contracting ethics including conflicts of interest and security of information	21	15	71
Ability to develop contract requirements, conduct market research, and prepare requirements documents and statements of work	21	18	86
Ability to request/assess bid and proposals	21	19	90
Ability to conduct price and cost determinations	21	17	81
Ability to monitor contractor performance	21	16	76
Ability to process contracting actions	21	18	86
Knowledge of documentation requirements including tracking orders, deliverables, timesheets, and other record keeping	21	18	86
Ability to close-out, terminate contract appeals and protests	21	18	86
Ability to administratively approve vouchers for payment	21	17	81
Required Competencies for Grants and Cooperative Agreements			
Knowledge of elements of an award	16	12	75
Knowledge of USAID's policy on competition	21	16	76
Knowledge of types of assistance instruments	21	17	81
Knowledge of USAID Source Origin/Nationality Requirements	20	17	85
Ability to process closeout procedures	20	17	85
Ability to monitor and evaluate recipients' performance	21	14	67
Ability to review and analyze performance and financial reports and verify timely delivery	21	16	76

Compounding the lack of relevant training was the fact that none of USAID/G-CAP's program offices had submitted annual training plans to the Mission Personnel Office's training officer as required by the Mission Order. Furthermore, USAID/G/CAP did not have a written plan as to how individual CTOs would obtain the training they needed to obtain core competencies and become certified.

CTOs, who understand their roles and responsibilities, contribute to a correct and efficient procurement process. Contract and agreement officers who worked directly with USAID/G-CAP CTOs described examples of the problems that occurred because CTOs had not fully understood the responsibilities and authorities delegated to them. For example, on occasion CTOs had inappropriately approved actions without the prior approval of the Contracting Officer, which in one instance required the Contracting Officer to subsequently modify the contract.

Additionally, in some offices, CTOs had improperly delegated some of their duties (routine financial and reporting responsibilities) to project assistants. Although this practice may have ensured that CTO duties were performed, it was inappropriate. CTO designation letters state that the CTO may not reassign his/her authority to approve/disapprove vouchers, provide written interpretations of technical requirements, or certify acceptance of goods or services.

A USAID/G-CAP official stated that offices had not followed the Mission Order with respect to CTOs because program offices had other priorities. Additionally, the Mission had not arranged for its CTOs to attend the training provided by USAID's Office of Human Resources, Learning Support Division because the contracting officer had previously provided two weeks of CTO-related training and planned to assist with the remaining courses. The contracting officer completed a USAID adult training methodologies course to support the Mission's CTO training program. However, recently revised USAID policy allows contracting officers to act only as subject matter experts under the new CTO certification training program and not as primary instructors.

In summary, when untrained CTOs do not perform their duties properly or on a timely basis, the contract/grant officer or other contracting office staff member must ultimately complete or correct the CTO's work, which interferes with the performance of his/her own workload. Untrained CTOs might also act outside the authorities delegated to them or inappropriately delegate some administrative responsibilities to individuals who are not designated CTOs. If CTOs are expected to perform critical tasks efficiently and without errors, and they will be held accountable for performing these tasks (see the next section of this report), they must be fully aware of their responsibilities and have the requisite competencies to perform them.

> **Recommendation No. 1: We recommend that USAID/Guatemala-Central American Program develop training plans for all Cognizant Technical Officers, in accordance with the Office of Federal Procurement Policy Letter No. 97-01 and USAID/G-CAP's Training Policy.**

> **Recommendation No. 2: We recommend that USAID/Guatemala-Central American Program make arrangements for its CTOs to attend the training required by USAID's Office of Human Resources, Learning Support Division for Cognizant Technical Officer certification.**

Did USAID/G-CAP hold its Cognizant Technical Officers accountable for performing their responsibilities in accordance with USAID policies and regulations?

