United States Government Accountability Office

Report to Congressional Committees

December 2020

FOREIGN ASSISTANCE

USAID Should Analyze Data on the Timeliness of Expenditures

GAO-21-51

GAO Highlights

Highlights of GAO-21-51, a report to congressional committees

Why GAO Did This Study

Congress provides foreign assistance funding through various appropriation accounts for international development projects. USAID is the primary U.S. agency responsible for implementing these projects and may have up to 11 fiscal years to expend its appropriations from certain accounts. USAID requires program managers to follow its forward funding policy, with some exceptions, and annually monitor ULOs to identify excess funds that may be eligible for deobligation and used for other purposes.

A Senate report provides for GAO to consult with the appropriations committee on a review of USAID's expenditure rates. This report examines (1) USAID data on ULOs for funds appropriated in fiscal years 2009–2019, (2) the extent to which expenditures in selected accounts met our definitions of timely or delayed under USAID policy, (3) the extent to which USAID monitors ULOs and the timeliness of expenditures, and (4) factors that USAID cites as contributing to expenditure delays and excess ULOs and steps taken to manage them. GAO analyzed financial data—primarily for DA, ESF, and GHP—reviewed USAID policies, and interviewed officials in Washington, D.C., and at three missions with large amounts of ULOs.

What GAO Recommends

GAO is making three recommendations, including that USAID should routinely analyze data on (1) the timeliness of expenditures and (2) exceptions granted under its policy. USAID generally agreed with these recommendations.

View GAO-21-51. For more information, contact Jason Bair at (202) 512-6881 or bairj@gao.gov.

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FOREIGN ASSISTANCE

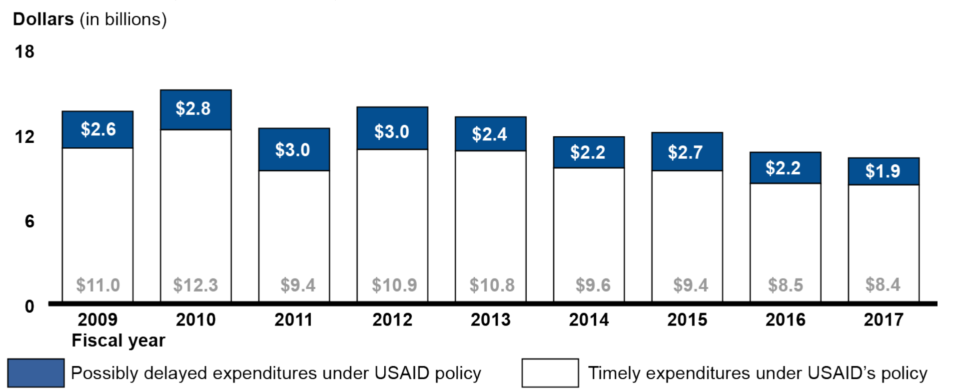
USAID Should Analyze Data on the Timeliness of Expenditures

What GAO Found

Almost $20 billion of the $185 billion (11 percent) that the U.S. Agency for International Development (USAID) obligated from funds appropriated in fiscal years 2009–2019 remained unliquidated (or not yet expended), as of March 31, 2020. Funds appropriated for Development Assistance (DA), Economic Support Fund (ESF), and Global Health Programs (GHP) made up about 78 percent of these unliquidated obligations (ULO).

GAO estimates that $23 billion in DA, ESF, and GHP obligations from funds appropriated in fiscal years 2009–2017 may have had delayed expenditures under USAID's forward funding policy (see fig.). Based on this policy, GAO defines delayed expenditures as those made after the end of the fiscal year following the fiscal year of obligation, if exceptions have not been granted. The actual amount of delayed expenditures may be less than $23 billion because, for example, this estimate likely includes projects with exceptions to USAID's forward funding policy.

USAID's Obligations from Development Assistance, Economic Support Fund, and Global Health Programs with Timely or Possibly Delayed Expenditures under USAID Policy in Fiscal Years 2009–2017, as of March 31, 2020



Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Note: GAO's analysis is based on USAID's data on subobligations, and obligations made outside of bilateral agreements. GAO defines these expenditures as delayed under USAID's forward funding policy, but the funds remain legally available for expenditure for the entire period of availability for obligation plus 5 fiscal years after the period of availability for obligation has expired, in accordance with the account closing law. See 31 U.S.C. §§ 1552(a) and 1553(a).

USAID has processes for monitoring ULOs but does not analyze data on what GAO refers to as the timeliness of expenditures under its policy. USAID monitors ULOs by completing quarterly financial reviews, among other activities. However, USAID does not analyze data to identify (1) expenditures that occur after the fiscal year following obligation and (2) exceptions to timelines established in its policy. Doing so could enable USAID to make more informed resource decisions.

USAID officials cited various factors that contribute to expenditure delays and possible excess ULOs, and USAID has taken some steps to manage them. USAID officials cited external factors such as political changes and internal factors such as reform initiatives, as contributing to increased ULOs. In response, USAID has launched an automated deobligation tool, among other steps taken.

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Abbreviations

ADS	Automated Directives System
BRM	Office of Budget and Resource Management
CFO	Chief Financial Officer
DA	Development Assistance
EAEF	Egyptian American Enterprise Fund
ESF	Economic Support Fund
GHP	Global Health Programs
OMB	Office of Management and Budget
ULO	unliquidated obligations
USAID	U.S. Agency for International Development

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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December 2, 2020

The Honorable Lindsey Graham
Chairman
The Honorable Patrick Leahy
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
United States Senate

The Honorable Nita Lowey
Chairwoman
The Honorable Harold Rogers
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
House of Representatives

Congress provides foreign assistance funding through various appropriation accounts, such as the Economic Support Fund (ESF), Development Assistance (DA), and Global Health Programs (GHP) accounts,[1] which are often used to implement international development projects, such as building roads or combating infectious diseases. The U.S. Agency for International Development (USAID) is the primary U.S. agency responsible for implementing these projects. From funds appropriated in fiscal years 2009 through 2019, USAID obligated approximately $185.4 billion for foreign assistance projects.[2] ESF, DA, and GHP made up over $133.6 billion (72 percent) of the $185.4 billion

[1]For GHP, we included data for both the (1) Global Health and Child Survival fund and the (2) Child Survival and Health Programs fund.

[2]An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another. USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be "subobligations."

obligated by USAID from funds appropriated in fiscal years 2009 through 2019.[3]

Unliquidated obligations (ULOs)[4] are the amounts of outstanding obligations or liabilities. Expenditures, also known as disbursements or outlays, are amounts paid by federal agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations.[5] Congress has expressed concerns about the rate at which USAID has expended foreign assistance funding. USAID's forward funding policy indicates that, unless an exception applies, the pipeline—or the difference between the amounts obligated and expended—for an activity must not exceed 12 months beyond the end of the fiscal year in which the obligation takes place. USAID policy requires program managers to review all ULOs annually; as part of this review, USAID identifies funds eligible for deobligation.

A Senate report that accompanied the fiscal year 2019 appropriations bill for the Department of State, Foreign Operations, and Related Programs includes a provision for us to consult with the Committee on Appropriations on options for reviewing disbursement rates of funds at USAID.[6] In March 2019, we met with House and Senate Appropriations Committees staff to discuss such options and our plan to review USAID's pipeline funding (i.e., funds that are obligated but not yet disbursed). This report examines (1) what USAID data show about ULOs in foreign assistance accounts for funds appropriated in fiscal years 2009 through

[3]USAID also provides foreign assistance through several other appropriation accounts, such as International Disaster Assistance.

[4]USAID policy also refers to ULOs as unexpended obligated balance or unspent funds. For the purposes of this report, we use the term ULOs even when USAID policy uses other terms.

[5]This is the definition of "expenditure" in GAO's A Glossary of Terms Used in the Federal Budget Process, GAO-05-734SP (Budget Glossary), which is promulgated pursuant to federal law. The law requires the Comptroller General to publish standard terms and classifications for the government's fiscal, budget, and program information, in cooperation with the Secretary of the Treasury and the Directors of the Office of Management and Budget and the Congressional Budget Office (31 U.S.C. § 1112). USAID's Automated Directives System defines "expenditures" differently, as the sum total of disbursements and accruals (that is, the estimated cost of goods and services received but not yet paid) in a given time period. When obtaining data for this report, we used the definition of expenditures in GAO's Budget Glossary. Therefore, the estimates of expenditures throughout this report include disbursements, but may not include accruals.

[6]S. Rep. No. 115-282, at 14 (2018).

2019, (2) the extent to which expenditures in selected accounts appropriated in fiscal years 2009 through 2017 were timely or delayed[7] under the timelines established in USAID's policy on forward funding, (3) the extent to which USAID monitors ULOs and the timeliness of expenditures, and (4) factors that USAID cites as contributing to expenditure delays and excess ULOs and steps taken to manage them.

To describe ULOs in foreign assistance accounts, we analyzed data for fiscal years 2009 through 2019 from USAID's Phoenix database on overall ULOs,[8] and ULOs by account and by country for the three accounts with the largest ULOs—DA, ESF, and GHP.[9] To determine the extent to which expenditures in selected accounts appropriated in fiscal years 2009 through 2017 were timely or delayed,[10] we analyzed USAID data to determine whether expenditures occurred by the end of the fiscal year after the fiscal year in which funds were obligated, as anticipated by USAID policy. We reviewed information about the Phoenix system, interviewed knowledgeable officials, and cross-checked data across sources to ensure consistency. On the basis of these steps, we determined these data to be sufficiently reliable for the purposes of responding to our objectives.

To determine the extent to which USAID monitors ULOs and the timeliness of expenditures, we reviewed monitoring reports, such as annual certifications, and memoranda authorizing exceptions to USAID's policy. We compared the actions taken to monitor ULOs at three missions with USAID policies and compared USAID headquarters' oversight of

[7]As anticipated under USAID's forward funding policy, we define "timely expenditures" as those made by the end of the fiscal year following the fiscal year in which USAID obligated or subobligated the funds into an award mechanism, and "delayed expenditures" as those made after the subsequent fiscal year of obligation, if exceptions established in USAID policy were not granted. We validated these definitions with cognizant USAID officials working in headquarters and missions. After funds expire, the funds retain their fiscal year identity and remain legally available for expenditure for an additional 5 fiscal years. 31 U.S.C. § 1552(a).

[8]Phoenix is USAID's web-based financial management system.

[9]We selected fiscal years 2009 through 2019 because USAID generally has up to 11 fiscal years from the enactment of the appropriations law to liquidate, or expend, all funds from most foreign assistance accounts. For example, USAID would have until the end of fiscal year 2019 to expend funds appropriated in fiscal year 2009.

[10]We excluded from our analysis obligations made from fiscal years 2018 and 2019 appropriations because, as of March 31, 2020, for many of these funds it was too soon to determine whether expenditures made from a majority of these obligations were timely.

missions' ULO reviews with federal internal control standards related to implementing control activities through policies, overseeing the entity's internal control system, and using quality information.[11] To describe factors that USAID cites as contributing to expenditure delays and excess ULOs and steps USAID has taken to manage them, we reviewed documentation for a judgmental sample of seven projects at the same three USAID missions and convened roundtable discussions with the missions' obligation managers. We selected projects with large amounts of ULOs for funds appropriated in fiscal years 2009 through 2011 and selected missions on the basis of high amounts of ULOs for funds appropriated in fiscal years 2009–2017, among other criteria.[12] For all four objectives, we interviewed USAID officials in Washington, D.C., and at selected missions. Appendix I provides additional details on our scope and methodology.

We conducted this performance audit from July 2019 to December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate, evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USAID's Major Foreign Assistance Accounts

USAID receives funding for foreign assistance through various appropriation accounts.[13] As shown in table 1, three major accounts—DA, ESF, and GHP—constitute 72 percent of USAID's obligations of funds appropriated in fiscal years 2009 through 2019.[14]

[11]GAO, *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

[12]We selected projects with large amounts of ULOs for funds appropriated in fiscal years 2009 through 2011 in order to understand expenditure delays.

[13]For information on all foreign assistance appropriation accounts, see GAO, *Foreign Assistance: State Department Should Take Steps to Improve Timeliness of Required Budgetary Reporting,* GAO-19-600 (Washington, D.C.: Sept. 9, 2019).

[14]For a complete list of other USAID-managed foreign assistance accounts included in this calculation, see appendix I.

Table 1: USAID's Major Appropriation Accounts and Obligations for Funds Appropriated in Fiscal Years 2009–2019, as of March 31, 2020

Dollars in billions

Appropriation account	Purpose	FY 2009–2019 total obligations	Percentage of total amounts obligated
Development Assistance	For agriculture, rural development, and nutrition programs; American schools and hospitals abroad; and the Development Fund for Africa, among others.	$25.7	13.9
Economic Support Fund	For the promotion of economic or political stability.	50.1	27.0
Global Health Programs[a]	For assistance to build the capacity of public health institutions and organizations in developing countries and for family planning and reproductive health.	57.8	31.2
Other accounts[b]	Various	51.8	27.9
Total		**185.4**	**100**

Legend: USAID = U.S. Agency for International Development; FY = fiscal year

Source: GAO analysis of USAID's fiscal year 2018 appropriations act and data for fiscal years 2009 through 2019. | GAO-21-51

Notes: USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be "subobligations."

The purposes listed here are part of the general purposes listed in the authorizing statutes for these appropriation accounts. Annual appropriations laws often include additional purposes and limitations for these accounts.

[a]Global Health Programs includes the Child Survival and Health Programs Fund and the Global Health and Child Survival fund.

[b]USAID also receives funding for foreign assistance through several other accounts, such as International Disaster Assistance, which typically funds disaster relief, rehabilitation, and reconstruction assistance. Although obligations of International Disaster Assistance made up almost half of all obligations of other accounts for funds appropriated in fiscal years 2009 through 2019, we excluded them from the scope of our review because International Disaster Assistance funds remain available for obligation until expended.

Foreign Assistance Funding Process

USAID headquarters' geographic or functional bureaus[15] and overseas missions obligated approximately $185.4 billion in foreign assistance funding appropriated in fiscal years 2009 through 2019. Approximately $89 billion of the $185.4 billion was obligated by headquarters bureaus and about $96 billion was obligated by overseas missions.

