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The President's Commission on the Management of A.I.D. Programs

A Progress Report

September 30, 1992

THE PRESIDENT'S COMMISSION ON THE MANAGEMENT OF A.I.D. PROGRAMS

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WASHINGTON, D.C. 20523-0062

September 29, 1992

The Honorable Lawrence Eagleburger
Acting Secretary of State
Department of State
Washington, DC 20520

Dear Mr. Secretary:

I am pleased to transmit a progress report and findings by The President's Commission on the Management of the Agency for International Development (AID) Programs.

My fellow Commissioners and I have reviewed AID's progress in implementing the recommendations from our April 16, 1992 Report to the President - An Action Plan.

AID has agreed with all but two of the Commission's 25 management recommendations. This indicates a high degree of concurrence and reflects a positive attitude. However, the implementation of the accepted recommendations is getting off to a slow start. AID has now begun to focus and has committed to moving forward on the agreed recommendations, as reflected in a recent detailed written response to the Commission.

The Commission is mindful of the many internal and external pressures upon the Agency to reform, but an Agency history of solemn promises of action, often not followed by early results, means continued monitoring is advisable.

We have appreciated the opportunity to be of service and hope that this progress report is useful to you.

Yours sincerely,

George M. Ferris, Jr.
Chairman

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ACRONYMS

AA	Assistant Administrator
AD	Administratively Determined
AID	Agency for International Development
AID/W	Agency for International Development, headquarters in Washington, D.C.
AWACS	AID/Washington Accounting and Control System
CDIE	Center for Development Information and Evaluation
CIMS	Contract Information Management System
COO	Chief Operating Officer
CP	Congressional Presentation
DA	Development Assistance funds
DAD	Design and Deliver Contract
DAP	Design and Performance Contract
ESF	Economic Support Fund
FM	Office of Financial Management
FMFIA	Financial Managers' Financial Integrity Act
FS	Foreign Service
FTE	Full Time Equivalent
FY	Fiscal Year
GAO	U.S. General Accounting Office
GS	General Schedule
HRDM	Office of Human Resources Development and Management
ICA	Internal Control Assessment
IDI	International Development Intern
IG	Office of the Inspector General
IRM	Information Management Resources
ISP	Information Strategic Plan
LAN	Local Area Network
NIS	New Independent States
OE	Operating Expense
OMB	Office of Management and Budget
OPS	Directorate for Operations
PRISM	Program Performance for Strategic Management
PSC	Personal Services Contractor
PVO	Private Voluntary Organization

INTRODUCTION

The President's Commission on the Management of Agency for International Development Programs was re-established on August 4, 1992, with the purpose of advising the Administrator of AID and reporting to the Deputy Secretary of State on progress made in implementing the recommendations of the Commission's "Action Plan" of April, 1992.

The Commission recognizes the realities of AID's current situation. These are the final months of a Presidential campaign season which traditionally brings uncertainty to Federal government operations. September will be an intense month of budget deliberations on the Hill. No matter how much repair work can be done at the operating levels of AID, there still needs to be a new foreign assistance act to give the Agency a new consensus on its mission. And since the Commission began its work, there have been new demands levied against AID by new programs in NIS countries and Eastern Europe. All of this makes for a difficult environment in which to implement change.

The "Action Plan" identified four critical underlying issues. They were: enacting a new foreign assistance act; integrating AID into the State Department; establishing a senior-level coordinating group for foreign assistance; and clarifying the purposes and uses of Economic Support Funds and Development Assistance. The Commission realizes that AID cannot take unilateral action on these four recommendations and our review of progress did not include them. We still believe they are the key to any substantive improvement in AID.

What follows is our review of AID's progress in implementing the twenty-five recommendations in the areas of restructuring program management, personnel management and improving accountability.

EXECUTIVE SUMMARY

AID has agreed with all but two of the Commission's twenty-five management recommendations. This indicates a high degree of concurrence and is a positive attitude. AID has also spelled out in a fifty-page document, the steps it plans to take to implement the agreed twenty-three recommendations. We find this to be a useful product.

However, implementation of the accepted recommendations is getting off to a slow start. AID is juggling a number of internal and external reports which they hope to form into a master plan called Management Improvement Plan Phase II by mid-October. Right now, AID seems to be at the stage where it has been for most of the past twelve months, i.e., just about ready to act.

The Commission believes priority attention should be paid to making certain that the following recommendations are being implemented quickly and well:

- *Establish a COO with staff.*
- *Uniform program and project systems.*
- *Financial systems plan.*
- *Stronger top management support for all recommendations that HRDM implements.*

Sections 2, 3 and 4 of the "Action Plan" deal with management. Our findings of AID's progress follows.

Section 2: Restructuring Program Management.

- **Establish a COO with staff** - The Associate Administrator for Operations has been named COO. This appears to be an interim solution at best.
- **Reorganize AID/W Bureaus** - AID rejects this. However, the basic problems underlying the Commission's recommendation have not been addressed by management.
- **Reduce country programs** - While AID agrees with this, they have not built the outside support necessary to implement it.
- **Uniform program and project systems** - AID agrees but its present course of implementation appears too slow. Ways to speed up the needed changes should be sought.

- **Results oriented evaluations** - AID is moving swiftly in this area. However, it may be overrelying on an approach that was originally designed to serve program decisions but now will also be the basis for management improvements.

Overall, this section has seen the least progress of the three. A fully functioning COO and uniform program/project systems are the most important items. They need a lot more attention.

Section 3: Personnel Management.

- **Implement workforce planning** - Progress has been made on the subject but top management needs to give it more attention.
- **Recruitment** - HRDM seems pointed in the right direction but could use more support.
- **Manage assignments** - Actions and plans by AID are encouraging.
- **Tie training to needs** - HRDM is starting well but needs more involvement by other parts of the Agency to ensure a relevant training program.
- **Career and staff development** - Staff work is proceeding but HRDM does not appear to have the authority to implement this.
- **Direct hire - personal services contracting policy** - HRDM and the Budget Office are improving the workforce inventory but there is no indication that any policies are being developed.

This section has seen the most progress. However, a serious problem for HRDM generally is that it lacks the clout or authorities to make things happen. Top management needs to strongly support what it wants HRDM to do.

Section 4: Improving Accountability.

- **Employee performance plans** - HRDM is making progress. Needs Agency support.
- **AID - IG cooperation** - Relations between the Agency and the IG remain strained, but seem to be positioned for improvement.
- **Internal controls and feedback** - The internal control assessment system has not been carried out successfully yet.

- **Financial systems plan** - This recommendation is off to a slow start. No supportable milestones currently exist for implementation of the plan.

- **Audit contractors and grantees** - Progress is being made in this area but better monitoring of Mission efforts is needed.

- **PVO and University dependence** - Some emphasis has been made on need for fewer and larger contracts. There is no progress in reviewing PVO or University dependence.

- **Install contract information system** - AID is doing a good job in implementing this recommendation.

- **Limit host country contracts** - AID disagrees with this recommendation. They have chosen to increase the monitoring burden on Missions so that fewer use host country contracting.

- **Streamline contracting** - AID is making good progress.

- **Two-Year Development Assistance appropriations** - While AID agrees with this, no progress has been made with the Hill.