USAID/G-CAP did not hold most of its CTOs accountable for performing their responsibilities. Contrary to federal and USAID guidance, the mission did not establish performance measures for critical CTO tasks. Position descriptions, annual work plans, or annual work objectives did not, in all cases, include CTO duties and responsibilities. As a result, CTOs were not evaluated as to how well they performed their duties. Furthermore, the Mission did not ensure that office chiefs or others who evaluated the performance of individual CTOs contacted knowledgeable contract/agreement officers for input as to the CTO's performance. The importance of building accountability into the evaluation process for CTOs is further addressed below.

Mission Needs to Evaluate CTO Performance

Even though CTOs play a critical role in the acquisition and assistance process, USAID/G-CAP did not hold most of its CTOs accountable for performing their responsibilities. This occurred because more emphasis was placed on an individual's program management skills and performance than on his or her CTO competencies and performance. As a result, USAID/G-CAP lacked proper measures to hold people accountable for properly performing the critical tasks that help ensure contractor and grantee compliance with contractual and administrative requirements.

According to the Office of Personnel Management[2], performance management is the systematic process of planning work, setting expectations, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion, and rewarding good performance. A critical element of this process, therefore, is the establishment of performance expectations for critical tasks that can later be evaluated.

USAID policies require the performance of USAID's employees and personal services contractors to be evaluated.

- USAID's Automated Directive System 462 requires supervisors to work with U.S. direct hire employees to develop annual employee performance plans that contain work objectives and performance measures for critical tasks against which actual performance will be compared.

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[2] A Handbook Measuring Employee Performance, revised January 2001.

- The Foreign Affairs Handbook, 3-FAH-2 H-400, requires USAID to prepare position descriptions for Foreign Service National employees, which will serve as the basis for performance evaluations.

- The Foreign Affairs Manual, 3 FAM 7260, states that personal services contracts with host country nationals or third country nationals must conform to requirements for Foreign Service National employees.

In each case, performance elements and standards should be measurable, understandable, verifiable, equitable, and achievable.

As of October 2002, 24 individuals, working under different employment mechanisms at USAID/G-CAP, were designated as CTOs. Most of these individuals were also responsible for the programmatic and administrative management of a USAID activity.

Although different personnel policies regulate the performance evaluation of CTOs in different employment categories, there is an underlying requirement that all employees should be evaluated on the actual duties they are expected to perform. Sixteen CTOs who responded to an OIG questionnaire stated they spent more than half their time performing CTO responsibilities. However, despite the importance of and the amount of time spent on CTO-related activities, 12 of the 16 did not have work plans, statements of work, or work objectives that clearly delineated the scope of and standard of performance expected for their CTO duties. This condition was particularly prevalent for CTOs employed as personal services contractors—the employment category for 19 of USAID/Guatemala-G/CAP's 24 CTOs. Of the 12 CTOs who could not be held accountable for their CTO duties:

- Nine had work objectives that focused only on their responsibilities as advisor, strategist, USAID representative, or activity implementer--four of nine were local national PSCs, one was a USPSC, one was a TAAC, and three were U.S. direct hires.

- One USPSC had work objectives that referred only to monitoring activities.

- One USPSC and one non-U.S. PSC did not have any work objectives.

Additionally, the Mission did not ensure that individuals who prepared performance evaluations for CTOs solicited comments from individuals who were most likely to have information on the performance of CTO

tasks—staff in the contracting office. Although USAID/G-CAP encouraged supervisors of CTOs who were foreign national employees and personal services contractors to obtain and consider comments from a variety of sources—including employee self-assessments, peers, recipients, members of strategic objective teams, and subordinates—supervisors were not specifically required to solicit comments related to the performance of CTO tasks. As a result, the supervisors did not ask for feedback from the contracting office regarding the CTOs' performance of CTO tasks.

USAID/G-CAP not only gave greater weight to program management competencies than to contract/grant administration (CTO) competencies when evaluating CTO performance, but also when hiring CTOs. Position descriptions for U.S. and foreign national personal services contractors stressed the need for education and experience in the areas of economic growth, agricultural, global health, and democracy. Four PSCs stated that, when they were hired, they did not understand that their positions would include CTO-related responsibilities.