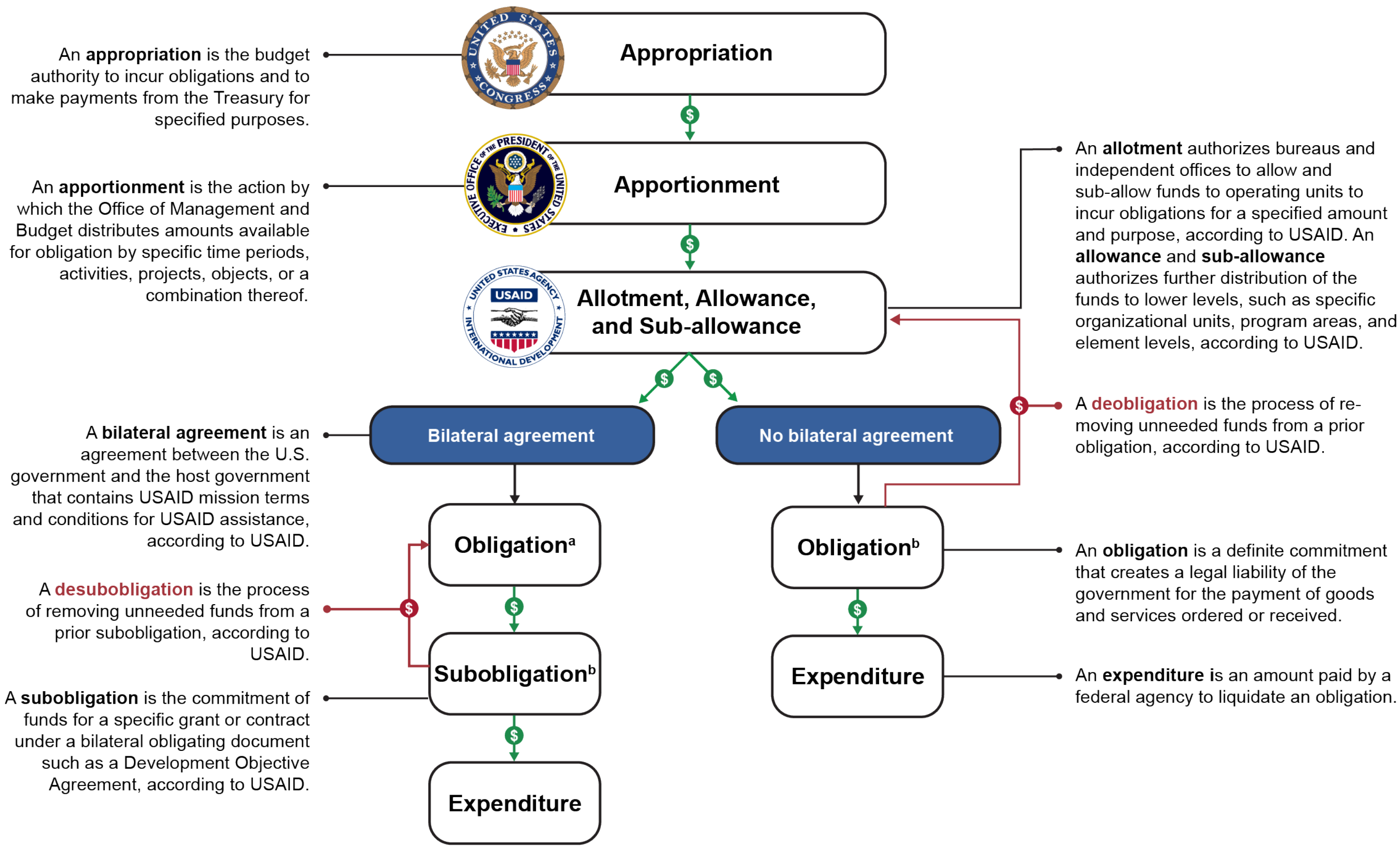
[15]USAID's geographic bureaus include Africa, Asia, Europe and Eurasia, Latin America and the Caribbean, and the Middle East. USAID's functional bureaus include Democracy Conflict and Humanitarian Assistance, Economic Growth, Education, and Environment, Food Security, Global Health, and U.S. Global Development Lab.

As shown in figure 1, for foreign assistance managed by overseas missions, USAID's internal funding process differs depending on whether USAID has a bilateral agreement with the recipient country's government.[16] When USAID has a bilateral agreement with the recipient country, funds are obligated directly into the agreement and later subobligated into awards with implementing partners.[17] When USAID does not have a bilateral agreement with the recipient country, funds are obligated directly into awards with implementing partners, and USAID refers to them as unilateral obligations.

16USAID policy defines a bilateral grant as a grant by USAID to a foreign government or a subdivision thereof (e.g., the Ministry of Health or a local or state government or agency) to finance activities to further an assistance objective or for other purposes. Bilateral grants may range from grants financing specific objectives and limited scope grant agreements to strategic objective agreements, commodity import program grants, and cash transfer grants, according to USAID.

17USAID policy defines an award as a form of implementing mechanism through which USAID transfers funds to an implementing partner, generally selected through a competitive process resulting in a contract, grant, or cooperative agreement. USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be "subobligations." According to USAID, a desubobligation is the process of removing unneeded funds from a prior subobligation.

Figure 1: U.S. Agency for International Development (USAID) Funding Process for Missions



Source: GAO. | GAO-21-51

Notes: Unless otherwise indicated, these definitions come from GAO's *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP. Pursuant to 31 U.S.C. § 1112, the Comptroller General is required to publish standard terms, and classifications for the government's fiscal, budget, and program information. GAO developed this glossary in cooperation with the Secretary of the Treasury and the Directors of the Office of Management and Budget and the Congressional Budget Office.

USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be "subobligations."

[a]This is a bilateral commitment to reserve funds for the host government, according to USAID.

[b]This is a unilateral commitment or subcommitment to reserve funds for an implementing partner, according to USAID.

Life Cycle for Selected USAID Accounts

As shown in figure 2, USAID generally has up to 11 fiscal years from the enactment of the appropriations law to liquidate, or expend, all funds from certain foreign assistance accounts. USAID's DA, ESF, and GHP accounts are generally available for obligation for 2 fiscal years. USAID refers to this as the initial period of availability for obligation.[18] If USAID obligates funds from these accounts during the initial period of availability for obligation, the funding then remains available for obligation for 4 additional fiscal years in what USAID refers to as the extended period of availability for obligation.[19] During the extended period of availability for obligation, USAID can deobligate and reobligate these funds as needed, within the legal parameters of the enacting appropriation law. At the end of the additional 4 fiscal years, the funds expire and are no longer available for new obligations or new scope. However, the funds remain available for expenditure and valid upward adjustments for another 5 fiscal years.[20] After 5 fiscal years, the account closes, and any remaining balances are cancelled and returned to the general fund of the Treasury.[21] See appendix II for USAID's foreign assistance funds that were cancelled in fiscal years 2009 through 2020.

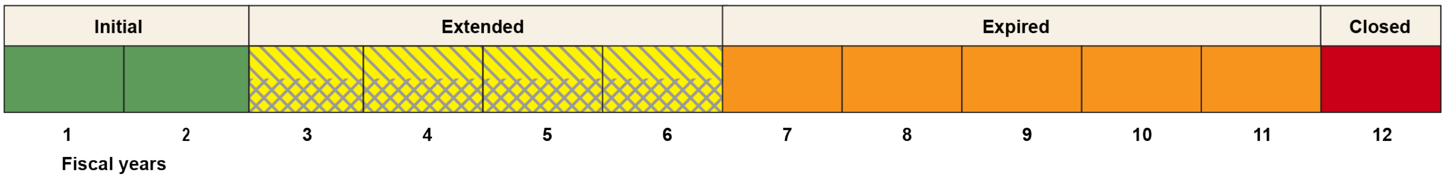
[18]Other foreign assistance accounts have different periods of availability for obligation. For example, International Disaster Assistance appropriations remain available until expended.

[19]The annual State, Foreign Operations, and Related Appropriations Acts for fiscal years 2009–2019 contain the following provision or a similar provision that allows for this extended period of availability for obligation: "That funds appropriated for the purposes of chapters 1 and 8 of part I, section 661, chapters 4, 5, 6, 8, and 9 of part II of the Foreign Assistance Act of 1961, section 23 of the Arms Export Control Act, and funds provided under the headings ''Development Credit Authority'' and ''Assistance for Europe, Eurasia and Central Asia'' shall remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired, if such funds are initially obligated before the expiration of their respective periods of availability contained in this Act, " Pub. L. No. 116-6, Div. F, Title VII, § 7011 (Feb. 15, 2019). Deobligated funds may be reobligated within the initial or extended period of availability for a different authorized use.

[20]31 U.S.C. § 1552(a) and § 1553(a). USAID policy defines an upward adjustment as an increase in the amount of a previously recorded obligation when the actual amount is determined and it is larger than the estimated amount. An upward adjustment may require an amendment to the original obligating document (ADS 621.6).

[21]31 U.S.C. § 1552(a) and § 1553(a).

Figure 2: Life Cycle for Selected Foreign Assistance Accounts



Initial period of availability: Funds may be obligated, adjusted, and expended.

Extended period of availability: If funds were obligated within the initial period of availability, they remain available for deobligation, reobligation, adjustment, and expenditure.

If a bilateral agreement exists, funds are subobligated. If funds are desubobligated, they return to the bilateral agreement and remain under USAID mission control.

If no bilateral agreement exists, funds that are deobligated return to headquarters. USAID policy requires OMB permission for funds to be reobligated for a new scope.

Expired[a]: Funds are no longer available for new obligations and can only be recorded, upward-adjusted, or expended.

Closed[b]: Remaining funds are canceled and are not available for obligation or expenditure for any purpose.

Legend: OMB = Office of Management and Budget; USAID = U.S. Agency for International Development.

Source: GAO analysis of USAID's life cycle for selected foreign assistance funds and GAO definitions in GAO-05-734SP. | GAO-21-51

Note: Selected foreign assistance accounts include Development Assistance, Economic Support Fund, and Global Health Programs.

[a]Expired budget authority is no longer available to incur new obligations but is available for an additional 5 fiscal years for expenditure of obligations properly incurred during the budget authority's period of availability. Unobligated balances of expired budget authority remain available for 5 fiscal years to record previously unrecorded obligations and to make upward adjustments in previously underrecorded obligations. (See 31 U.S.C. § 1553(a).)

[b]A closed account is an appropriation account whose balance has been canceled. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose. An account available for a definite period (fixed appropriation account) is canceled 5 fiscal years after the period of availability for obligation ends. (See 31 U.S.C. § 1552(a).)

USAID's Forward Funding Policy and Timeliness of Expenditures

USAID's *Automated Directives System* (ADS)[22] specifies policy requirements for USAID officials, such as obligating officials and obligation managers. For example, with regard to obligating officials' responsibilities, the policy includes requirements for determining the

[22]ADS is USAID's operational policy that contains the organization and functions of USAID, along with the policies and procedures that guide the agency's programs and operations. Among other things, ADS contains internal policy directives, required procedures, external regulations applicable to USAID, and both mandatory and non-mandatory guidance to help employees interpret and properly apply internal and external mandatory guidance.

validity of an obligation.[23] For obligation managers, the policy includes requirements for ensuring that obligations are consistent with USAID's forward funding policy. USAID policy outlines USAID's requirements, related to forward funding, as follows:

- **Forward funding:** "Forward funding" for program funds is the availability of funds to support future expenditures[24] for a specified time period after a planned obligation.[25] Absent an applicable exception, program managers must not forward fund obligations for more than 12 months[26] beyond the end of the fiscal year in which the obligation takes place.[27]
- **Exceptions to forward funding:** If compelling reasons exist, operating unit directors have the authority to approve exceptions to the policy directives and required procedures for forward funding.

[23]In ADS 621, USAID explains that the policy incorporates statutory requirements and federal guidelines related to recording and managing obligations. Under ADS 621, an obligation is valid if it is required to fulfill a bona fide need, executed by an individual who is authorized to incur an obligation, made for a purpose authorized by law, executed during the period of availability of the funds, and supported by written evidence. Further, ADS 621 requires that an obligating official determine the validity of an obligation at the time of obligation and also at subsequent intervals.

[24]USAID's ADS defines "expenditures" as the sum total of disbursements and accruals (that is, the estimated cost of goods and services received but not yet paid) in a given time period. When obtaining data for this report, we used the definition of expenditures in GAO's Budget Glossary. Therefore, the estimates of expenditures throughout this report include disbursements, but may not include accruals.

[25]This policy applies to all program accounts except International Disaster Assistance, food aid, and credit programs.

[26]ADS 602.3.2. The upper limit is obtained by adding 12 months to the number of months remaining in the fiscal year after the obligation is made. For example, if a program manager makes an obligation for an activity near the end of September (i.e., the last month of the fiscal year), the pipeline for that activity must not exceed 12 months (0 months plus 12 months). If the obligation occurred in the middle of the fiscal year (i.e., at the beginning of April), the activity's pipeline must not exceed 18 months (6 months plus 12 months), absent an applicable exception.

[27]Under the account closing law, expired funds retain their fiscal year identity and remain legally available for expenditure for an additional 5 fiscal years after the end of the period of availability. 31 U.S.C. § 1552(a).

Exceptions include, in part: participant training, construction activities, non-project assistance, and close-out countries.[28]

- **Incremental approach:** Obligation managers may provide funding for activities in installments over time, according to USAID officials. For example, USAID may obligate funds for a multi-year program in annual increments through award amendments.[29]

On the basis of these USAID policy provisions, we define timely and delayed expenditures as follows:[30]

- **Timely expenditures:** Expenditures made—as anticipated under USAID's forward funding policy—by the end of the fiscal year following the fiscal year in which USAID obligated or subobligated the funds into an award mechanism. These funds remain legally available for expenditure for 5 fiscal years after the end of the period of availability for obligation, in accordance with the account closing law. Therefore the timeliness discussed here refers to USAID's forward funding guidelines and not to the availability of the funds for expenditure under the account closing law.
- **Delayed expenditures:** As shown in figure 3, delayed expenditures are expenditures made after the end of the fiscal year following the fiscal year in which USAID obligated or subobligated the funds into an award mechanism, if exceptions to the forward funding timelines established in USAID policy were not granted.[31] Though we define these expenditures as delayed pursuant to USAID policy, these funds remain legally available for expenditure for 5 fiscal years after the end of the period of availability for obligation, in accordance with the account closing law.