- **Manage obligated pipeline** - Progress has been slow on drafting amendments to agreements. Regional bureaus are monitoring pipeline levels but central oversight should be maintained.

- **Delete Congressional Presentation country levels** - No progress.

- **Local currency oversight** - The Office of Financial Management is monitoring Mission compliance.

- **Sufficiency of travel funds** - Not much progress. AID blames OMB and the Hill for the problem. AID could do more to tie travel justifications to program objectives.

With few exceptions progress in this section has been slow. The most important recommendation is the Financial Systems Plan. It needs a stronger effort to determine resource requirements and establish benchmarks.

1. ESTABLISH A CHIEF OPERATING OFFICER (COO) AND STAFF

The Administrator should designate the Deputy Administrator as Chief Operating Officer and establish a small staff office to help carry out the function.

AID is now being managed by a "troika."

The COO should develop an Agency management plan that (1) clearly defines AID's operating goals and objectives, (2) allocates resources and assigns responsibility, (3) sets target dates and (4) identifies specific results by which performance will be measured.

The COO must define the goals and limits of the myriad of current Agency exercises to develop detailed country, program and management performance indicators. This will allow the Administrator to concentrate on policy; AID's relationships with other Agencies, Congress and the public, and working relationships with foreign countries.

AGENCY POSITION

AID agrees that it needs a Chief Operating Officer with adequate staff. The official designated as COO is the Associate Administrator for Operations (AA/OPS).

AGENCY IMPLEMENTATION

While agreeing that the head of Operations did not possess the broad authorities and responsibilities of the recommended COO, the Agency felt that the heads of Policy, Operations and Finance/Administration were working well together. The Administrator believed this "troika" was in fact accomplishing the Commission's objectives to improve day-to-day decision making and management.

COMMENT

Designation of the AA/OPS as COO was apparently not communicated to senior management nor to Agency employees.

The Associate Administrator for Operations, serving as first among equals in AID's management "troika", has helped resolve some daily and near-term management challenges. This is a marked improvement over the previous process of independent bureaus operating with little central guidance.

The functions that the Commission recommended the COO be responsible for are scattered among the three Directorate heads. Although they are reported to be "working well together..." and the Commission believes them to be capable officials, none of the three appears to have the authority to perform the duties of the recommended COO. Thus the former conditions of fragmentation and inefficiency are likely to continue. What is important here is that there be a management structure not just depending on individuals.

A qualified Deputy Administrator should serve as COO.

CONCLUSION

The current arrangement should be viewed as an interim solution only, until the Administration appoints a Deputy Administrator qualified to serve as COO.

2. REORGANIZE AID/W BUREAUS

The eight central bureaus should be dismantled and AID/W should be reorganized by country assistance categories. The Operations Directorate should be eliminated.

AGENCY POSITION

The Agency disagrees with this recommendation.

AGENCY IMPLEMENTATION

The Agency rejected the Commission's recommendation, citing the need to retain its geographic bureaus structure because of regional factors and their utility in dealing with other agencies. The Agency is implementing only one minor aspect of this recommendation, i.e., to begin restructuring the portfolio of its Research and Development Bureau. As recommended by the Commission, the Operations Directorate has begun to narrow R&D's portfolio to primarily research activities and technical support "buy-ins" financed by field missions.

AID rejected the Commission's model.

The Agency felt it had improved AID/Washington's ability to serve field missions by having a regional bureau-functional bureau mix. A functional focus was being enhanced by having a separate Private Enterprise Bureau, the Research & Development Bureau and by combining the Food for Peace and Disaster Assistance activities within the Humanitarian Assistance Bureau.

COMMENT

Implementation of the Agency's new AID/Washington organization does not thus far appear to be a viable answer to the identified problems of operating redundancies, lack of standardization among bureaus and the spreading too thin of scarce technical staffs. The Administrator's goal of "doing fewer things, but doing them well..." and Operations Directorate's activities do not seem to have made much progress towards overcoming these AID/Washington deficiencies.

The Commission's AID/W organization model was aimed at breaking the mold of geographic bureaus functioning as five fiefdoms, focusing Washington technical staffs on field support and recognizing advanced developing countries. It was also intented to encourage "graduation" of aid recipients and separate the often conflicting DA and ESF - funded programs. Little progress is being made on these issues.

The Agency has few answers for organizing AID/W staffs, reducing redundancies and costly inter-bureau competition.

If the Agency is going to retain its regional-functional bureau model, something significant ("break the mold"?) still needs to be done to establish manageable bureau/country program strategies and minimize the turf battles that divert AID/Washington attention from field support and effective use of appropriated funds. Accountability and program accomplishments will continue to suffer until management finds organizational and/or procedural ways to improve corporate discipline and make better use of Washington's personnel and Operating Expenses.

CONCLUSION

The basic problems underlying the Commission's recommendation have not been addressed by management.

3. REDUCE COUNTRY PROGRAMS

As AID eliminates redundancy of staff and programs in AID/W, it must reduce the number of and simplify its country programs.

In countries where large amounts of resources cannot be justified, Missions and field offices should be eliminated or downgraded to AID Representative status. Such countries might qualify for very simple interventions at first, such as participant training, which provide the U.S. with presence and visibility but little risk. Programs in other countries should be simplified by operating in fewer sectors with fewer projects. Countries which justify larger programs should be staffed adequately; this may involve staff increases in some instances.

AGENCY POSITION

AID staff and programs are spread too thin.

AID agrees the number of field programs must be reduced and that those remaining must be simplified. AID is prepared to hold firm to its commitment to reduce programs and countries if supported by the Congress.

AGENCY IMPLEMENTATION

The Administrator has said that he planned to reduce country presence by: graduating those close to self-sustaining development and withholding assistance from those with poor policy performance. AID has made an attempt to prioritize countries and is considering eliminating as many as 30 country programs. This effort has been driven principally by AID's increased responsibilities in Eastern Europe and the NIS countries. AID served in 78 countries in 1987, currently serves in about 90 countries and expects to add up 15 more in 1993. However, this country reduction effort has been met with expected opposition by other government agencies and other outside interests and has been shelved until after the election.

The Administrator has maintained that AID's staff is not too large and redundancy among staff is not widespread. Rather, he says the problems are caused by lack of clear understanding of the respective roles and responsibilities of Washington and the field.

Under a new process called "Focus and Concentrate," AID is attempting to reduce the number of in-country assistance sectors to two or three with a maximum of seven or eight projects per sector. Each program is supposed to be assessed through criteria filters and prioritized accordingly.

COMMENT

The reduction of AID country missions is a necessity driven by static or declining OE funding and significantly increased responsibilities.

As to AID's "Focus and Concentrate" program, the Commission has not found a standard set of criteria which can be applied uniformly by Missions as they filter and prioritize their programs. Therefore, it has been unevenly applied across the Agency with many programs simply reclassified to fit within the smaller number of allowed categories.

It has to cut many missions and get outside support for a new country list.

CONCLUSION

AID agrees with this recommendation, but it has not developed a plan for reducing programs or built the outside support necessary to implement it.