CTOs play a significant role in the successful and efficient implementation of the contracts and grants through which USAID expects to achieve its program goals. Therefore, it is important that CTOs are not only aware of and qualified to perform their tasks, (see preceding section) but also held accountable for the execution of these tasks. The accountability of CTOs could be improved if USAID/G-CAP implemented the following recommendations.

> **Recommendation No. 3: We recommend that USAID/Guatemala-Central American Program incorporate Cognizant Technical Officer duties and responsibilities into the position descriptions, work objectives, or statements of work of each individual designated to serve as a Cognizant Technical Officer.**
>
> **Recommendation No. 4: We recommend that USAID/Guatemala-Central American Program require supervisors to obtain comments on each Cognizant Technical Officer's performance of Cognizant Technical Officer tasks from the Contracting Office, and other pertinent sources, as part of each Cognizant Technical Officer's periodic performance evaluation.**

Management Comments and Our Evaluation

In response to our draft audit report, USAID/G-CAP provided written comments that are included in their entirety as Appendix II. USAID/G-CAP stated that it concurred with the audit findings and recommendations and has or will take specific actions to implement the recommendations. However, in addition to the Mission's concurrence, it expressed concerns over the form and adequacy of the Agency's current CTO training and certification. USAID/G-CAP noted that the Agency still has no formal statement of the required competencies for certification. In addition, the Mission stated that some of their CTOs had previously taken two of the four original CTO core courses, yet these CTOs still felt unprepared and indicated the need for more training.

Based on the Mission's written comments, we consider all four recommendations to have received a management decision. Information related to your final action on these recommendations should be provided to USAID's Office of Management Planning and Innovation.

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: Did USAID/G-CAP provide adequate training and guidance to its Cognizant Technical Officers to help ensure that they were aware of and capable of performing their responsibilities? Did USAID/G-CAP hold its Cognizant Technical Officers accountable for performing their responsibilities in accordance with USAID policies and regulations? These issues had been only broadly addressed in past audit reports.

In planning and performing the audit, we obtained an understanding of and tested management controls related to (1) the identification of the tasks to be performed by CTOs, (2) the identification of training needed by CTOs, (3) the provision of training to CTOs, (4) the establishment of work objectives and performance measures for CTOs, and (5) the evaluation of CTO performance. We conducted interviews with key USAID/G-CAP personnel. In addition, we reviewed pertinent employee-related documentation.

We conducted the audit at USAID/G-CAP located in Guatemala City, Guatemala. The audit fieldwork was conducted from October 21 through November 1, 2002.

Methodology

To answer both audit objectives we designed and administered a questionnaire to gather information from the CTOs in USAID/G-CAP. Through the questionnaire we obtained information on the CTOs' background, training, and experience performing their tasks. As of October 2002, USAID/G-CAP had 24 individuals designated as CTOs. The questionnaire was distributed to all 24 CTOs and 21 responded. We did not develop materiality thresholds for the audit objectives.

In addition to distributing the questionnaire and analyzing the resulting responses, we interviewed CTOs and personnel from the contracting office. We judgmentally selected 16 of the 24 CTOs to interview. The interviews provided us with an understanding of how CTOs performed their tasks and their level of understanding of what was expected of them.

To answer the second objective, we reviewed pertinent employee evaluation documents. We reviewed position descriptions, work

objectives and statements of work for the 16 CTOs interviewed. We analyzed these documents to determine if work plans, statements of work, or work objectives adequately delineated the scope and expected standards for performance of their CTO duties.