[28]Close-out countries are countries that contain USAID missions, field units designated as Offices of AID Representatives, or other USAID overseas operating units that are to be closed. See ADS 602.3.3 and ADS 527mab.

[29]USAID policy requires that bilateral grant agreements include text providing that any statements on future funding increments by USAID are subject to the availability of funds to USAID for that purpose and to mutual agreement of the parties. In addition, in ADS 621, USAID explains that the policy incorporates statutory requirements and federal guidelines related to recording and managing obligations.

[30]We validated these definitions with cognizant USAID officials working in headquarters and missions.

[31]Our definition of delayed expenditures also includes accruals, or the value of goods and services received but not yet paid for by USAID. USAID refers to this value as an "accrual."

Figure 3: Timely and Delayed Expenditures for a Foreign Assistance Project Funded by Development Assistance, Economic Support Fund, or Global Health Programs Appropriations

Timely expenditures		Delayed expenditures
Fiscal year of obligation	First fiscal year after fiscal year of obligation	Second fiscal year after fiscal year of obligation or later

Timely expenditures occur by the end of the fiscal year after the fiscal year in which the funds were obligated.

Delayed expenditures occur after the end of the fiscal year following the fiscal year in which the funds were obligated.

Source: GAO interpretation of the U.S. Agency for International Development's (USAID) forward funding policy. | GAO-21-51

Note: This figure applies to typical foreign assistance projects funded by the Development Assistance, Economic Support Fund, and Global Health Program appropriation accounts. It does not apply to projects that have exceptions from USAID's forward funding policy, such as participant training and construction, among others. Funds that we identify as delayed expenditures under USAID policy remain legally available for expenditure for an additional 5 fiscal years after the end of the period of availability for obligations, in accordance with the account closing law.

USAID Requirements, Roles, and Responsibilities for Monitoring Foreign Assistance Obligations

Federal laws and USAID policy, as documented in ADS, specify various monitoring requirements for ULOs. Specifically, federal law requires annual certification of ULOs.[32] To meet this requirement, USAID policy specifies that operating units should review all ULOs at least semiannually and recommends quarterly reviews as best practice. During the review, the appropriate designated USAID official must determine whether obligations are valid, meet USAID's forward funding guidelines, and are not subject to deobligation under USAID policy.[33] For annual ULO certifications, USAID reviews each operating unit's pipeline management, and obligation managers make adjustments, at least at the strategic level, to bring their pipelines into compliance with forward funding policies.[34] As

[32]After the close of each fiscal year, the head of each agency shall submit to the President and the Secretary of the Treasury a report regarding the unliquidated obligations, unobligated balances, cancelled balances, and adjustments made to appropriation accounts of that agency during the completed fiscal year. Each report will contain a certification by the head of the agency that the obligated balances in each appropriation account of the agency reflect proper existing obligations and that expenditures from the account since the preceding review were supported by a proper obligation of funds and otherwise were proper. 31 U.S.C. § 1554(b)(1)-(2)(E).

[33]ADS 621.3.7.3. In reviewing these balances for potential deobligation, obligation managers must consider the circumstances that may result in excess funding and comply with the procedures outlined in USAID's forward funding policy (ADS 602).

[34]ADS 602.3.7. Adjustments do not necessarily mean that funds are deobligated, according to USAID. In most cases, adjustments are made to the planned incremental funding or the activity is granted a no additional cost extension.

shown in table 2, ADS defines various roles and responsibilities for monitoring ULOs.

Table 2: Selected USAID Roles and Primary Responsibilities for Monitoring Obligations

Role	Responsibilities
Bureau for Management, Office of the Chief Financial Officer	Provides an annual certification to the Department of Treasury on the obligation balances in each appropriation account.
Office of Budget and Resource Management	Monitors the agency's pipeline and expiring unobligated funds and makes recommendations on the use of deobligated and unallocated funds.
Mission Director	Ensures that (1) obligation balances are needed in the activities for which they are obligated, (2) excess funds are deobligated, and (3) the amount of unexpended funding is consistent with agency guidelines for forward funding; and provides annual certification of unexpended obligated balances and validity of obligations.
Mission Controller	Directs mission financial management operations and assists officials in the deobligation of residual funds, and coordinates with obligation managers, authorized obligating personnel, and program offices to ensure proper monitoring of pipelines and compliance with forward funding guidance and policies.
Mission Program Officer	Monitors and reports forward funding and pipelines for program funds to mission leadership.
Executive Officer	Monitors pipelines of program and non-program funded obligations for compliance with forward funding policy.
Obligating Official	Creates obligations, signs obligating documents, negotiates, executes, amends, deobligates, and manages close-out activities, maintains obligation files, and ensures that projects are within agency guidelines for forward funding and pipelines. An obligating officer may be an Agreement Officer or Contracting Officer, or another authorized official.
Obligation Manager	Responsible for the technical and financial management of the award, including ensuring compliance with forward funding guidelines, monitoring financial status, and technical progress of awards providing quarterly accruals, and reviewing unliquidated obligation balance and recommending deobligations of excessive balances. Obligating managers may be the Agreement Officer Representative, Contracting Officer Representative, Executive Officer, or another official.

Legend: USAID = U.S. Agency for International Development

Source: USAID's Automated Directives System, 621. | GAO-21-51

Note: SAID's forward funding policy (ADS Chapter 602) defines "pipeline" as the difference between the total amount that has been obligated in an award or agreement and the total expenditures against that award or agreement. USAID's ADS Glossary defines "pipeline" as the difference between cumulative obligations and cumulative expenditures, including accruals.

USAID Data Show Almost $20 Billion in Unliquidated Obligations, with the Majority Concentrated in Recent Fiscal Years, Three Accounts, and 15 Countries

Almost $20 Billion of $185 Billion in USAID's Obligations from Funds Appropriated in Fiscal Years 2009 through 2019 Remained Unliquidated, Mostly from Recent Years

As shown in table 3, as of March 31, 2020, $19.5 billion of the $185.4 billion in foreign assistance funds obligated by USAID from funds appropriated in fiscal years 2009 through 2019, or 11 percent of total obligations, remained unliquidated. About $15.5 billion of the $19.5 billion (almost 80 percent) in ULOs from funds appropriated in fiscal years 2009 through 2019 was appropriated in recent fiscal years (2017 to 2019), as of March 31, 2020.

Table 3: Total Allocations, Obligations, Unobligated Balances, Expenditures, and Unliquidated Obligations, by Year of Appropriation for All USAID-Managed Foreign Assistance Funding Appropriated in Fiscal Years 2009–2019, as of March 31, 2020

Dollars in billions

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[a]	Total
Allocations	17.4	19.1	16.1	17.6	17.1	15.6	17.4	16.8	19.8	19.1	17.7	**193.7**
Total obligations[b]	17.4	19.1	16.1	17.6	17.0	15.6	17.4	16.6	19.5	18.6	10.6	**185.4**
Unobligated balance[c]	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.3	0.5	7.1	**8.3**
Expenditures	17.4	18.9	15.7	17.2	16.4	15.0	16.6	15.4	16.2	11.2	5.8	**165.9**
Unliquidated obligations	0.0	0.1	0.4	0.4	0.7	0.5	0.7	1.2	3.3	7.4	4.8	**19.5**

Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Note: Amounts are shown according to the fiscal year in which funds were appropriated; funds may have been allocated, obligated, or expended in subsequent fiscal years. Amounts shown were current as of March 31, 2020. Numbers may not sum to totals because of rounding.

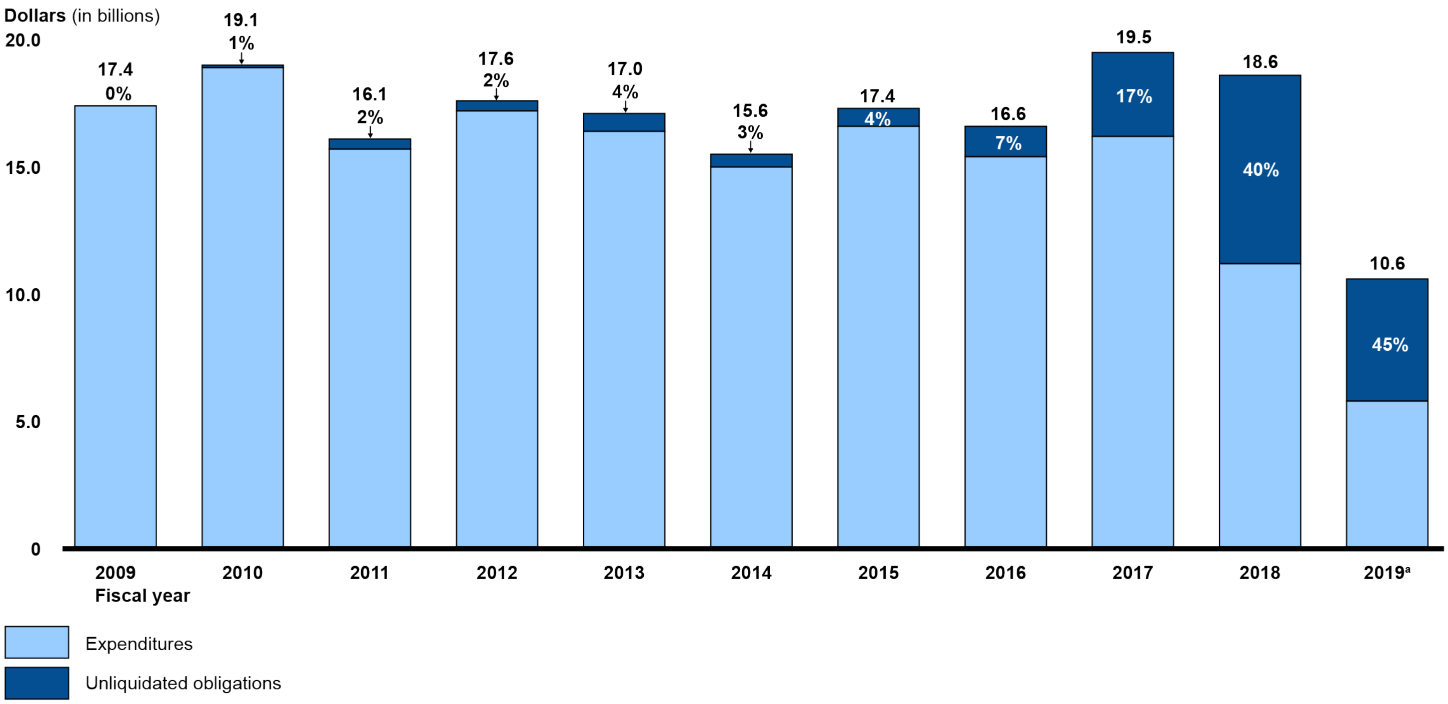
[a]Funds appropriated as 2-year money in fiscal year 2019 were still within their initial period of availability as of March 31, 2020, and, therefore, may not yet be fully allocated or obligated.

[b]USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be "subobligations." The term "total obligations" in this table represents the sum total of direct obligations and obligations made through bilateral agreements and excludes subobligations.

[c]The funds in this table are provided through many foreign assistance appropriation accounts with different legal parameters. Whether unobligated amounts remain available for obligation depends on the year in which the funds were appropriated, the period of availability for obligation of the funds, whether section 7011 of the annual State, Foreign Operations and Related Programs appropriation law applies to the funds and, if so, whether the funds were obligated during their initial period of availability.

As seen in figure 4, as of March 31, 2020, ULOs made up a small percentage of total obligations each year for funds appropriated in fiscal years 2009 through 2016. ULOs made up a larger percentage of total obligations for funds appropriated in fiscal years 2017 through 2019, because these funds were appropriated more recently and may still be in the initial or extended period of availability for obligation.

Figure 4: Total Obligations and Percentage of Unliquidated Obligations, by Year of Appropriation for All USAID-Managed Foreign Assistance Funding Appropriated in Fiscal Years 2009–2019, as of March 31, 2020



Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Notes: USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be subobligations. Total obligations represents the sum total of obligations made inside and outside of bilateral agreements and excludes subobligations.

Amounts are shown according to the fiscal year when program funds were appropriated; funds may have been allocated, obligated, or expended in subsequent fiscal years. The funds in this figure are provided through many foreign assistance appropriation accounts with different legal parameters. Whether unobligated amounts remain available for obligation depends on the year in which the funds were appropriated, the period of availability for obligation of the funds, whether section 7011 of the annual State, Foreign Operations and Related Programs appropriation law applies to the funds and, if so, whether the funds were obligated during their initial period of availability. Amounts shown were current as of March 31, 2020. Numbers may not sum to totals because of rounding.

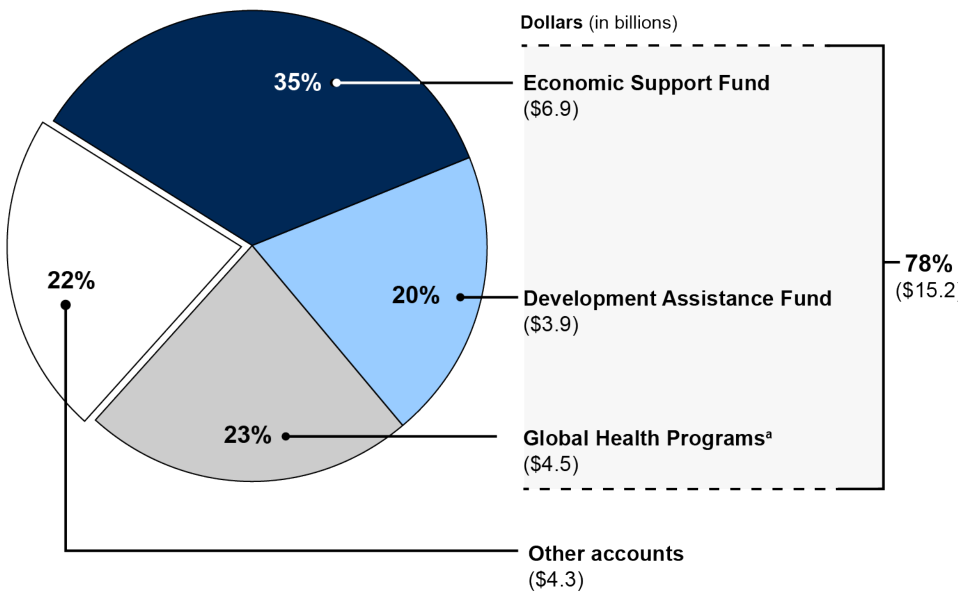
USAID defines "expenditures" as the sum total of disbursements and accruals (that is, the estimated cost of goods and services received but not yet paid) in a given time period. When obtaining data for this report, we used the definition of expenditures in GAO's Budget Glossary. Therefore, the estimates of expenditures throughout this report include disbursements, but may not include accruals.