4. UNIFORM PROGRAM AND PROJECT SYSTEMS

The Agency must adopt a uniform program and project management system. Managing through a uniform program and project system is the only way the Administrator and the COO will be able to control, monitor and fix responsibility and accountability.

AGENCY POSITION

The Agency agrees with the recommendation.

Uniform program and project systems are key to improved management in AID.

AGENCY IMPLEMENTATION

AID reports that it is beginning a major overhaul of its programming and portfolio management systems. Handbooks 1-4 are to be completely revised by the Policy Directorate and the new, more uniform systems installed by the end of FY 1993. First priority is being given to development of a uniform portfolio reporting and oversight system, which is to be operational between January and April of 1993.

COMMENT

In the Commission's view, this is one of the major systems by which the COO will manage the Agency. AID's emphasis on portfolio management is only a small part of what this recommendation was all about. AID still needs to make clear distinctions between the responsibilities of AID/Washington (policy, planning and evaluation) and those of the Missions (program and project design and implementation). There needs to be a system for making firm contracts between the COO and the Mission Director or operating unit head with respect to the unit's assistance strategy, objectives and expected results.

CONCLUSION

While AID has stated its agreement with this recommendation, the present course of implementation appears too long to be meaningful. Ways to speed up the needed changes should be encouraged.

COO must have firm performance "contracts" with Mission Directors.

5. RESULTS-ORIENTED EVALUATIONS

The Agency should continue to emphasize results-oriented evaluations.

By the end of 1992 it should be possible to judge whether the expanded, centralized evaluation activities currently underway are likely to produce broadly useful information about program results.

The Commission recommended that evaluation priorities and targets be established and a schedule set for carrying them out. Also, evaluations should be controlled centrally by CDIE and not fragmented among the operating bureaus with different terms and standards.

AGENCY POSITION

AID is in full agreement with this recommendation. It says CDIE has been given the lead role in its major evaluation initiative. Evaluation findings will now be used in management decisions.

AGENCY IMPLEMENTATION

Centralized evaluations are needed to guide decisions.

AID has significantly increased funding and staff for CDIE in the past two years. In response to the AID/OMB SWAT team report, AID requested yet another increase in CDIE resources: $5M in Operating Expense funds, $60M in program funding and twenty-one additional staff positions. The Administrator has recently put great emphasis on the evaluation process and suggested that evaluations will now begin to drive many management deliberations.

The Program Performance for Strategic Management (PRISM), an agency-wide system for monitoring and reporting, is described as a key to evaluation and decision making success. It is now in place in thirty-seven countries and another ten will be added by next year. AID is moving toward common data input at the original source and believes that its uniform, open-architecture information management approach will help the Agency do more with existing resources.

COMMENT

The effectiveness of CDIE evaluations in helping to improve Agency management has yet to be proven. The Commission believes that AID is over-promising in this regard, as it is talking about drafting budget management decisions based on evaluation findings. That approach has the possibility of overloading the evaluation process.

CONCLUSION

Utility of CDIE evaluations is yet to be proven.

AID is moving swiftly in directing resources to this area. But, it may be relying too much on an approach that was originally designed to serve program decisions and now is projected as a basis for Agency management improvement.

6. WORKFORCE PLANNING

AID needs to make the design and implementation of an effective program of workforce planning a top priority to serve as a framework for all human resources programs of the Agency. HRDM should create an office responsible for this function. The new office should work closely with the Budget Office which should continuously supply one or more staff members on long-term detail to ensure coordination of efforts.

AGENCY POSITION

AID fully concurred that workforce planning should be made a top priority.

AGENCY IMPLEMENTATION

Workforce planning must be a top priority.

A temporary Workforce Planning Unit was created within the Office of Human Resources Development and Management. The staff has begun workforce assessment activities, including the development of a workforce replacement planning model to guide recruitment and other staffing matters. In addition, the Agency has developed several Mission staffing models to help management make better connections between the program load of a Mission and its staff burden. A major study of AID's in-country presence is being concluded and this is expected to shed additional light on staffing issues. The Budget Office is also examining staffing issues as part of its resource allocation reviews.

HRDM plans to make the Workforce Planning unit a permanent part of its organization and to include all Agency employees, career and noncareer, in its planning domain.

COMMENT

While these efforts are commendable, they do not yet cover the main points of the Commission's report. Improvements must: (1) create an understanding of present and future program demands, (2) provide adequate knowledge about current skill bases, usage and potential of AID's direct and non-direct hire workforces, and (3) install an automated capacity for storing, manipulating, and preserving such data so that timely and cost-effective decisions can be made to allocate the workforce to priority functions.

Need skills-based workforce management system that covers all employees.

CONCLUSION

Progress has been made in workforce planning, but top management needs to give the subject much additional attention. At the least, management needs to create a permanent workforce planning division within HRDM and begin strategic planning as a framework for skills estimates and to improve the allocation and utilization of existing staff. This group will have to work closely with the Budget Office to identify human resource needs and options by program, skill and rank.

7. RECRUITMENT

The Agency's recruitment strategy for Foreign Service and Civil Service staff is mostly concerned with replacing those who leave and responding to current staffing shortages. In order to improve this aspect of personnel operations, the Human Resources Development and Management Office needs to:

- Reduce Foreign Service employment categories from 26 Backstops to 4 to 6 skill groups.

- Set recruitment goals based on workforce planning and senior management input.

- Establish outreach recruitment programs instead of depending on unsolicited applications.

Personnel skill groups need to be consolidated to improve recruitment.

- Establish one point of contract for new hires so they can be brought on board with less confusion and misinformation.

- Abolish technical review committees and replace them with one or more three-person committees made up of two people from senior management and one from the relevant technical field.

- Make better use of GS-AD Excursion Tours, PSC authorities, and time-limited, noncareer appointments to supplement AID's longer-term core Foreign Service functions overseas.

AGENCY POSITION

The Agency is in full or general agreement with all of the recruitment recommendations, except it believes the reduction of Foreign Service employment categories from 26 to 4-6 needs additional study.

AGENCY IMPLEMENTATION

HRDM has begun to use workforce planning information in its recruitment program. It also is interested in making better use of time-limited appointments and has begun modifying its recruitment processes to do so. It nevertheless needs to develop better policies and procedures to improve this employment option. To improve objectivity and continuity, HRDM plans to replace the technical review panels with a more permanent panels based on staffing by retired AID employees. HRDM also plans to consolidate the staffing for Foreign Service and Civil Service recruitment within one office and to increase the utilization of General Schedule and other employees to support the work overseas.

HRDM must have budget and staff ceilings to ensure IDI and core recruitment.

COMMENT

HRDM indicated that because of Operating Expense budget problems, it would only be able to consider the hiring of some Foreign Service IDI employees for now. It does not have adequate control of budgets or personnel ceilings to normalize its recruitment and orientation training programs.

CONCLUSION

HRDM seems pointed in the right direction on most recruitment improvements. It, however, needs more top management participation on the technical panels and support in the form of adequate annual funding and personnel ceilings. Shortchanging the IDI program has become a perennial management fault in AID.

8. Assignments

The Director of HRDM should be pro-active in managing the assignment system below the executive level. He/she should develop the assignment lists based on program needs, Completion of Assignment Reports and assignment precepts. Starting with the next assignment cycle, he/she should also:

HRDM needs to be more involved in managing assignments.