Management Comments:

July 3, 2003

MEMORANDUM

TO: Acting IG/A/PA, Darren Roman

FROM: USAID/G-CAP Director, Glenn E. Anders

SUBJECT: USAID/Guatemala-Central American Program's Audit Response to; Training, Use and Accountability of Cognizant Technical Officers (Report No. 9-596-03-00X-P)

This is in response to your email dated May 27, 2003, transmitting the draft audit report on *Training, Use and Accountability of Cognizant Technical Officers.*

In general, we have to concur with the findings and recommendations of the Audit and have or are taking specific actions to implement the recommendations.

However, we would like to add to our concurrence, our concerns over the form and adequacy of the Agency's current CTO training and certification. The Agency's CTO training was recently modified to the completion of only two formal classroom trainings (from previously four). As of yet, the Agency still has no formal statement of the required competencies for certification. This leaves us in a situation where we must depend heavily on 'experience' or on-the-job training to complement the current reduced formal training. It appears to us that the CTO training survey conducted reflects an unfortunate situation on CTO preparedness: a high percentage of the respondents had taken two of the original four core courses, *Acquisition and Assistance (A&A) for CTO* and *Assistance*

Management for CTOs where they received an overview of CTO responsibilities in the Acquisition & Assistance course and a concentrated course in assistance responsibilities. Yet, these respondents still felt that they needed <u>more</u> training in these areas. These two courses represented the entirety of formal CTO training in assistance offered by the Agency, and yet those trained still felt unprepared. This points to a larger Agency issue with CTO training. While in conformance with audit recommendations we can formalize this CTO training within our personnel systems, etc. the issue remains over the relevance and adequacy of the current training offered CTOs.

The following are the Missions proposed actions in addressing each of the recommendations contained in the draft audit report:

Recommendation No. 1: We recommend that USAID/Guatemala-Central American Program develop training plans for all Cognizant Technical Officers, in accordance with the Office of Federal Procurement Policy Letter No. 97-01 and USAID/G-CAP's Mission Order No. 29.4.

The Mission's Executive Office will provide clear guidance to all Strategic Objective team leaders via USAID/G-CAP General Staff Notice on the need to comply with the requirement to develop and implement an appropriate training plan as specified in Mission Order 4.8 Training policy. Upon submission to RIG/San Salvador of the above referenced Staff Notice, USAID/G-CAP will request closure of this recommendation. (Note: The correct Mission Order is 4.8 Training Policy not referenced 29.4 PARTICIPANT/TRAINING AND ORGANIZATIONAL PERFORMANCE IMPROVEMENT.)

Recommendation No. 2: We recommend that USAID/Guatemala-Central American Program make arrangements for its CTOs to attend the training required by USAID's Office of Human Resources, Learning Support Division for Cognizant Technical Officer certification.

The Mission is currently engaged in discussions with Washington CTO Training Coordinator to schedule the required two CTO trainings in October and November of this year. Upon confirmation from Washington of the two requested CTO courses, USAID/G-CAP will request closure of this recommendation.

Recommendation No. 3: We recommend that USAID/Guatemala-Central American Program incorporate Cognizant Technical Officer duties and responsibilities into the position descriptions, work objectives, or statements of work of each individual designated to serve as a Cognizant Technical Officer.

Recommendation No. 4: We recommend that USAID/Guatemala-Central American Program require supervisors to obtain comments on each Cognizant Technical Officer's performance of Cognizant Technical Officer tasks from the Contracting Office, and other pertinent sources, as part of each Cognizant Technical Officer's periodic performance evaluation.

As part of the performance appraisal process, USAID/G-CAP will issue instructions via a USAID/G-CAP General Staff Notice requiring Supervisors to update work objectives to include CTO responsibilities and that appropriate 360 degree feedback be obtained from Officers (RCOs included) on the performance of CTOs in discharging their specific duties. Upon issuance of the Staff Notice, USAID/G-CAP will request closure of Recommendations 3 and 4.

USAID/G-CAP appreciates the professionalism displayed by the RIG staff in performing this audit. Implementation of the recommendations will help ensure a better performing Mission and achievement of results.