[a]Funds appropriated as 2-year money in fiscal year 2019 were still within their initial period of availability for obligation as of March 31, 2020, and, therefore, may not yet be fully allocated or obligated.

Three Accounts Constitute the Majority of Unliquidated Obligations

As shown in figure 5, the DA, ESF, and GHP accounts constitute approximately $15.2 billion (78 percent) of the $19.5 billion in ULOs for amounts appropriated in fiscal years 2009 through 2019, as of March 31, 2020.[35]

Figure 5: Percentage of USAID's Unliquidated Obligations by Appropriation Account for Funds Appropriated in Fiscal Years 2009–2019, as of March 31, 2020



Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Notes: Numbers may not sum to totals because of rounding.

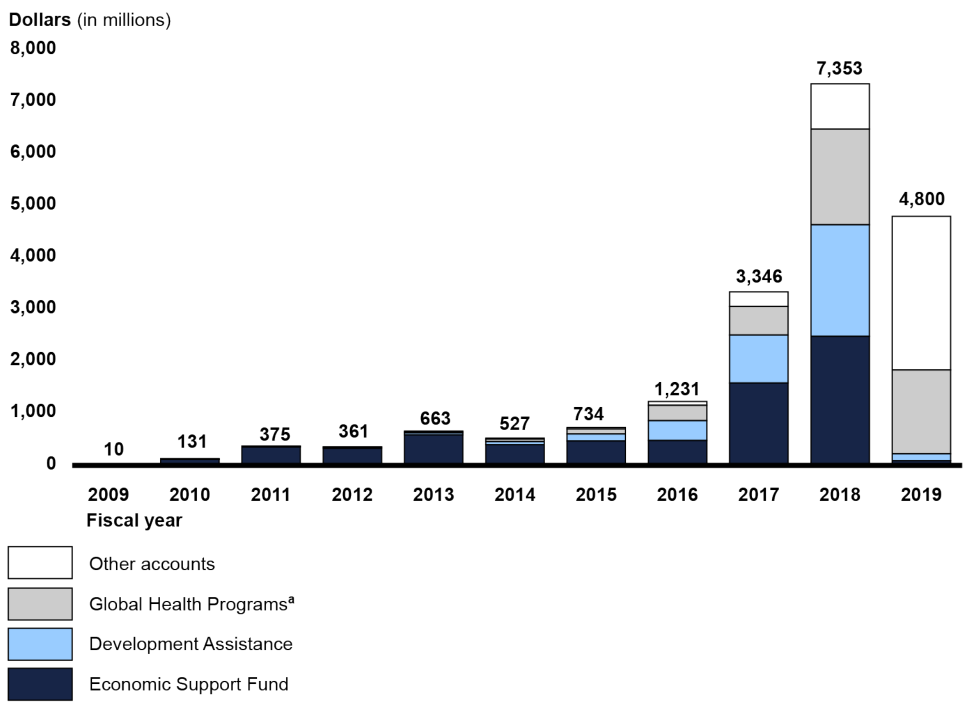
[35]Similarly, DA, ESF, and GHP accounted for 72 percent of obligations during the same time period.

USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. Unliquidated obligations in this figure represent the sum total of obligations made through bilateral agreements and obligations made outside of bilateral agreements that have not yet been expended.

[a]Global Health Programs includes the Child Survival and Health Programs Fund and the Global Health and Child Survival fund.

As shown in figure 6, ESF accounted for the largest amount of ULOs for funds appropriated in fiscal years 2009 through 2018, as of March 31, 2020. ESF also made up 27 percent of all obligations for all funds appropriated during this same time period. For funds appropriated in fiscal year 2019, as of March 31, 2020, International Disaster Assistance funds made up almost 74 percent of the ULOs of all other accounts.[36]

Figure 6: USAID's Unliquidated Obligations by Appropriation Account for Funds Appropriated in Fiscal Years 2009–2019, as of March 31, 2020



Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Notes: For funds appropriated in fiscal year 2019, some accounts were still within their initial period of availability for obligation as of March 31, 2020. As such, there may be fewer unliquidated obligations for those accounts because the funds may not have been obligated as of March 31, 2020.

[36]Unliquidated obligations were lower in 2019 than in prior years because obligations were still within their initial period of availability and had not yet been expended.

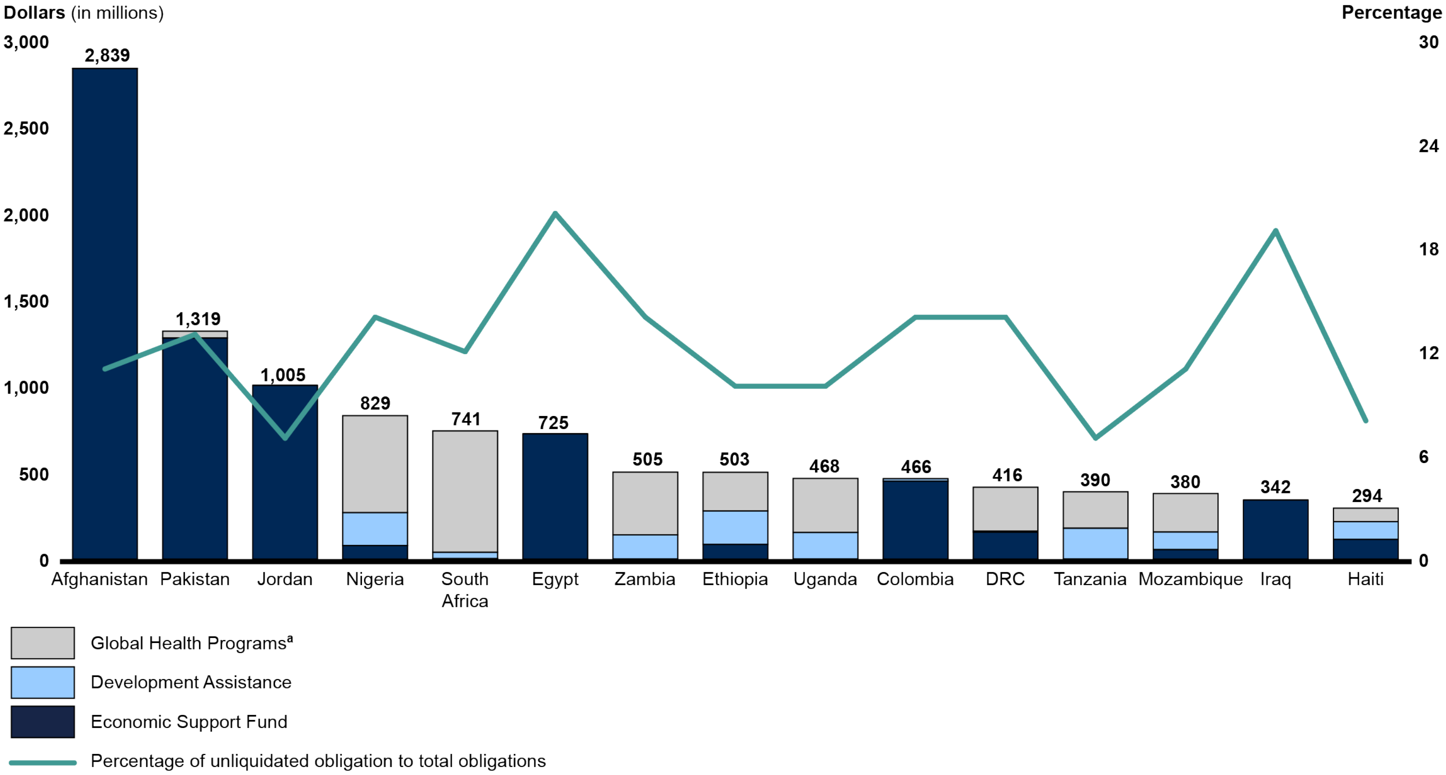
USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. Unliquidated obligations in this figure represent the sum total of obligations made through bilateral agreements and obligations made outside of bilateral agreements that have not yet been expended.

[a]Global Health Programs includes the Child Survival and Health Programs Fund and the Global Health and Child Survival fund.

Programs in 15 Countries Accounted for Almost Three-Quarters of All Unliquidated Obligations for Selected Accounts

As of March 31, 2020, programs in 15 countries accounted for $11.2 billion (74 percent) of the $15.2 billion in ESF, DA, and GHP ULOs for funds appropriated in fiscal years 2009 through 2019. Programs in each country had more than $275 million in ULOs for these three accounts. Programs in Afghanistan accounted for about $2.8 billion in ULOs, more than twice as much as the country with the next-highest amount, Pakistan, with $1.3 billion in ULOs. These 15 countries were also among the 25 countries that receive the most foreign assistance obligations through USAID funding. As shown in figure 7, the percentage of ULOs to total obligations for these top 15 countries ranged from a high of 20 percent in Egypt to a low of 7 percent in Tanzania.

Figure 7: Fifteen Countries Where USAID-Funded Programs Accounted for the Highest Amount of Unliquidated Obligations, by Selected Appropriation Account and Percentage of Obligations, for Funds Appropriated in Fiscal Years 2009–2019, as of March 31, 2020



Legend: DRC = Democratic Republic of the Congo

Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Note: USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. Unliquidated obligations in this figure represent the sum total of obligations made through bilateral agreements and obligations made outside of bilateral agreements that have not yet been expended.

[a]Global Health Programs includes the Child Survival and Health Programs Fund and the Global Health and Child Survival fund.

USAID Experienced Delays Expending as Much as $23 Billion in Three Accounts

Twenty Percent of Obligations from Selected Accounts Appropriated in Fiscal Years 2009 through 2017 May Have Had Delayed Expenditures under USAID Policy

USAID policy states that program managers must not forward fund obligations for more than 12 months beyond the end of the fiscal year in which the obligation takes place, with certain exceptions.[37] We define timely expenditures as expenditures that occur by the end of the fiscal year after the fiscal year in which the funds were obligated or subobligated (as anticipated under USAID's forward funding policy), and delayed expenditures as those that occur after the end of the fiscal year subsequent to the fiscal year in which the funds were obligated.[38] As shown in figure 8, we found that $23 billion of DA, ESF, and GHP obligations of funds appropriated in fiscal years 2009 through 2017[39]—or 20 percent of these three accounts' obligations of funds appropriated during that time period—may have had delayed expenditures. The actual amount of delayed expenditures could be less than $23 billion because this amount likely includes obligations for projects with exceptions to USAID's forward funding policy as well as goods and services received but not yet paid for by USAID (accruals).[40] For example, our estimates of delayed expenditures throughout this report may not include accruals. Additionally, if USAID has approved an exception, the forward funding policy does not apply and therefore, we would not consider such expenditures to be delayed under USAID policy.[41] However, as we discuss later in this report, USAID's data system does not include information about obligations for which exceptions to USAID's forward funding policy have been granted.

[37]Exceptions to USAID's policy include participant training and construction activities, among others.

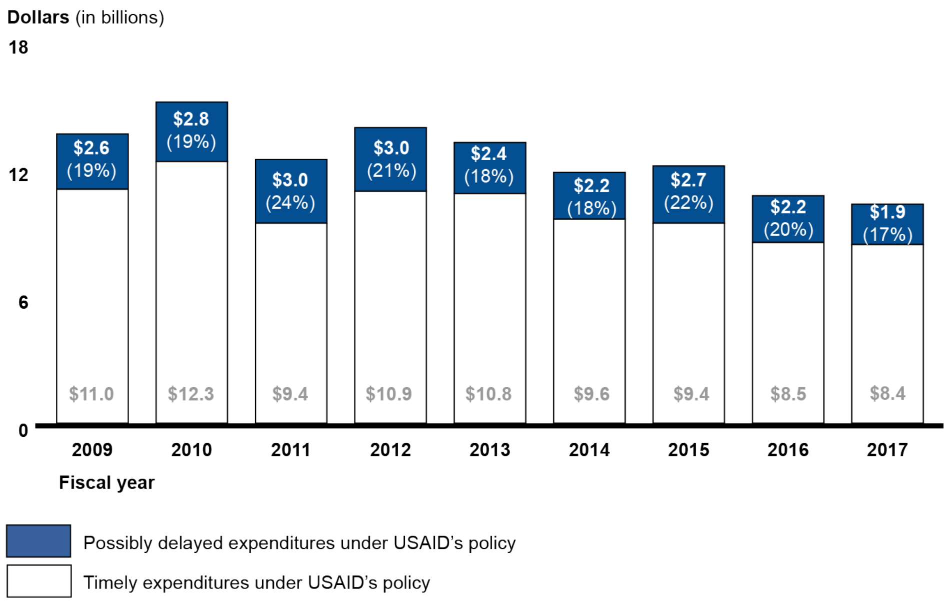
[38]Though we define these expenditures as delayed pursuant to USAID policy, these funds remain legally available for expenditure for the entire period of availability for obligation plus an additional 5 fiscal years after the end of the period of availability for obligation, in accordance with the account closing law. See 31 U.S.C. §§ 1552(a) and 1553(a).

[39]This total includes both expenditures that occurred after the end of the subsequent fiscal year of obligation and ULOs—$20.5 billion and $2.5 billion, respectively. We excluded obligations made from funds appropriated in fiscal years 2018 and 2019 from our analysis because, as of March 31, 2020, for many of those funds it was too soon to determine whether expenditures made from these obligations were timely or not.