- Use assignment boards primarily as advisors on problem or exceptional cases;

- Require Completion of Assignment Reports from employees as a precondition to assignment;

- Lengthen Mission Directors' tours of duty to five years to improve accountability;

- Fill field and difficult positions before Washington and less difficult ones;

- Control Junior Officer positions and assignments until they are trained and tenured;

- Create opportunities for GS employees to participate in FS rotation assignments both in the field and Washington.

Agency Position

The Agency agreed with all aspects of the Commission's recommendation, except the part extending a Mission Director's minimum tour of duty from four to five years.

Agency Implementation

The Agency reported that it is revising the assignment process and procedures as a priority action. The new system will be managed by HRDM and make personnel assignments based on global program requirements, employee career development needs and close adherence to assignment precepts. Submission of Completion of Assignment Reports will be a precondition for reassignment eligibility.

More authority and support needed to improve HRDM assignments.

The Human Resources Development and Management office is beginning to design a training and certification system to improve employees' skills and as a qualifier to onward assignment in several functional areas, especially in project management and contracting. HRDM has been playing a stronger, more determinative role in the assignment process, as evidenced by its work in staffing the program for the newly independent Russian States.

Comment

The reported role played by the Office of Human Resources Development and Management in recent assignments was welcomed by the Commission. Field assignments appear to be given priority over Washington placements as encouraged in the Commission's report. However, it is clear that support by Bureaus and the availability of Operating Expense funding to support personnel transfers will be significant factors in continuing HRDM's expanded assignment roles for General Schedule and Foreign Service staffs.

Job certification and 5-Year Mission Director tours would improve accountability.

Conclusion

The actions and plans of the Agency regarding this recommendation are encouraging. Follow-through and support by the Bureaus and top management will be important. The Commission still believes Mission Director tours of duty should be extended to five years to improve program performance and accountability.

9. Tie Staff Training to Needs

AID needs to define critical, strategic skills needs.

Given the structure of its Direct Hire workforce and expected program demands over the next few years, AID will have to improve and expand its personnel training. HRDM/Training will need to:

- revise or develop new courses to meet Agency program and management needs,
- support employee "skills certification" and career training activities,
- improve assignment-related language capacities,
- keep AID staff abreast of technological change and
- have adequate control over training travel funds and employee schedules so that attendance at high priority courses will be sufficient to keep up with corporate demand.

Agency Position

Training courses must be reviewed for relevancy and effectiveness.

The Agency basically agreed with the recommendations of the Commission, citing also their consistency with HRDM training plans and AID's Incentives Project report.

Agency Implementation

HRDM recognizes the need to re-examine the content and relevance of its training programs. It has contracted for independent evaluations of some courses, but lacks funds for a full-scale program review. Besides redesigning existing courses to focus on accountability/vulnerability and producing results, HRDM has activities underway to outline employee skill "certifications" standards and courses. Initial emphasis on "certifications" will be in secretarial, contracting and project management disciplines.

HRDM noted, however, that it is currently being forced to give priority to short-term needs at the expense of core career development and skills upgrading courses. For example, new staff going to Russian program posts are only getting 3-4 weeks of language training. In spite of this shortfall, there didn't seem to be any funded plans for training NIS supporting or replacement staff. Also, in these times of tighter budgets and personnel shortages, HRDM is experiencing low student sign-up rates. This, in part, is caused by managers not releasing employees for training and HRDM not controlling travel funds needed to support training.

Funding and personnel slots are needed to support staff training and development.

Comment

HRDM and the Policy Directorate need to determine strategic skills needs. Longer horizon, career-building courses, including professional and foreign language training, must be retained as budget priorities to minimize shortages of future skills and employee assignability problems.

Conclusion

HRDM is progressing on training reforms. It nevertheless needs more involvement by other parts of the Agency to ensure a relevant training and adequate resources to keep short and longer-term priorities in balance.

10. CAREER AND STAFF DEVELOPMENT

Career development must balance Agency and employees' needs.

Employee career development must be made the responsibility of the supervisor and the employee. Staff development will be designated as a critical performance factor in supervisors' evaluations. HRDM will be responsible for outlining typical career paths and overseeing and coordinating individual employee career development and training plans to ensure Agency operating needs and priorities are being satisfied.

AGENCY POSITION

The Agency is in basic agreement with the recommendation. HRDM does not, however, agree that all career development functions should be in one unit within HRDM. Its objection appears to be based on a misreading of the Commission's report.

AGENCY IMPLEMENTATION

HRDM endorses concepts in the Commission's report, noting that they mirror recommendations included in the Agency's Incentives Report:

Career development and training are base costs, not marginal budget items.

- Outlining typical career progressions and employing Individual Development Plans for Direct Hire staffs;

- Increasing supervisors' roles in career management, including providing guidance to employees so they understand where they are with respect to their intended career paths;

- Expanding HRDM responsibilities for overseeing and coordinating employee career plans and training while linking employees' evaluations with career or training decisions.

HRDM appears to agree with the need to establish coordinating mechanisms so employee assignments, career development and training activities are consistent with Agency work requirements and budgetary resources. It reports that limited staffing of HRDM's Career Development Unit has prevented systematic coordination and formal linkages with other parts of AID.

COMMENT

Career development program will require major operational and behavioral changes.

HRDM has a number of activities underway to design and/or effect several of these improvements. However, it stated that it didn't have the required resources or authorities to support the whole program and therefore didn't know how far a career development improvement program would get.

Launching a proper career development program within AID will require major operational and behavioral changes. HRDM needs top management and bureaus' support to ensure a balance between managers' and employees' needs. Significant personnel and resource allocation decisions need to be made for the career development program to happen and be sustained.

CONCLUSION

HRDM cites many positive steps in planning for and launching a more meaningful career development program. However, there isn't much of an indication that all critical elements will be enacted quickly or supported by continuing funding and authority transfers.

11. Direct Hire - Personal Services Contracting Policy

AID needs a workforce inventory and policy on contractor services.

The Agency is increasingly using short-term employees and Personal Services Contractors (PSCs) to carry out its work. However, there is no policy or oversight to guide AID's use of PSCs. AID needs to understand its overall workforce and then develop a workforce policy and management system. This would include the definition of legitimate functions and contracting-out limits for Personal Services Contracts.

Agency Position

The Agency agrees with the recommendation.

Agency Implementation

Workforce cost and utilization not being monitored.

The Director of HRDM indicated his support for a comprehensive workforce information and management system. A combined staffing pattern is being developed and HRDM is beginning to build Non-Direct Hire training needs into its training plans. The Workforce Planning Unit and elements of the Budget Office are beginning to improve AID's inventory of Non-Direct Hire workers; but completion of the task, including defining functions being performed, apparently does not have a target date.

Comment

HRDM would like to get this staffing issue resolved quickly because the uncontrolled use of Personal and Miscellaneous Services Contractors can consume Operating Expense funding needed for other Agency priorities. Program-funded contractors can also be indirect consumers of Operating Expense resources. Their cost and utilization are not effectively monitored by the Agency's budget process or by top management. Using contract staff to perform certain functions may also be increasing Agency program and administrative vulnerabilities.