[40]USAID defines accruals as the estimated cost of goods or services or other performance received but not yet paid for by the agency. Accruals are calculated for specific instruments and agreements and help provide current information on the financial status of an activity, project, or development objective (ADS 621.6). According to USAID, in the case of construction, accruals may be based on the percentage completed.

[41]Operating unit directors must approve all applicable exceptions (such as construction or scholarships), which allow expenditures to occur more than 12 months beyond the end of the fiscal year in which the obligation takes place.

Figure 8: Amount and Percentage of DA, ESF, and GHP Obligations with Timely and Possibly Delayed Expenditures under USAID Policy, for Funds Appropriated in Fiscal Years 2009–2017, as of March 31, 2020



Legend: DA = Development Assistance; ESF = Economic Support Fund; GHP = Global Health Programs.

Source: GAO analysis of U.S. Agency for International Development (USAID) data. | GAO-21-51

Notes: USAID's forward funding policy specifies that expenditures should occur by the end of the fiscal year after the year in which the funds were obligated. Our analysis is based on USAID's data on subobligations, and obligations made outside of bilateral agreements, to be consistent with the practice described by USAID officials when calculating forward funding length. We excluded obligations made with funds appropriated in fiscal years 2018 and 2019 from our analysis because, as of March 31, 2020, for many of those funds, it was too soon to determine whether expenditures made from these obligations were timely or not. The actual amount of obligations that do not meet USAID's forward funding policy could be lower because, for example, the total includes obligations for projects with exceptions to the policy. If an exception exists, we would not consider the expenditures to be delayed under the policy. However, USAID's data systems do not include information about whether an exception to the forward funding policy has been granted. The actual amount of obligations that do not meet USAID's forward funding policy also could be lower because our estimate of possibly delayed expenditures includes goods and services received but not yet paid for by USAID (accruals). Additionally, though we define these expenditures as delayed under the policy, these funds remain legally available for expenditure for the entire period of availability for obligation plus an additional 5 fiscal years after the end of the period of availability for obligation, in accordance with the account closing law. See 31 U.S.C. §§ 1552(a) and 1553(a).

The percentage of delayed expenditures varies by appropriation account and the location where projects are managed.

- Almost 26 percent of obligations from the DA account may have had delayed expenditures under USAID policy, as compared to 22 percent of ESF obligations and 16 percent of GHP obligations, from funds appropriated in fiscal years 2009 through 2017.

- Obligations for projects administered by USAID's overseas missions may have had a greater amount of expenditures that we consider timely under USAID policy than obligations for projects administered by USAID's headquarters bureaus. Approximately 17 percent of obligations for mission-managed projects may have had expenditures that we consider delayed under USAID policy, as compared to 25 percent of obligations for projects managed in headquarters, from funds appropriated in fiscal years 2009 through 2017.

Lack of Clarity in USAID's Forward Funding Policy Has Led to Inconsistent Implementation

USAID's forward funding policy, which we used to define and determine the timeliness of expenditures, is unclear and has led to inconsistent implementation. Specifically, USAID's most current forward funding policy does not specify whether to use the obligation or subobligation date when calculating forward funding length (or the length of the pipeline in months) in the context of bilateral agreements.[42] In practice, according to USAID officials in headquarters and selected missions, obligation managers apply the forward funding policy only to (1) subobligations in countries with bilateral agreements, and (2) direct obligations to implementing partners in countries without bilateral agreements.[43] Headquarters officials confirmed that obligation managers usually do not apply the forward funding policy to obligations made through bilateral agreements.

Consistent with the practice described by USAID officials, for countries with bilateral agreements, we used the date of subobligations made under the bilateral agreements to determine that $23 billion in funding obligated from selected accounts and appropriated in fiscal years 2009–2017 may have delayed expenditures.[44] If we used the date of obligations made

[42]ADS 602: Forward Funding, Program Funds.

[43]USAID generally treats as obligations the bilateral agreements it makes with other countries to deliver assistance. USAID considers contracts signed, grants awarded, and other financial commitments within these bilateral agreements to be "subobligations."

[44]Although we define these expenditures as delayed pursuant to USAID policy, these funds remain legally available for expenditure for the entire period of availability for obligation plus an additional 5 fiscal years after the period of availability for obligation has expired, in accordance with the account closing law. See 31 U.S.C. §§ 1552(a) and 1553(a).

under the bilateral agreements, the amount of possibly delayed expenditures could be higher by approximately $4 billion.[45]

USAID officials acknowledged that in some cases mission officials interpret the forward funding policy differently. According to one senior mission official, USAID's forward funding policy is confusing and needs to be reconciled. We compared pipeline reports created by officials at the USAID missions in Egypt, Haiti, and Tanzania and found that they calculated the pipeline for individual activities differently. Officials at two missions subtracted expenditures from obligations, whereas officials at one mission subtracted expenditures from subobligations. GAO's *Standards for Internal Control in the Federal Government* state that management should implement control activities through policies. Each unit, with guidance from management, documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.[46] Without revisions to clarify it, USAID's forward funding policy may be subject to continued misinterpretation and inconsistent implementation, resulting in inaccurate estimates of pipelines for some operating units. With different interpretations of USAID policy, forward funding calculations used to determine the appropriate timelines for expenditures may not be comparable across missions, resulting in incomplete information for management to prioritize program resources.

[45]If officials use the date of the obligation for the bilateral agreement rather than the date of the subobligation for contracts or grants awarded under the bilateral agreement to calculate the remaining months of pipeline, more expenditures will seem delayed pursuant to USAID policy. If officials use the date of the subobligation for contracts or grants awarded under the bilateral agreement rather than the date of the obligation for the bilateral agreement to calculate the remaining months of pipeline, fewer expenditures may be delayed pursuant to USAID policy.

[46]GAO-14-704G: 12.01-05, 16.10.

Selected Missions Monitor Unliquidated Obligations, but Headquarters Does Not Analyze the Timeliness of Expenditures under USAID Policy

Selected Missions Have Processes for Monitoring Unliquidated Obligations

Selected missions have various processes in place to monitor ULOs. Obligation managers monitor implementing partners' budgets and spending, complete quarterly financial reviews, and certify the necessity of ULOs for the activities for which they were obligated on an annual basis.[47]

To monitor implementing partners' budgets, obligation managers at the USAID missions in Egypt, Haiti, and Tanzania told us they meet regularly with implementing partners to review activity progress and validate vouchers, payments, and accruals. These actions are intended to help them estimate future expenditures, in order to ensure that sufficient funds are available in the pipeline.[48] For example:

- An obligation manager and a financial analyst at the USAID mission in Tanzania told us that they meet weekly with an implementing partner for a democracy assistance project in order to collect information about accruals.
- An obligation manager who is stationed in Washington, D.C., and manages a multi-mission global health project told us that she relies on communication with her activity managers stationed at several

[47]Per ADS 621.3.9.1 and 621.3.9.2, obligation managers must annually review all unexpended obligated balances for the annual certification on the validity of obligations provided to USAID's Chief Financial Officer (CFO). In reviewing these balances for potential deobligation, they must consider the circumstances that may result in excess funding and comply with the procedures outlined in USAID's forward funding policy.

[48]USAID policy defines the pipeline as the difference between the total amount that has been obligated in an award or agreement and the total expenditures against that award or agreement (ADS 621).

USAID missions to discuss accruals and quarterly expenditures with local implementing partners.

- The office chief for a Food for Peace project in Haiti told us that obligation managers review annual implementation plans, compare projected to actual expenditures, and discuss discrepancies with the implementing partner, as needed. They also track expenditures closely and try to discuss with the partner any possible links between slow expenditures and operational challenges, according to the office chief.
- An obligation manager for an education project in Egypt told us that he holds regular meetings with the implementing partner to review vouchers and accruals. He monitors the rate of expenditures and discusses the reasons for any delays with the partner.

To complete quarterly financial reviews, officials from each mission's financial management teams in Egypt, Haiti, and Tanzania told us they meet with technical office chiefs and obligation managers, among others, to review all available resources and activities at the mission, including each program and project activity. One of the purposes of this meeting is to review ULOs for each project and determine if any may be deobligated. During the meeting, obligation managers present a pipeline and ULO report. A pipeline report includes accruals, historical expenditure rates, and projected months of funding. A ULO report lists all obligations with unliquidated balances without accruals, expenditure rates, or projected months of supply. Each technical team completes these reports prior to the meeting in order to discuss expenditures based on a monthly expenditure rate for each award within its program area.[49] As part of a pipeline review, financial analysts present a forward funding analysis, which shows when implementing partners have overestimated their ability to spend funds.[50] For example, if a partner's projection was to spend $250,000 in the next quarter, and it only spent $120,000, the financial analyst would highlight the difference and indicate that there could be an implementation issue. Next, the obligation manager would follow up with

[49]Some projects may not follow regular (or planned) expenditure rates because of external factors beyond their control. For example, the USAID mission in Haiti approved an exception waiver to exceed the maximum length of forward funding for a water and sanitation project involving construction. The waiver stated that the project needed to be fully funded to prevent partial completion. Per ADS 602.3.3, construction activities are an allowable exception to USAID's forward funding policy.

[50]The Financial Management Office at each mission has a team of financial analysts that provides support to each of the mission's technical project teams. Financial analysts conduct a forward funding analysis every time an incremental funding action is made for a specific activity, according to USAID.

the implementing partner to find out why actual expenditures were lower than projections. Last, the director of each technical office would approve the quarterly review of ULOs.

To certify the necessity of ULOs on an annual basis, mission controllers are required by USAID policy to prepare a memorandum for the mission director's signature that certifies the validity of all unexpended obligated balances (i.e., ULOs) and obligations. Specifically, the certification memo states that either

1. all unexpended obligated balances are needed in the activities for which they were obligated, excess funds are deobligated, and the amount of remaining funding is consistent with agency guidelines for forward funding; or
2. funds have been identified that are either no longer needed in the activities for which they were obligated or are inconsistent with USAID policies on forward funding, steps have been taken to deobligate unneeded funds, and the annual budget request takes into consideration excess funding currently obligated so as to bring funding levels back into compliance with forward funding policy.

Separately, as part of the process for certifying the validity of obligations, cognizant USAID officials also certify that all obligations incurred during the fiscal year are consistent with certain USAID and federal requirements,[51] have been recorded in the agency accounting or procurement system, and are supported by adequate records maintained in accordance with agency guidelines for record retention.[52] We confirmed that the USAID missions in Egypt, Haiti, and Tanzania completed these certifications for fiscal year 2019.

[51]Officials must certify that obligations are consistent with the requirements of ADS 621.3.2 and 31 U.S.C. § 1501(a).

[52]ADS 621.3.9.1.

USAID Headquarters Performs Oversight of ULOs but Does Not Analyze Data on the Timeliness of Expenditures and Exceptions to Timelines under USAID Policy

USAID headquarters provides additional oversight of ULOs by monitoring the agency's overall pipeline, certifying ULOs for the Department of the Treasury, and recommending deobligations. However, USAID headquarters does not use available data to monitor ULOs and delayed expenditures, and lacks data on exceptions that have been granted to timelines for obligations and expenditures established in its forward funding policy. USAID policy states that ULOs must be monitored to ensure that the level of funding is consistent with USAID's forward funding guidelines and that balances are deobligated when no longer needed for the purposes for which they were initially obligated.[53] According to USAID policy, obligation managers conducting reviews of ULOs must consider for deobligation all situations where the activity budget exceeds what is necessary to meet activity objectives.

USAID regularly monitors the agency's overall pipeline to inform planning and allocation of resources, according to officials from USAID's Office of Budget and Resource Management. Additionally, USAID's Bureau for Management, Office of the Chief Financial Officer provides certification of ULOs to the Department of the Treasury, certifying that ULOs are valid and expenditures were supported by a proper obligation of funds.[54] Moreover, USAID uses management reports based on data from its financial system, Phoenix, to monitor ULOs. For example, USAID recently developed a monitoring tool, called the ULO Scorecard Report, to assist in identifying and deobligating funds that are no longer needed for the purpose for which they were obligated on a quarterly basis. The report provides details on ULOs for expired awards and obligations for which no payments have been made within the last 3 fiscal years.[55] The report also sorts ULO totals for all operating units—including missions, bureaus, and independent offices—into four categories: zero, up to $1,000, greater than $1,000 and up to $10,000, and greater than $10,000. USAID recommends that operating units deobligate ULOs for expired awards and obligations for which no payments have been made within the last 3 fiscal years or provide justification for why these balances need to be

[53]ADS 621.3.7.3.

[54]See criteria in 31 U.S.C. § 1501(a). The year-end closing statement breaks out the unpaid obligations by undelivered orders and accounts payable, reflecting pipeline on both an accrued basis and a cash basis (ADS 621.3.9).

[55]In November 2019, USAID's Office of Inspector General recommended that USAID identify obligations deemed to be no longer needed, or with no expenditures for 3 years. In response to this recommendation, USAID created an algorithm in Phoenix for reporting on obligation balances with no expenditures for 3 or more fiscal years.

maintained. The report includes a justification field for operating unit officials to fill in the reason why the balance cannot be deobligated.

USAID's ULO Scorecard Report shows approximately $62 million in ULOs for obligations for which USAID has not made payments during the last 3 fiscal years, as of March 31, 2020. However, the report does not show obligations with expenditures we consider to be delayed under USAID's forward funding policy—that is, expenditures not made by the end of the fiscal year after the year in which funds were obligated as anticipated under USAID's forward funding policy. According to USAID officials, the ULO Scorecard Report is intended to help USAID identify inactive awards and is not meant to be used as a forward funding tracking tool.

USAID does not otherwise analyze data from Phoenix to monitor expenditures we define as delayed under USAID policy, although it is possible to do so. For example, we used data from Phoenix to determine that $23 billion in expenditures from selected accounts for funds appropriated in fiscal years 2009 through 2017 may have been delayed under USAID policy.[56] By analyzing available data to track delayed expenditures, management can identify additional funds that may be candidates for deobligation, monitor changes in expenditures over time, and make comparisons across missions. Without this analysis, management will continue to lack information on the timeliness of expenditures under USAID policy and total amounts of obligations that may be available for deobligation and reobligation for other purposes.

USAID management also lacks information on the amount of obligations for projects that were granted exceptions to the timelines established in the forward funding policy. USAID's Chief Financial Officer (CFO) oversees all financial management activities related to USAID programs and operations.[57] Federal agency CFOs are required by law to maintain an integrated accounting and financial management system, including financial reporting and internal controls, that provides for (1) complete,

[56]These obligations had possibly delayed expenditures or no expenditures after the subsequent fiscal year of the year in which funds were obligated. Although we define these expenditures as delayed pursuant to USAID policy, these funds remain legally available for expenditure for the entire period of availability for obligation plus an additional 5 years after the end of the period of availability for obligation, in accordance with the account closure law. See 31 U.S.C. § 1552(a).

[57]ADS 620.2.

reliable, consistent, and timely information, which is prepared on a uniform basis and is responsive to the financial information needs of agency management; and (2) systematic measurement of performance.[58] GAO's *Standards for Internal Control in the Federal Government* states that the oversight body should oversee the entity's internal control system. The entity determines an oversight structure to fulfill responsibilities set forth by applicable laws and regulations and relevant government guidance.[59] In addition, it states that management should use quality information to achieve the entity's objectives. Management uses quality information to make informed decisions and evaluate the entity's performance in achieving key objectives. We found that as much as $23 billion in expenditures may have been delayed under the timelines established in USAID's forward funding policy, but because USAID lacks a method for identifying projects that have been granted exceptions to this policy, we were not able to determine a precise amount.

USAID's CFO has limited visibility into the aggregate number of exceptions granted from the timelines established in USAID's forward funding policy for USAID projects globally because mission controllers process and document exceptions to the forward funding timelines at the mission operating unit level, where directors are authorized to approve exceptions if compelling reasons exist. This decentralized information is only available at the operating unit level and is not provided to USAID's CFO unless requested, according to controllers at the USAID missions in Egypt, Haiti, and Tanzania. When asked for a broad estimate of the percentage of obligations per year with exceptions to the timelines established in the forward funding policy, officials in the Office of the CFO told us that this information is not aggregated at the agency level. The data needed to generate such an estimate are not readily available in USAID's financial data system, and USAID's CFO has not asked operating units to provide this information regularly through other means. Without routinely gathering and analyzing information on exceptions, USAID cannot determine the magnitude of exceptions, and thus lacks accurate data to determine the timeliness of expenditures. Such information would enable USAID to make more informed resource decisions.

[58]31 U.S.C. § 902(a)(3)(D).

[59]GAO-14-704G: 2.01-2.02, 13.01.

Officials Cited Various Factors That Contribute to Expenditure Delays and Excess ULOs, and USAID Has Taken Some Steps to Manage Them

Mission Officials Cited Several External Factors as Contributing to Expenditure Delays and That May Contribute to Excess ULOs under USAID Policy

USAID officials at three missions—in Tanzania, Haiti, and Egypt—cited a range of external factors that contribute to delays in project implementation and may contribute to excess ULOs under USAID policy.[60] These factors include political changes in the host government, economic conditions, natural disasters, and security threats. USAID officials also confirmed factors listed in USAID's forward funding policy that pertain to their ongoing projects and could result in unutilized funding.[61] For more information on these factors, see appendix III.

Political Changes in the Host Government

Obligation managers and implementing partners in Tanzania, Haiti, and Egypt all cited various political changes in the host government as a reason for expenditure delays that may result in excess ULOs. Expenditure delays may help identify whether excess ULOs exist, but expenditure delays do not necessarily mean that ULOs are excess.

- *Tanzania.* A new law passed by the government of Tanzania in 2018 caused implementation delays and slow progress for a democracy and governance project, according to the obligation manager for the award. The new law required all implementing partners to register as nongovernmental organizations instead of businesses. The government's approval process was lengthy, taking almost 9 months

[60]Although we define these expenditures as delayed pursuant to USAID policy, the funds remain legally available for expenditure for the entire period of availability for obligation plus an additional 5 fiscal years after the end of the period of availability for obligation, in accordance with the account closing law. See 31 U.S.C. §§ 1552(a), 1553(a).

[61]See ADS 621.3.7.4 for circumstances that may result in excess funding.

to obtain a valid registration and work permit, according to the Chief of Party for the implementing partner.

- *Haiti.* One of USAID's democracy and governance projects in Haiti could not accomplish all of its deliverables on time because of political instability. For example, an implementing partner cited the political instability in Haiti in 2019 as severely impacting the momentum of the partner's democracy assistance activities. Specifically, a vote on the penal code was scheduled to begin in the Haitian Senate in February 2019 but was postponed several times because of the instability, according to the partner. As a result, the partner, in coordination with USAID, modified its contract by reducing the number of entities served and eliminating a requirement related to the passage of the penal procedural code.
- *Egypt.* New Egyptian government priorities and personnel caused one USAID education project to change its scope, delaying progress toward agreed-upon milestones, according to the implementing partner. The Chief of Party for an implementing partner told us how difficult it was to gain approval from the Egyptian government's Ministry of Education to change the curriculum and instruction process for a program with a new focus. New personnel in the Ministry of Education also had to approve the replacement of a retiring Dean, which took much longer than expected, according to the Chief of Party.

Economic Conditions and Natural Disasters

Economic conditions and natural disasters can both result in expenditure delays and increases in ULOs. According to USAID officials in Egypt, changing economic conditions enabled a project to expand its scope. Specifically, when the Egyptian currency was devalued in 2017, the implementing partner for USAID's Higher Education Initiative was able to target more students for scholarships with the same amount of money. Expanding the project's scope increased implementation timelines and delayed expenditures, but ultimately enabled USAID to provide assistance to more Egyptian students. Figure 9 shows some of the Egyptian scholarship recipients.

Figure 9: Egyptian Students Who Received Scholarships as Part of USAID's Higher Education Initiative

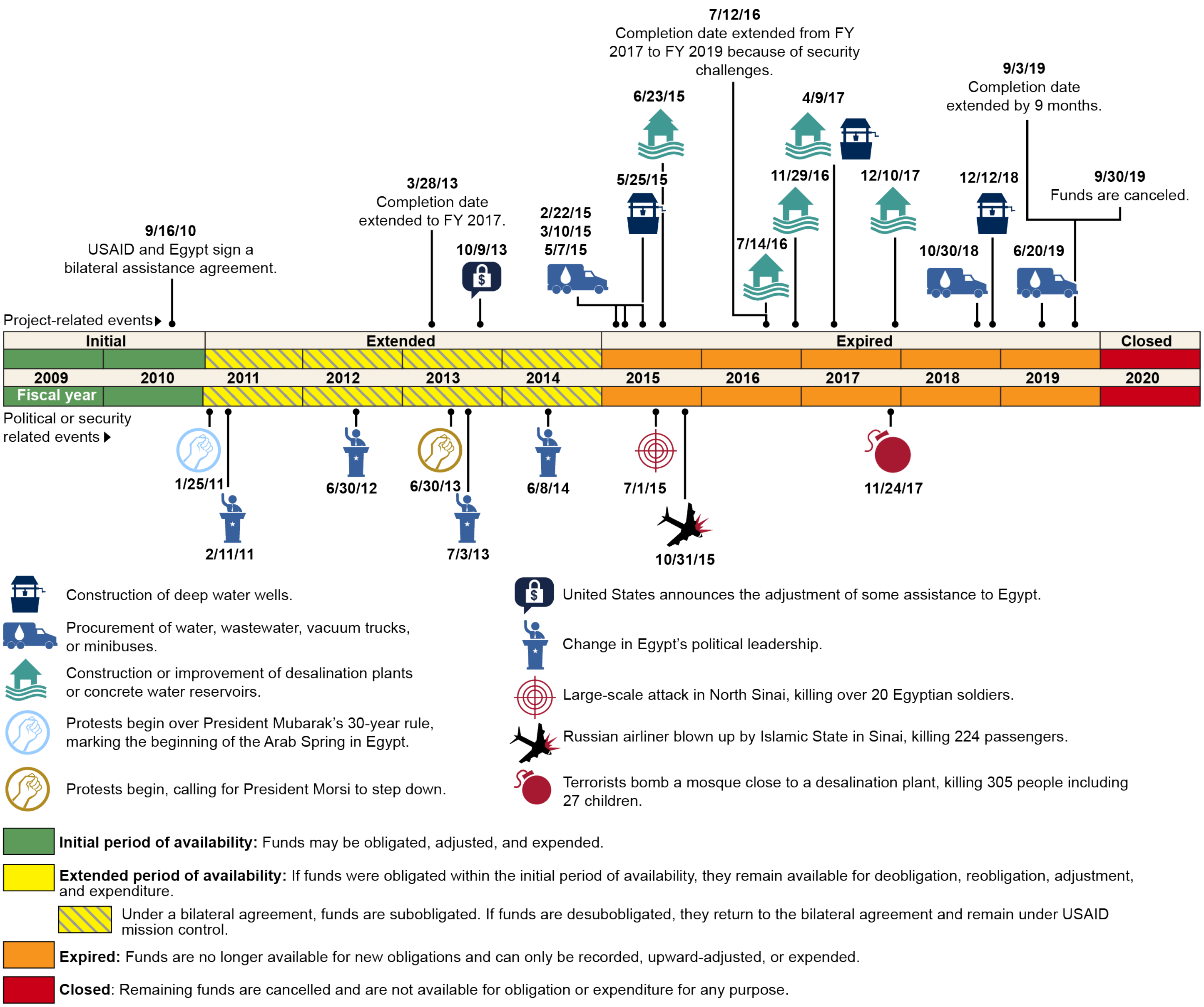
Source: GAO. | GAO-21-51

Various natural disasters in Haiti also caused implementation delays. For example, the 2010 earthquake, followed by two hurricanes, caused one of USAID's global health projects to reprogram funds in order to repair a damaged health facility, causing significant delays in the original project time frames. In addition, the depreciation of the Haitian currency, fuel shortages, and gang-related roadblocks after the disasters limited humanitarian access to vulnerable populations, according to USAID. One implementing partner told us that because of fuel shortages and other factors, it reduced its number of deliveries of relief commodities, including hygiene kits and water containers, and as a result, its ULOs for the appropriation account funding the implementing partner's activities increased.

Security Threats

USAID officials in Haiti and Egypt cited security threats as contributing to implementation challenges. In Haiti, starting in July 2018, increased civil unrest and security issues caused the pace of project implementation to slow. Security restrictions and instability in most of the country caused major disruptions to the timelines for several of USAID's activities, according to the Mission Controller. In Egypt, security threats and a range of other factors led to significant delays in ESF expenditures for the construction of deep water wells and desalination plants in North Sinai, and about 10.7 percent of the total cost for the initiative was cancelled after 11 years. See figure 10 for the timeline of events.

Figure 10: Timeline of USAID/Egypt's ESF-Funded North Sinai Initiative, Based on USAID's Funding Life Cycle under a Bilateral Agreement, Fiscal Years 2009–2019



Legend: ESF = Economic Support Fund; FY = fiscal year; USAID = U.S. Agency for International Development.

Source: GAO analysis of USAID's life cycle for selected foreign assistance funds, GAO definitions in GAO-05-734SP, and USAID's descriptions of political or security events. | GAO-21-51

USAID Officials Also Attributed Expenditure Delays and Increased ULOs to Internal Factors

Staffing

According to officials at the USAID mission in Haiti, low staffing levels and lack of staff with relevant expertise in large-scale procurement contributed to delays in project implementation. According to the officials, in 2016, the mission's Foreign Service staffing levels were only at 23 percent of authorized full-time equivalent staff. According to a senior USAID official, USAID's pipeline grew while it was unable to find qualified staff to fill the vacant positions. USAID recognized the deficiency and brought in a large number of temporary duty staff to help reduce the monthly pipeline. By 2018, the average monthly pipeline had declined from 45 months to 16 months, according to the official. By March 31, 2020, USAID had obligated over $2 billion in DA, ESF, and GHP funds appropriated in fiscal years 2009 through 2019 for foreign assistance projects in Haiti, of which about $191 million (9 percent) remained unliquidated.[62] In April 2020, the USAID mission in Haiti had 42 percent of the total allowable full-time equivalent staff.

Implementation Plans

As we have previously reported, unrealistic or overstated implementation planning has been a major underlying cause of overestimates that lead to excess pipelines of foreign assistance funds.[63] According to some USAID officials, obligation managers have been overly ambitious when planning implementation and expenditure schedules, in some cases. For example, in the wake of the Arab Spring, the Egyptian American Enterprise Fund (EAEF) had an implementation plan to purchase a bank in Egypt that would lend money to small and medium-sized enterprises.[64] After completing due diligence on the bank by hiring a large U.S. accounting firm to review the bank's financial situation, the Egyptian Central Bank rejected EAEF's plan. As a result, EAEF, in coordination with USAID, had

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[62]For our past work on Haiti's reconstruction efforts, see GAO, *Haiti Reconstruction: USAID Has Achieved Mixed Results and Should Enhance Sustainability Planning,* GAO-15-517 (Washington, D.C.: June 3, 2015).

[63]See GAO, *Foreign Assistance: Funds Obligated Remain Unspent for Years,* GAO/NSIAD-91-123 (Washington, D.C.: Apr. 9, 1991).

[64]Since 2013, USAID has obligated $300 million to EAEF to generate financial returns and promote socioeconomic development in Egypt.

to consider other investment options, such as consumer finance.[65] Since 2015, EAEF has expanded its portfolio further into education, healthcare, and agriculture. However, as of June 21, 2020, $85.4 million of the $300 million that USAID obligated for EAEF activities had not yet been liquidated.[66]

Reform Initiatives and Strategies

According to USAID officials, efforts to repurpose funding for reform initiatives have also resulted in some expenditure delays and increased ULOs. For example, in October 2018, USAID's Office of Budget and Resource Management (BRM) established a working group to review pipeline resources across all missions and operating units to identify countries and regions where investments in foreign assistance had not yielded results that support U.S. foreign policy objectives. The working group developed options that recommended reprogramming up to $824 million in foreign assistance funds allocated to the USAID missions in eight countries[67] to support reform initiatives such as *USAID's New Partner Initiative or the Indo-Pacific Strategy*.[68] During the review, some of these missions continued to obligate these resources, according to BRM, but others did not. For example, officials at the USAID mission in Tanzania identified approximately $73 million in DA and GHP funds appropriated in fiscal years 2014 through 2017 for the review and did not obligate or subobligate these funds because they believed BRM's permission was needed to do so. At BRM's instruction, in April 2019, the USAID mission in Tanzania shifted approximately $11 million of previously obligated funding to benefit the *New Partnership Initiative and*

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[65]See GAO, *Enterprise Funds: Egypt and Tunisia Funds Are Established; Additional Steps Would Strengthen Compliance with USAID Grant Agreements and Other Requirements,* GAO-15-196 (Washington, D.C.: Feb. 2, 2015).