HRDM needs a comprehensive workforce management system.

As recommended in the Commission's report, the Directorate for Finance and Administration needs to conduct an assessment of Agency staffing practices, determine where career and noncareer staff are working and what functions they are performing. This information should be used to develop an Agency-wide policy and workforce deployment system.

CONCLUSION

There isn't an indication that actions are being taken to develop a comprehensive workforce policy and workforce oversight/management system. HRDM and the Budget Office are nevertheless improving their inventory of AID's total workforce.

12. EMPLOYEE PERFORMANCE PLANS

In order to hold individuals accountable for working towards goals set by Agency management, AID should design and implement a new personnel evaluation system. The new approach should be a performance management system that links Agency objectives, annual employee performance plans or "contracts" and employee evaluations.

In addition, the Chief Operating Officer should be responsible for overseeing the incentives/rewards and evaluation systems.

Employee performance management and evaluation "contracts" lacking.

AGENCY POSITION

The Agency fully concurs in the need to better link the performance management system and incentives/rewards with the Agency's goals and objectives.

AGENCY IMPLEMENTATION

The Agency issued new Foreign Service employee evaluation regulations in April, 1992. They do not cover all points raised by the Commission. HRDM, nevertheless, believes they provide for improvements in employee "contracts" and project a larger role for Unit Review Panels in looking at linkages between employee workplans and Agency objectives.

Beginning in FY 1993, HRDM plans to issue guidance that extends some of the performance "contract" improvements of its Foreign Service system to its other evaluations. It would also like to develop a new evaluation system for FY 1994 that makes its separate evaluation systems as uniform as possible. HRDM will conduct workshops on Performance Management beginning in FY 1993, if funding is available. Improvements in incentives and awards are planned.

Comment

The new Foreign Service evaluation regulations strengthened performance "contracts." While encouraging, this is not the integrated performance management system recommended by the Commission. For example, except for modest changes in a ratee's audit management responsibilities and a Review Panel's role in reviewing employee "contracts," the new regulations didn't change shortcomings of current evaluations (e.g., subjectivity, lack of standards) or criteria Boards use to judge advancement, accountability, performance bonuses or retention.

Employee workplans should be tied to Agency's objectives.

Significant steps remain if management is to achieve its objectives of: tying employees' performances to Agency goals and priorities, improving performance measurement and accountability, and integrating incentives and rewards with the management oversight and evaluation processes.

HRDM plans to improve existing evaluation guidance during the coming year and install a completely new, more uniform evaluation system in FY 1994. This will be an opportunity to develop a system more in line with the Commission's recommendation.

Conclusion

HRDM's ideas and actions to date are commendable. However, top management will have to become more substantively involved in employee evaluation and incentives systems if it is to make them effective vehicles for improving corporate focus, performance and morale.

13. AID - IG Cooperation

The Commission recommends that the Administrator meet at least quarterly with the Inspector General (IG) to discuss reductions in program vulnerabilities and progress in communicating and enforcing high standards of ethical behavior. The Administrator and the Inspector General should also improve their two-way communications and cooperation to reduce waste, fraud and abuse and weaknesses in financial and other systems.

Relations between AID and the IG remain strained, but are improving.

Agency Position

The Agency fully agrees with the recommendation and promises to take actions to assure effective communication between the IG and the Administrator and his senior management team.

Agency Implementation

Exchanges between AID and IG staffs have increased at the operating level. Discussions have centered on improving audit coverage for contracts and grants in field programs, audit resolution and reducing vulnerabilities in financial systems. The three heads of the Directorates ("the troika") met with IG regional managers at the latter's annual conference to discuss areas of common interest. The Associate Administrator for Finance and Administration also met with area IG supervisors while on a recent trip to Cairo and Eastern Europe.

AID - IG exchanges are primarily at the staff level.

The Agency has hired an Ethics Officer who is expected to work with the IG staff to develop and implement an agency-wide training course on employee responsibilities and ethical behavior. At the IG's urging and with his help, AID management also recently issued a draft "Representation Letter" for use by Mission Directors during performance audits. An Agency Management Control Plan to reduce operating vulnerabilities in several functional areas is being discussed with IG staff and units within AID.

Comment

The head of the Operations Directorate concluded that the "...audit thing was back on track..." Other sources believed, however, that there is a ways to go before Agency management makes meaningful changes in its relationship with the IG and devotes adequate resources to overcoming program and management vulnerabilities. While a joint AID-IG letter on ethical behavior was issued and some contacts increased, the Commission understands that the Administrator has not yet begun meeting regularly with the IG to ensure cooperation and progress in these matters.

Administrator needs to meet more often with the IG.

The Commission remains convinced that the Inspector General and his staff represent a valuable resource to the Agency for improving its management systems and reducing waste, fraud and abuse.

Conclusion

Relations between the Agency and the Inspector General's Office remain strained, but seem to be positioned for improvement. There has been increased dialogue between AID and the Inspector General's Office, but improvements thus far have been primarily at levels below the Administrator's Office.

14. INTERNAL CONTROLS AND FEEDBACK

Top management must strengthen AID's internal control review process, provide assistance to the operating units on vulnerabilities they have identified and use the results in developing an Agency-wide management plan. The annual review process generates information which can (1) help define a management agenda, (2) provide baseline information and (3) provide subsequent data for tracking progress toward selected management improvements. Staff should be trained in how to perform vulnerability assessments and Agency managers should be trained in how to use the information generated to improve management at all levels.

Internal management controls, follow-up and feedback need emphasis.

AGENCY POSITION

AID agrees with this recommendation.

AGENCY IMPLEMENTATION

The Agency aggregated information from the November 1991 Internal Control Assessment (ICA) in its 1991 FMFIA report. The Missions were not provided with feedback concerning the ICA results nor did Washington have a system for soliciting information from the Missions concerning identified problems. The 1992 ICA guidance has already gone out to the Missions. Training is planned for the 1993 ICA process. The Office of Inspector General plans to follow-up and review Mission ICA responses in its fiscal year 1993 work to determine whether Mission responses correspond with IG-identified internal control weaknesses.

COMMENT

AID officials said the information collected in the November 1991 Internal Control Assessment was not helpful in getting to the source of problems at the Missions. The information identified what Missions considered as weaknesses, but it did not describe the actual problem or its magnitude. The 1992 ICA is not expected to provide better information since it is under the same Management Control Plan as the 1991 ICA. The 1993 ICA may be more useful because it will be conducted under the new functional committees to be formed under the proposed FY 1992-1997 Management Control Plan. These functional committees should include trained individuals knowledgeable in the control issues being covered.

Past Internal Control Assessments have not been effective nor acted upon.

This peer review system, in tandem with occasional Mission visits, should produce an ICA that can better identify the internal control weaknesses at a Mission. The Agency should consider strengthening the Management Control Staff so that this year's ICAs can be fully analyzed, with Missions receiving timely feedback. Next year's ICAs might then benefit from information collected in the 1992 assessment.

CONCLUSION

Little time and effort was spent on the 1991 ICA process and the 1992 ICA program is not expected to be much of an improvement. Better guidance and data, training in ICA techniques and timely feedback to Missions and Offices are needed if the exercise is to be useful.

15. FINANCIAL SYSTEMS PLAN

AID needs to develop a comprehensive Agency-wide plan to guide its financial management systems development and operations. At a minimum, the long-range plan should (1) outline major goals and objectives of the financial management systems improvement plan, with policies and strategies for achieving them, (2) detail how the long-range plan will be implemented in the short term, such as establishing milestones, determining resource needs and ensuring that these needs are clearly identified in Agency budgets submitted to OMB and Congress and (3) provide the basis for annually reporting to Congress on progress made and impediments to progress.

AWACS financial system needs better costing for success.

AGENCY POSITION

AID fully agrees with this recommendation.

AGENCY IMPLEMENTATION

AID plans to replace its current outdated and inadequate financial management systems structure with a new system known as the AID/Washington Accounting and Control System (AWACS). The new system will be implemented over a number of years and will cost millions of dollars. On August 31, AID's Office of Financial Management (FM) submitted its Financial Systems Plan to OMB, as required under the Chief Financial Officers' Act. This document outlined financial information systems that currently exist at AID and described new systems that will replace them after implementation of the Financial Systems Plan. AWACS will form the core of this new financial system. Milestones for completion were provided. However, the plan did not contain specific information on the resources required for implementation.

FM officials said they are still calculating the required resources for submission to the Office of Information Management Resources (IRM) later this year. The Financial Systems Plan is expected to cost $28 million over seven years, exclusive of the AWACS effort. FM officials said available resources were not known at the time the plan was developed and would not be known until later this year.

COMMENT

Without specific cost, staffing and other resource information, the milestones provided in the document are only tentative. All of the financial systems to be integrated under the Financial Systems Plan, with the exception of AWACS, are still budgeted through IRM. Although FM has the responsibility for system integration, it does not have control of the resources necessary to make it possible. The Information Management Committee plans to meet within two months and determine Agency computer needs and the priorities for resources. At this time, it is not clear whether the Financial Systems Plan will be fully implemented.

FA/FM has AWACS responsibility, but doesn't control resources to accomplish needed work.

Currently, only the AWACS component has been budgeted for implementation. The Associate Administrator for Finance and Administration, who sits as Chairman of the Information Management Committee, needs to assert the importance of the Financial Systems Plan, fund the needed improvements and support the Offices of Financial Management and Information Management so activities can be implemented according to planned milestones.

CONCLUSION

This recommendation is off to a slow start. No supportable milestones currently exist for implementation of the Financial Systems Plan. Funding and staffing levels still have to be determined.

16. AUDIT CONTRACTORS AND GRANTEES

To provide reasonable assurance that funds were spent as agreed, AID should ensure that funds provided to non-U.S. as well as U.S. contractors and grantees are audited.

AGENCY POSITION

AID fully agrees with this recommendation.

AGENCY IMPLEMENTATION

Contract audit functions to pass from IG to AID in October, 1993.

Audits of U.S. contractors and grantees funded by AID already occur and are scheduled, monitored and paid for by the Office of Inspector General. Under the new Audit Management and Resolution Program, responsibility for tracking U.S. contractor and grantee audits will pass from the Office of Inspector General to AID's Office of Procurement by October, 1992. Full responsibility for the scheduling, monitoring and paying for audits will pass to the Office of Procurement by October, 1993.

The new Audit Management and Resolution Program required Missions to have their individual inventories of non-U.S. contractors and grantees developed by July 1, 1992. However, the office charged with tracking Mission progress did not know the status of Missions in this process. AID officials said they expect Missions to be finished with their inventories by the end of this calendar year. In addition, although the Agency expects the Missions to provide a full listing of non-U.S. contractors and grantees by the end of 1992, no cable requesting this inventory has gone out.

The Office of the Inspector General will continue to be responsible for testing the quality and coverage of the audits performed. The Office of Inspector General will also begin Mission audits in fiscal year 1993 to ensure Mission compliance with the Audit Management and Resolution Program.

COMMENT

The central office responsible for compliance with the Audit Management and Resolution Program has not monitored efforts of the Missions. In addition, attempts to collect these Mission inventories in Washington have not been a priority. These inventories, once collected, will not be annually updated in Washington. After this year, Missions are expected to maintain their contractor/grantee inventories. The Agency will still lack a centralized database that can provide a listing of all contractors and grantees receiving AID funds.

Washington not monitoring AID's audit management program.

CONCLUSION

Progress is being made by the Agency in this area, but better monitoring of Mission efforts is needed to ensure compliance with the new Audit Management and Resolution Program.

17. PVO AND UNIVERSITY DEPENDENCE

AID should continue work with private and voluntary organizations (PVOs) and universities, but structure its program design effort to (1) emphasize fewer and larger contracts and (2) eliminate those institutional efforts which have been ineffective or too costly.

AGENCY POSITION

AID agrees with most elements of this recommendation.

AGENCY IMPLEMENTATION

AID is beginning to implement new institutional contracting methods.

To address the first element, AID states it has initiated a process within the Agency to "focus and concentrate" Mission portfolios. This effort is said to lead to fewer and larger projects. The Agency has also emphasized larger contracts with multiple subcontracts so that AID's management burden can be reduced without sacrificing contractor diversity. Finally, the two new contracting options, Design and Performance (DAP) and Design and Deliver (DAD), should reduce the number of contracts by putting design and implementation work under one contractor (see Recommendation #20).

AID has not addressed the second element of the recommendation. AID noted various laws that require "set-asides" for PVOs or legislative earmarks and directives that steer AID into institutional relationships. It has not begun a review of institutional efforts to determine whether they were ineffective or too costly.

COMMENT

AID has taken some actions to emphasize fewer and larger contracts, but more needs to be done. AID's "focus and concentrate" effort does not solve the real problem if the project officer has to manage many project subcomponents under a larger project. Larger contracts should have a prime contractor that monitors its own subcontractors. In addition, the Agency has to reduce the number of existing contracts as well as decrease new contracting activities. The new contracting options are still being tested and it may be some time before any noticeable decrease in new contracting activity occurs. In the meantime, umbrella contracting arrangements should be made better use of by AID.

AID will also need to review existing contracts with PVOs and Universities to determine their worth to the organization. However, AID still lacks a centralized database that can list all contractors and grantees being funded by the Agency. It will be several years before the new Contracting Information Management System (CIMS) can provide a full inventory. Current Mission inventories being collected under the new Audit Management and Resolution Program will not be updated in future years.

No actions taken yet to review costs or effectiveness of institutional relationships.

CONCLUSION

AID has taken some steps to emphasize fewer and larger contracts, but the second element of the Commissions' recommendation, eliminating institutional efforts which have been ineffective or too costly, has not been implemented.

18. Install Contract Information System (CIMS)

Top management should provide strong support and the necessary resources to implement the Contract Information Management System (CIMS) worldwide. AID does not have complete, accurate and up-to-date information on its contracts and grants. AID should provide adequate training on how to use the system and require that all Missions and offices use it. The system should be the single source of contract information for the Agency.

Agency Position

AID fully supports this recommendation.

Agency Implementation

AID is doing a good job with CIMS implementation.