[66]USAID's assistance to EAEF is based on special legal authorities. The most recent authority in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 extended EAEF's authority to provide assistance until December 31, 2028 (Pub. L. No. 115-141, Div. K, Title VII, § 7034(o)(2)). These special authorities and the terms of USAID's grant agreement with EAEF gave special authorities and broad discretion for the board to decide when it was prudent to utilize its seed capital.

[67]The missions were located in Afghanistan, Burma, Egypt, Libya, Nigeria, Pakistan, South Sudan, and Tanzania.

[68]The *New Partnership Initiative* aims to diversify USAID's partner base and modes of partnership. The *Indo-Pacific Strategy* aims to promote a free and open Indo-Pacific region by advancing a shared vision.

Power Africa, including about $3 million that had to be desubobligated from ongoing projects with implementing partners.

By the time of our February 2020 site visit, almost 1.5 years after the working group's review began, the USAID mission in Tanzania's overall pipeline had increased and approximately $51.5 million was pending reprogramming, according to a senior official at the mission. Meanwhile, officials at the USAID mission in Pakistan identified approximately $347 million as part of a different review and reprogrammed $41 million of it, to support the *Indo-Pacific Strategy*.[69] According to BRM officials, there was no formal hold on obligations. In April 2020, BRM notified the Africa Bureau to allow Tanzania and Nigeria to proceed with obligating funds that were part of the review or make pipeline shifts, as necessary.

USAID Has Taken Some Steps to Manage Delays in Expenditures

Scope and Funding Changes

USAID obligation managers at the USAID missions in Egypt, Haiti, and Tanzania told us they discuss timelines for delayed expenditures with implementing partners; make adjustments to project scope, as needed; and identify funding that can be deobligated. For example, in order to protect elephant populations in certain areas of Tanzania from illegal poaching and ivory trade, the obligation manager for a Wildlife Conservation project revised the scope of a stalled project by repurposing some of its funding for an anti-trafficking detection dog program. In addition, as a result of the recommendations in a whole-of-project evaluation of Tanzania's Natural Resources Management Project,[70] the obligation manager reduced the overall total estimated cost of the project by $1 million, obtained an exception to the timelines set forth in USAID's forward funding policy in order to have more time to revise the scope of the project, and extended the period of performance by 3 years.

Automated Deobligation Tool

In late 2013, USAID launched an automated deobligation tool that identifies ULOs to be deobligated through an automated batch (mass) deobligation process executed in the Phoenix financial system and the

[69]Most of the USAID mission in Pakistan's $41 million in reprogrammed funds were ESF funds appropriated in fiscal year 2014.

[70]ECODIT, LLC, *Tanzania Whole-of-Project Evaluation (WOPE) of the Natural Resources Management Project*, a final evaluation report prepared at the request of the U.S. Agency for International Development, Nov. 22, 2017.

Global Acquisition and Assistance System on a quarterly basis. The tool allows users to more easily review batches of obligations and then deobligate certain obligations and subobligations with a value of up to $10,000, according to USAID officials. Since it was launched, USAID has deobligated through the application approximately $179 million in obligations made from October 2013 through May 2020.

Conclusions

USAID manages tens of billions of dollars in foreign assistance funding to support international development projects. For certain foreign assistance appropriation accounts, USAID generally has up to 11 fiscal years to liquidate, or expend, funds that are obligated in their initial period of availability. USAID policy anticipates that funds obligated will be expended by the end of the fiscal year after the fiscal year in which they are obligated, with some exceptions. We found $23 billion in obligations may have had delayed expenditures of funds appropriated in fiscal years 2009 through 2017. However, USAID's policy for determining the relevant obligation date to calculate forward funding timelines is unclear, which has led officials to implement the policy inconsistently. Clarifying USAID's policy would help ensure that USAID officials are implementing it as intended and would allow USAID to better compare the timeliness of expenditures across the missions and bureaus that manage funding.

Moreover, although USAID headquarters provides some oversight of ULOs, it is not analyzing financial data to identify expenditures that occur after the end of the fiscal year following the fiscal year of obligation. Further, USAID lacks centralized aggregate information on the nature and extent of exceptions granted to the timelines established in its forward funding policy. Gathering and analyzing data on the timeliness of expenditures and exceptions granted would better enable USAID to identify missions and bureaus that are experiencing challenges managing their funds. Such analysis could also help identify more funds that may be deobligated and reobligated to be used for other purposes.

Recommendations for Executive Action

We are making the following three recommendations to USAID:

The Administrator of USAID should revise USAID's policy to clarify whether the date of obligation or subobligation should be used as the standard for calculating forward funding. (Recommendation 1)

The Administrator of USAID should analyze financial data on the timeliness of expenditures. (Recommendation 2)

The Administrator of USAID should routinely gather and analyze data on exceptions granted to the timelines established in USAID's forward funding policy. (Recommendation 3)

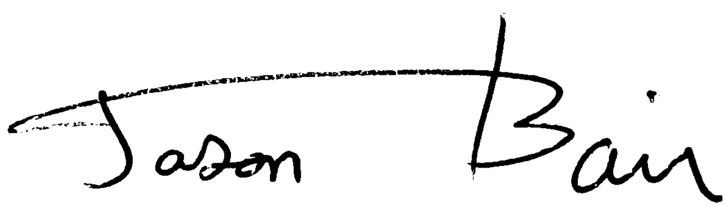
Agency Comments and Our Evaluation

We provided a draft of this report to USAID for comment. USAID provided written comments, which are reproduced in appendix IV. USAID also provided technical comments, which we incorporated as appropriate.

USAID generally agreed with our three recommendations. However, with respect to our third recommendation, USAID believes that analyzing data on exceptions centrally will add minimal value because USAID missions make programmatic decisions and exceptions of this nature on the basis of their understanding of the local context and information available within the operating unit. We continue to believe that routinely analyzing information on exceptions from across USAID's missions would provide USAID's CFO with valuable information on the nature and frequency of exceptions granted. Such analysis could further enhance USAID's ability to provide necessary oversight of funding and make more informed resource decisions.

We are sending copies of this report to the appropriate congressional committees, the Administrator of USAID, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-6881 or bairj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.



Jason Bair
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report examines (1) what U.S. Agency for International Development (USAID) data show about unliquidated obligations (ULO) in foreign assistance accounts for funds appropriated in fiscal years 2009 through 2019, (2) the extent to which expenditures in selected accounts appropriated in fiscal years 2009 through 2017 were timely or delayed under the timelines established in USAID's policy on forward funding, (3) the extent to which USAID monitors ULOs and the timeliness of expenditures, and (4) factors that USAID cites as contributing to expenditure delays and excess ULOs and steps taken to manage them.

For all four objectives, we reviewed agency policies and procedures; analyzed agency documentation, including financial reports, annual certifications, and Inspector General reports; and interviewed USAID officials in Washington, D.C.; Egypt; Haiti; and Tanzania.

To describe ULOs in foreign assistance accounts, we analyzed data from USAID's Phoenix database on total allocations, obligations, unobligated balances, expenditures, ULOs, and cancelled funds for all USAID-managed foreign assistance accounts appropriated in fiscal years 2009 through 2019, as of March 31, 2020.[1] Our analysis was limited to program funds and excluded operating expenses, such as salaries and other administrative costs. We further analyzed ULOs and cancelled funding data for the three accounts with the largest amounts of ULOs from funds appropriated in fiscal years 2009 through 2019[2]—Development Assistance (DA), Economic Support Fund (ESF), and Global Health Programs (GHP).[3] We did not conduct further analysis of other accounts, such as International Disaster Assistance, because they had lower amounts of ULOs and some of these accounts' appropriations remain

[1]Phoenix is USAID's web-based financial management system.

[2]We selected fiscal years 2009 through 2019 because USAID generally has up to 11 fiscal years from the enactment of the appropriations law to liquidate, or expend, funds from certain foreign assistance accounts. For example, USAID may have until the end of fiscal year 2019 to expend funds appropriated in fiscal year 2009. We also analyzed data on canceled foreign assistance funding by the end of each fiscal year from 2009 through 2020, regardless of when the funds were appropriated.

[3]For Global Health Programs, we included data for both the (1) Global Health and Child Survival fund and the (2) Child Survival and Health Programs fund.

available until expended.[4] For each of these three accounts, we analyzed obligation, expenditure,[5] and ULO data by country to determine those countries with the highest ULOs for funds appropriated in fiscal years 2009 through 2019, as of March 31, 2020. To assess the reliability of Phoenix data, we reviewed the system's data dictionary, descriptions of its technical architecture, and a training presentation; interviewed knowledgeable officials, such as data analysts, contractors, and mission controllers; and obtained written answers to our questions about the data. We also tested Phoenix data manually by comparing selected activity extracts to similar data published on USAID's *Foreign Aid Explorer*.[6] We determined that the data extracts matched the dashboard's publically available data. On the basis of these steps, we determined that the data were sufficiently reliable for the purpose of analyzing and describing funding and ULO data for USAID's foreign assistance accounts for our chosen time frame.

To determine the extent to which expenditures in selected accounts appropriated in fiscal years 2009 through 2017 were timely or delayed, we reviewed USAID's forward funding policy and developed a definition of

[4]The other foreign assistance accounts and related programs managed by USAID include Andean Counterdrug Initiative; Assistance for Europe, Eurasia, and Central Asia; Assistance for N.I.S. of Former Soviet Union; Central America–Caribbean Emergency Disaster; Commodity Credit Corporation; Commodity Credit Corp Title II and III; Complex Crises Fund; Democracy Fund; Development Credit Authority; Diplomatic and Consular Programs; Gifts and Donations; Global Fund to Fight HIV/AIDS; Global HIV/AIDS Initiative; HIV/AIDS Working Capital Fund; International Disaster Assistance; Loan Guarantee to Egypt; Loan Guarantees to MENA–Financing Account; Millennium Challenge Corporation; Special Assistance Initiatives; and Transition Initiatives.

[5]This is the definition of "expenditure" in GAO's A Glossary of Terms Used in the Federal Budget Process, GAO 05 734SP (Budget Glossary), which is promulgated pursuant to federal law. The law requires the Comptroller General to publish standard terms and classifications for the government's fiscal, budget, and program information, in cooperation with the Secretary of the Treasury and the Directors of the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) (31 U.S.C. § 1112). USAID's ADS defines "expenditures" differently, as the sum total of disbursements and accruals (that is, the estimated cost of goods and services received but not yet paid) in a given time period. When obtaining data for this report, we used the definition of expenditures in GAO's Budget Glossary. Therefore, the estimates of expenditures throughout this report include disbursements, but may not include accruals.

[6]The *Foreign Aid Explorer* is a publicly available website that shows comprehensive, aggregate historical (1946–2000) and disaggregated (2001–the present) obligation and expenditure data on more than 20 U.S. government agencies implementing foreign assistance. U.S. Agency for International Development, *Foreign Aid Explorer*, accessed October 16, 2020, https://explorer.usaid.gov/.

timely and possibly delayed expenditures based on these policies. We defined timely expenditures as those that were made by the end of the fiscal year following the fiscal year in which the funds were obligated, and delayed expenditures as those that were made, or had yet to be made, after the fiscal year following the fiscal year in which the funds were obligated.[7] We validated these definitions with cognizant USAID officials working in headquarters and missions. We obtained Phoenix data that compared obligation and expenditure dates for all activities funded by the ESF, DA, and GHP accounts from fiscal years 2009 through 2019 appropriations.[8] We further analyzed the data and excluded from our analysis obligations made from fiscal years 2018 and 2019 appropriations because, as of March 31, 2020, for many of those funds it was too soon to determine whether expenditures made from a majority of these obligations were timely or not. We based our analysis on (1) subobligations made under bilateral agreements and (2) obligations for projects in countries without bilateral agreements. We analyzed the data to determine the amount and percentage of obligations that were expended in what we define as a timely or delayed manner for our selected accounts (DA, ESF, and GHP), and for funds managed at missions versus headquarters. Using the steps we described above, we determined that Phoenix data were sufficiently reliable to determine the proportion of obligations with timely expenditures, on the basis of USAID's forward funding policy.

We also determined the amount and percentage of possible expenditure delays on the basis of USAID's forward funding policy. The actual amount of delayed expenditures under USAID policy may be less than our estimate because our calculation likely includes expenditures and ULOs for activities that have been granted exceptions to USAID's forward funding policy and may also include goods and services received but not yet recorded as actual expenditures (accruals). In the absence of centralized data on the nature and value of exceptions that were granted,

[7]Although we define these expenditures as delayed pursuant to USAID policy, these funds remain legally available for expenditure for the entire period of availability for obligation plus an additional 5 fiscal years after the end of the period of availability for obligation, in accordance with the account closing law. See 31 U.S.C. §§ 1552(a), 1553(a).

[8]USAID analyzed these data for the time elapsed from obligation to expenditure and separated expenditures made by the end of the fiscal year following the fiscal year of obligation from those made after the end of the fiscal year following the fiscal year of obligation. Expenditures made by the fiscal year subsequent to the fiscal year of obligation could have taken place any time from 12 months to 24 months after the initial obligation of funds, while expenditures made after the fiscal year subsequent to the fiscal year of obligation could have taken place 25 months or more from the date of obligation.

we cannot estimate how much less the actual amount might be. These exceptions include participant training and construction activities, among others. According to USAID officials, Phoenix cannot differentiate activities that have been granted exceptions to the timelines established in the forward funding policy, which means the data are not reliable for determining a precise amount of obligations with possibly delayed expenditures. However, factoring in this limitation, we determined that USAID's Phoenix data were sufficiently reliable for the purpose of generating an estimate of the proportion of obligations with expenditures we define as possibly delayed under USAID policy.