AID has made significant progress with CIMS in the past year. They have nearly complete coverage of the missions with computerized systems in place in 8 large missions (85% of AID's contract volume) and the balance of missions sending in the new data entry sheets to AID/W (12,000 sheets/year).

However, a reliance on proprietary Wang VS hardware and software has created a major problem given the current Chapter 11 status of Wang Laboratories. Conversion to a different system could delay total electronic implementation by approximately 18 months. In the meantime, data sheets will be sent into AID/W and entered there. Validation of the corrupted data base converted into CIMS should be completed in December 1992.

Comment

Shortly after this Commission recommendation was released CIMS was made mandatory in all Missions, a major step toward successful implementation.

CIMS is part of the master system described in the new AID Information Strategic Plan (ISP). The ISP promises to set the foundation for information systems integration throughout the agency. It will be key to identifying successes and highlighting areas to monitor more closely.

The Commission hopes that funds will be made available on a priority line item basis for training, travel and conversion from the proprietary CIMS/ Wang VS system to open architecture LAN based systems, thereby making CIMS fully operational within 18 months.

CONCLUSION

AID is doing a good job in implementing this recommendation. We hope this positive demonstration project leads to further improvement in other areas of information management.

19. LIMIT HOST COUNTRY CONTRACTING

AID should revise its guidance on the use of host country contracting to require that independent professional firms, not AID missions, certify whether or not host country agencies are capable of managing the contracting process. In addition, host country contracting should be limited to construction contracts funded by ESF in those countries in which the AID Mission has qualified personnel to monitor the process.

Using independent firms for assessments would lessen the burden on Mission staffs.

AGENCY POSITION

AID disagrees with the recommendation.

AGENCY IMPLEMENTATION

The Office of Procurement has not issued any additional guidance related to the Commission's points on host country contracts. The Office believes the 1990 guidance to Missions sufficiently tightened controls over the contracting process. This guidance (1) requires Mission Directors to certify the acceptability of the proposed contracting agency before assigning procurement capability to it for an AID-financed project and (2) expands the requirement for formal approval by AID of significant steps that the host country contracting agency takes in the contracting process.

In a report addressed to Senator Leahy, Dr. Roskens states "AID can agree that host country contracting should be restricted to Missions which have qualified monitoring personnel. Using independent professional firms to assess the host country's contracting capability is already an option; if future audits indicate that evaluations by AID personnel are not being conducted effectively, it could be made a requirement." In a later response to the Commission, AID stated "host country contracting should remain a viable option for implementing projects that include the procurement of commodities and specialized equipment, and for services other than construction contracts. Many countries have the expertise to carry out these other forms of contracting and do so routinely for their own account."

Beginning in October, the Office of Procurement will put in place a system requiring that the Procurement Executive review and approve all new starts or amendments to contracts exceeding $10,000,000. The current regulations have already reduced the total amount of money contracted through host countries. Host country contracting decreased from $1 billion in 1990 to only $340 million in 1991. Much of this decrease has been attributed to additional monitoring requirements placed upon Missions that use host country contracting.

Host Country Contracting decreased from $1 Billion in 1990 to $340 Million in 1992.

COMMENT

AID believes the Commission's recommendation is too restrictive concerning both the types of contracts to be performed and type of monitoring. Presumably, additional monitoring requirements at the Mission level and greater Washington oversight can reduce AID's vulnerability. Although greater controls are needed, the second aspect of the recommendation suggests that independent professional firms assess the capability of the host governments' contracting processes. This would not only improve certification activities, but also reduce the burden on Mission staffs.

AID regulations are squeezing missions out of Host Country Contracting.

CONCLUSION

Instead of limiting the use of host country contracts, the Agency appears to be squeezing Missions out of the whole process by increasing the monitoring burden on the Mission so that direct contracting becomes the only method.

20. STREAMLINE CONTRACTING

AID should take advantage of creative contracting methods, such as Design and Performance and Design and Deliver contracts, where appropriate. As necessary, AID/W procurement officials should continue visiting field offices to explain the opportunities, procedures and constraints of these new options. In addition, the Office of Procurement should issue formal guidance on these new contracting options.

Workshops and conferences are expanding new contracting methods.

AGENCY POSITION

AID fully agrees with this recommendation.

AGENCY IMPLEMENTATION

No formal guidance has gone out to the Missions concerning the Design and Performance (DAP) and Design and Deliver (DAD) contracting options, but conferences and workshops on these new contracting methods continue. The Office of Procurement said a cable should go out in the first quarter of FY 1993. Conferences and/or workshops have been held in Egypt (for the Near East Missions), Indonesia, the Philippines, Bolivia (for South American Missions), and Costa Rica (for Central American Missions). Another session is planned in October for Kenya and the Ivory Coast to cover the African Missions.

The Design and Performance contract is being tested in both Bolivia and Bangladesh. Bolivia is contracting out for a $15 million sustainable forestry management project. Bangladesh is contracting out for a $80 million agribusiness project, $50 million of which will go to procuring fertilizer. Both these tests will be watched by other Missions and will be the topic of the Asia Contracting Officers' conference in November.

COMMENT

The Agency should continue with both the testing of the DAP/DAD contracts and the workshops/conferences explaining these two contracting options. The Agency should continue its attempts to limit the use of "level-of-effort" contracts and instead develop new completion type, cost reimbursement contracts to meet its needs.

Progress is being made with new contracting ideas.

CONCLUSION

AID is making good progress on this recommendation.

21. Two-Year Development Assistance (DA) Appropriations

The Development Assistance account should be a two-year appropriation. AID should work with interested Congressional committees to inform them of its interest in a two-year Development Assistance appropriation and respond to any Congressional concerns regarding such a change.

Multi-year appropriations would improve the quality of AID programs.

Agency Position

AID agrees with the recommendation.

Agency Implementation

Recently, AID approached the Hill on the topic of two-year DA appropriations. Staff from both the House and Senate Appropriations Committees were not interested in the idea. The Hill sees a two year DA appropriation as an attempt by AID to limit Congressional oversight. Evidently, the multi-year appropriation is brought up annually by AID. The President's budget request puts no time limitations on appropriations but the Congress repeatedly places a one-year limit on AID's DA appropriations. Congress has provided multi-year authority for all economic assistance accounts except functional Development Assistance. AID believes that only a rewrite of the Foreign Assistance Act will help the Agency obtain longer DA appropriations.

Comment

AID must continue to press the Hill with this issue. Many of the problems in the Agency can be traced to the drive to obligate funds and yet, as long as these problems exist, the Hill is unwilling to trust the Agency with additional leeway. AID needs to find allies on this issue in both the Executive and Legislative branches. For example, the Office of Management and Budget would be a good ally on this issue. A rewrite of the Foreign

Assistance Act would also provide an opportunity to change to a two-year DA appropriation.

AID and OMB should press the Hill for 2-year DA obligation authority.

Conclusion

While AID agrees with the Commission's recommendation, no progress has been made with the Hill on this issue.

22. MANAGE OBLIGATED PIPELINE

Excess project "pipeline" should be deobligated and put to better use.