To determine the extent to which USAID monitors ULOs and the timeliness of expenditures under USAID policy, we reviewed monitoring reports, such as annual certifications of ULOs and validity of obligations, and memoranda authorizing exceptions to the timelines established in USAID's forward funding policy. We compared the actions taken to monitor ULOs at selected missions with *Automated Directives System* (ADS)[9] requirements and compared USAID headquarters' oversight of missions' ULO reviews with federal internal control standards.[10] We determined that the control activities, control environment, and information and communication components of internal control were significant to our objectives, along with the underlying principles that management should implement control activities through policies, the oversight body should oversee the entity's internal control system, and management should use quality information to achieve the entity's objectives.

At selected missions, we examined the most recent quarterly pipeline reports by program, award, and activity dates and interviewed the mission's controller, deputy controller, resident legal advisor, financial analysts, and obligation managers responsible for creating the reports and conducting quarterly financial reviews. We also reviewed guidance checklists, mission orders, forward funding analysis worksheets, and other relevant documentation. In headquarters, we interviewed officials from USAID's Office of Budget and Resource Management, and Office of the Chief Financial Officer to understand their oversight of ULOs and the

[9]ADS is USAID's operational policy that contains the organization and functions of USAID, along with the policies and procedures that guide the agency's programs and operations. Among other things, ADS contains internal policy directives, required procedures, external regulations applicable to USAID, and both mandatory and non-mandatory guidance to help employees interpret and properly apply internal and external mandatory guidance.

[10]GAO-14-704G.

timeliness of expenditures. While ADS currently requires that USAID provide to the Department of the Treasury an annual certification of obligated balances, which includes ULOs, USAID officials stated that this information is now provided quarterly through an automated data system and that ADS is under revision to reflect this change.

To describe the factors that USAID cites as contributing to delayed expenditures and possible excess ULOs and the steps USAID has taken to manage them, we reviewed documentation for a judgmental sample of seven projects at three USAID missions, and interviewed mission officials about their operating units' project portfolios. We selected projects with large amounts of ULOs for DA, ESF, or GHP funds appropriated in fiscal years 2009 through 2011, covering a variety of sectors (e.g., water, infrastructure, and higher education). We selected USAID missions in Egypt, Tanzania, and Haiti because USAID data showed that these countries had high amounts of cumulative ULOs for funds appropriated in fiscal years 2009 through 2017, particularly in the ESF, DA, and GH accounts. We also selected these missions to provide broad geographic representation and because officials that handle financial management for each of these missions are located on-site.

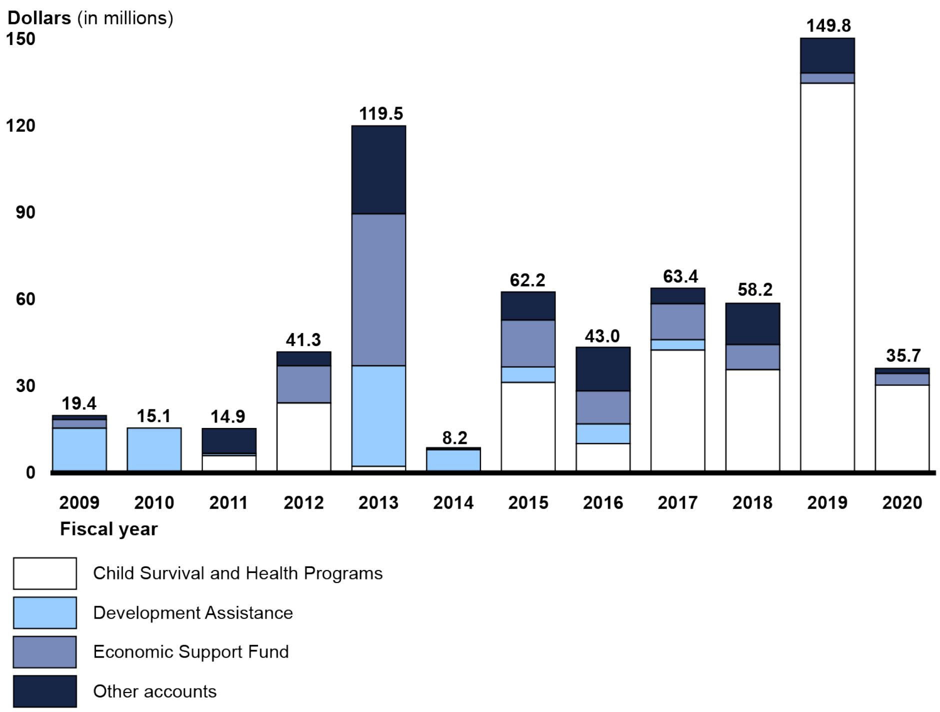
During fieldwork, we interviewed mission controllers, deputies, and other financial management and program officials; reviewed financial data, some bilateral agreements, and reprogramming memoranda; and convened roundtable discussions with obligation managers. In addition, we interviewed or obtained written answers to our questions from implementing partners of our selected projects. We completed in-person site visits to the USAID missions in Dar es Salaam, Tanzania, and Cairo, Egypt, in February 2020. Because of travel restrictions related to the COVID-19 pandemic, we conducted phone interviews with officials from the USAID mission in Port-au-Prince, Haiti, in March and April 2020. To better understand steps taken to mitigate excess ULOs, we also interviewed officials from USAID's Bureau of Budget and Resource Management and Office of the Chief Financial Officer.

We conducted this performance audit from July 2019 to December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate, evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: USAID's Cancelled Foreign Assistance Funding, Fiscal Years 2009 through 2020

As of November 16, 2020, the U.S. Agency for International Development (USAID) reported that approximately $630.8 million in foreign assistance funds had been cancelled in fiscal years 2009 through 2020.[1] Total cancelled funds ranged from a high of $149.8 million in fiscal year 2019 to a low of $8.2 million in fiscal year 2014, as shown in figure 11. Once balances are cancelled, the amounts are not available for obligation or expenditure for any purpose. An account available for a definite period (fixed appropriation account) is closed and any remaining balance is cancelled 5 fiscal years after the period of availability for obligation ends.[2] The amount of cancelled funds from Child Survival and Health Programs, Development Assistance, and Economic Support Fund appropriation accounts in fiscal years 2009 through 2020 totaled about $527 million (83 percent of total cancelled funds).

Figure 11: Amount of Cancelled Foreign Assistance Funding by the End of Each Fiscal Year from 2009 through 2020



Source: GAO analysis of U.S. Agency for International Development data. | GAO-21-51

Note: The amount shows cancelled funds regardless of when the funds were appropriated.

[1]The total includes all cancelled foreign assistance funds by the end of each fiscal year, regardless of when the funds were appropriated.

[2]See 31 U.S.C. § 1552(a).

Appendix III: USAID Officials at Three Missions Cite Many Circumstances Listed in USAID Policy That May Result in Excess Funding

The U.S. Agency for International Development's (USAID) Automated Directives System (ADS) lists 20 circumstances that may result in excess funding.[1] These circumstances describe

- situations where the activity budget exceeds what is necessary to meet activity objectives,
- situations involving troubled and marginally progressing activities, and
- situations reflecting that remaining funding balances are no longer needed.

We provided 14 obligation managers at the USAID missions in Egypt, Haiti, and Tanzania with a list of 20 circumstances and asked them to identify each one that applies to their ongoing programs. For 12 of the 20 circumstances, at least one of the USAID officials confirmed that the circumstance was applicable to their ongoing programs, as shown in table 4.

Table 4: Circumstances Listed in USAID Policy That May Result in Excess Funding and Are Applicable to Ongoing Programs, According to Obligation Managers in Three Countries

Situations where the activity budget exceeds what is necessary to meet objectives		
1.	When the planned activity can be accomplished with less than the funds budgeted	X
2.	When significant funds will remain at the completion date because of slow or non-implementation of activities and extending the date may be unjustified	X
Situations involving troubled and marginally progressing activities		
3.	The activity has gone off course and is no longer effective or meeting objectives	
4.	The activity has had serious longstanding (2 years or more) implementation problems	X
5.	Activity implementation progress is deemed excessively slow	X
6.	Delays in implementation preclude achievement of the activity purpose	X
7.	Extended delays in accomplishing initial implementation actions, such as meeting conditions, or inability to reach agreement on final activity design	X
8.	Activity is seriously underachieving critical outputs such that the attainment of activity objectives appear unlikely	
9.	There has been an unfavorable change in the activity purpose assumptions	
10.	Mistaken environmental assumptions for the activity result in marginal progress or effectiveness	X
11.	The cooperating country has failed to use the funds and provide required management attention to the activity	
12.	Demand for activity funds did not materialize to the degree and over the time frame envisioned in the activity agreement (private enterprise-type activities)	X
13.	Activity is deemed unlikely to be sustained by the host country upon completion	

[1]See ADS 621.3.7.4.

14.	Activity cannot be completed on time because of uncontrollable circumstances, such as continuing hostilities in the activity area	X
15.	Activity no longer conforms to agency policies and goals, or country and sector strategy and redesign prove unsuccessful or not worth the effort	X
Situations may also reflect that remaining balances are no longer needed		
16.	The unliquidated balance has remained unchanged for 12 months or more and there is no evidence of receipt of services/goods during that same period	X
17.	A travel authorization has been outstanding for 6 months or longer and a balance remains	
18.	A private training vendor has not provided a bill within 6 months of training dates	
19.	Funds remain on a miscellaneous obligation for more than 12 months after the planned completion date	X
20.	The final travel voucher for home service transfer allowances has been submitted and paid	

Legend: X = identified by USAID obligation managers as applicable to ongoing programs

Source: GAO and the U.S. Agency for International Development's (USAID) Automated Directives System, 621.3.7.4. | GAO-21-51

Appendix IV: Comments from the U.S. Agency for International Development

Jason Bair
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20226

Re: FOREIGN ASSISTANCE: *USAID Should Analyze Data on the Timeliness of Expenditure*(GAO-21-51)

Dear Mr. Bair:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, FOREIGN ASSISTANCE: *USAID Should Analyze Data on the Timeliness of Expenditure* (GAO-21-51).

As responsible stewards of U.S. taxpayer resources, USAID understands the importance of managing funding pipelines to ensure that funds are used for their intended purposes in the most efficient and timely manner. We use a myriad of tools to promote strong financial management practices and continuous oversight and monitoring of unliquidated obligations (ULO), as GAO-21-51 found. In accordance with the Agency's delegation and organizational structure, many of these tools are embedded in the internal control processes within the operating units domestically and overseas. Some examples are the routine financial and pipeline reviews, forward funding analyses and regular monitoring of implementers' spending and work plans. In addition, the Automated Deobligation Application has improved the efficiency of deobligation processing, and the Unliquidated Obligations (ULO) Scorecard Quarterly Report has assisted in identifying and deobligating funds that are no longer needed for the purpose for which they were obligated. Furthermore, the agency provides an annual certification to the Department of the Treasury on the validity of obligation balances in each appropriation account. That said, the Agency has acknowledged limited gaps and will address the findings as recommended by GAO.

I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of our ULOs.

Sincerely,

Frederick M. Nutt

November 9, 2020

Frederick M. Nutt
Assistant Administrator

COMMENTS BY THE U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT ON THE DRAFT REPORT PRODUCED BY THE U. S. GOVERNMENT ACCOUNTABILITY OFFICE (GAO) ENTITLED, "*USAID Should Analyze Data on the Timeliness of Expenditures*" (GAO-21-51)

The U.S. Agency for International Development (USAID) would like to thank the U.S. Government Accountability Office (GAO) for the opportunity to respond to this draft report. We appreciate the extensive work of the GAO engagement team, and the specific findings that will help USAID achieve greater effectiveness in monitoring the Agency's unliquidated obligations.

The draft report contains the following three recommendations for USAID's action.

> **Recommendation 1**: The Administrator for USAID should ensure that the Bureau for Management, Office of the Chief Financial Officer revises USAID's policy to clarify whether the date of obligation or subobligation should be used as the standard for calculating forward funding.
>
> **USAID Response**: USAID accepts this recommendation. In the context of bilateral agreements, the commonly used practice is to establish forward funding limits at the subobligation level, consistent with the level at which funds are obligated to activities in the form of contracts and agreements. However, we acknowledge that because this is not clearly stated in the Agency's Automated Directive Systems (ADS), this could be a source for confusion. Therefore, USAID will update the relevant policy to clarify this requirement.
>
> **Recommendation 2**: The Administrator for USAID should ensure that the Bureau for Management, Office of the Chief Financial Officer analyzes financial data on the timeliness of expenditures.
>
> **USAID Response**: USAID accepts this recommendation. While recognizing that the Agency must continually analyze financial data on the timeliness of expenditures, we believe this analysis, within the context of a largely decentralized Agency, is the primary responsibility of program managers in individual operating units. Several tools are widely used by the operating units for this purpose, as highlighted on page 20 - 21 of the report. However, in accepting this recommendation, we agree that a high-level analysis provides important oversight and monitoring of Agency financial performance. To that end, USAID's Office of the Chief Financial Officer will emphasize the utilization of existing analysis and reporting tools for this purpose.

Recommendation 3: The Administrator for USAID should ensure that the Bureau for Management, Office of the Chief Financial Officer routinely gathers and analyzes data on exceptions granted to the timelines established in USAID's forward funding policy.

USAID Response: USAID accepts this recommendation that granted exceptions should be routinely analyzed. However, centralizing this process will likely not provide the Agency with improved decision-making capabilities. This recommendation requires USAID Missions to spend time and resources to report this qualitative data, with additional effort required from headquarters to compile and analyze these exceptions. We believe that this central process will add minimal value overall because programmatic decisions and exceptions of this nature are made by Missions based on their understanding of the local context and information available within the operating unit.

Foreign assistance funding by its nature is a multidisciplinary activity spread across multiple Bureaus and technical functions within USAID; therefore, the Administrator should be given the flexibility to assign this action as appropriate.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Jason Bair, (202) 512-6881 or bairj@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Drew Lindsey (Assistant Director), Julia Ann Roberts (Analyst in Charge), Eddie Uyekawa, Debbie Chung, Christopher Keblitis, Ashley Alley, Martin De Alteriis, and Christina Wentworth made key contributions to this report.

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