AID needs to manage its pipeline of obligated but undisbursed funds more effectively. The Commission supports GAO's recommendations that AID; (1) review the justifications for not deobligating funds in projects that were more than nine months beyond the completion of activities, and deobligate funds that cannot be justified, (2) require each AID Mission and office annually to identify excess funds in the pipeline, provide a rationale for the excess and take necessary steps to deobligate the funds if the rationale was not consistent with AID guidance and (3) require that future AID project and program agreements contain a standard provision stating the conditions under which AID may unilaterally deobligate certain assistance funds.

AGENCY POSITION

AID has indicated its agreement with these recommendations and is in the process of implementing them.

AGENCY IMPLEMENTATION

The Office of Budget delegated the pipeline issue to the regional bureaus. Regional bureaus have not issued guidance on deobligating pipeline amounts, but AID stated that a Mission's pipeline is discussed every year in each Mission's Annual Budget Submission review. Missions are encouraged by the regional bureaus to comply with the Agency's new "forward funding" requirements and their progress in reducing the pipeline is monitored. In FY 1991, $112 million in DA and ESF was deobligated. So far in FY 1992, $153 million in potential deobligations have been notified to the Congress.

The Office of General Counsel is still drafting an amendment to project and program agreements that would allow for unilateral deobligation. Some Agency lawyers, particularly those in field Missions, feel the amendment will make their negotiations with host governments more difficult. According to the Office of the General Counsel, the current agreements already allow for U.S. termination. The prevalent language in the amendment only highlights this point and could lead to host governments demanding parallel unilateral authority to selectively abrogate portions of the project agreement. However, General Counsel staff are continuing to work on the draft amendment as they have since the GAO first recommended the change in April 1991. The Office of the General Counsel did not indicate a completion date for the amendment.

COMMENT

Washington oversight of undisbursed "pipeline" is needed to improve performance.

The Office of Financial Management and the Office of Budget should monitor the total agency pipeline and follow-up with the individual bureaus concerning their portion of the pipeline. Mission compliance with forward funding guidelines should also be enforced through periodic Controller Assessments as well as IG audits. In addition, the project and program agreement amendment should be finalized and sent out to the Missions as soon as possible.

CONCLUSION

Regional Bureaus are monitoring pipeline levels but central oversight should be maintained. Progress has been slow on drafting the amendment to project and program agreements.

23. DELETE CONGRESSIONAL PRESENTATION COUNTRY LEVELS

AID's Congressional Presentation (CP) budget request should not specify proposed funding levels for individual countries. The current system raises countries' expectations and reduces AID's ability to negotiate with recipients.

AGENCY POSITION

AID agrees this would be a useful management improvement. However, they would implement this recommendation only after full consultation with Congress.

AGENCY IMPLEMENTATION

Deleting country funding levels from the CP could help the policy dialogue process.

The unspecified country levels used in assistance to Eastern Europe and, to an extent with the Development Fund for Africa, are successful models that the Commission recommends be duplicated elsewhere. AID's position has evolved from a lack of agreement last spring to full agreement this fall. AID believes that, at best, this recommendation could not be implemented before January, 1994.

Even the unspecified levels to Eastern Europe are under assault from certain Members of Congress and the reporting requirements for that region may soon change.

COMMENT

This recommendation can have significant positive impact on AID's policy dialogue and development processes. AID needs to clearly state its support for the concept and work to build acceptance for it with the Hill.

AID has taken the tentative step of restricting the production of budget documents to only the principal decision makers. However the Commission believes that this will not keep this data from the recipients and their lobbyists.

AID agrees in principle, but nothing is being done because of purported political considerations.

Conclusion

While AID agrees in principle, nothing has been done because of purported near-term political considerations.

24. LOCAL CURRENCY OVERSIGHT

AID and the IG should carefully monitor how Missions and overseas offices implement AID's July 1991 guidance on local currency and evaluate whether or not the new procedures are successful.

AGENCY POSITION

AID agrees with the Commission.

AGENCY IMPLEMENTATION

Controller Assessments, a peer-review program conducted by the Office of Financial Management to review Mission Controller operations, are being used to review Mission compliance with the new local currency guidance. Based on the most recent Controller Assessments, Missions appear to be complying with the 1991 guidance. The Office of Financial Management also stressed the new local currency guidance at the last Mission Controllers' meetings.

Missions appear to be complying with the 1991 guidance.

The Bureau for Food and Humanitarian Assistance has reviewed the local currency generated under its programs and has drafted and circulated procedures for assigning management responsibilities for these activities.

The Management Control Staff said they have not tracked Mission efforts to implement the new policy guidance on managing local currency. They said they would note any changes in this year's Internal Control Assessment to determine whether there are fewer problems in the area of local currency management compared to 1991. The Management Control Staff said it will also look to Inspector General audits to point out any ongoing weaknesses. The Office of Inspector General has included local currency audits in its fiscal year 1993 Annual Audit Plan.

COMMENT

Assessments by the Office of Financial Management and the Office of Inspector General should continue to ensure Mission compliance with the 1991 local currency guidance. More information should be taken from the 1992 ICA so that local currency problems in Missions not visited by the Controller Assessment teams or IG auditors can be identified. Consideration should be given to making this guidance retroactive to pre 1991 local currency agreements, particularly in the larger Missions that have the staff for this additional monitoring.

Better internal controls might improve local currency management.

CONCLUSION

The Office of Financial Management is monitoring Mission compliance with the local currency guidance as part of its Controller assessments. However, the Management Control Staff's ICA exercise can be utilized to help identify local currency weaknesses at Missions.

25. SUFFICIENCY OF TRAVEL FUNDS

AID and OMB must ensure that adequate funds are available for travel between headquarters and the Missions for program support and management oversight. The Commission was concerned to find how little personal contact there is between AID headquarters and field staffs. As a result, staff stationed in Washington, D.C. appeared to be out of touch with Mission operations and programs. Conversely, field personnel appear somewhat oblivious to senior management's efforts to introduce stricter accountability and controls.

AGENCY POSITION

AID agrees that the current level of travel by headquarters staff to the field is less than optimal.

AGENCY IMPLEMENTATION

Travel funding is inadequate.

In recent years OE has not kept pace with AID's increased portfolio. Before FTEs are reduced to save money, travel is among the first budget items to feel the squeeze. Personnel costs have taken a disproportionate share of OE funding. Personnel are left in place without the ability to travel and perform their responsibilities.

AID agreed that it should have adequate travel funds to ensure regular visits by managers to the field and suggested that this was a question of priorities within the Operating Expense budget and up to OMB.

COMMENT

The Commission understands the reality of limited OE funds, however, travel is the glue and key to management of this far-flung agency. AID needs to make a stronger link between program objectives and travel to better justify its requests for funds.

For example, personnel training is critical to agency effectiveness. As long as travel is controlled by the missions, travel for training will be cut when faced with shorter term priorities. If training is funded, then the travel component of it must be controlled by HRDM.

Further, it is more cost-effective to have technical assistance staff travel out from AID/Washington than to have Missions staffed with underutilized specialists. If OE is no longer sufficient to effectively administer mandated programs then programs should be cut back commensurate to the amount limited OE can support.

AID needs to make stronger links between program objectives and travel.

CONCLUSION

AID agrees, but cites OMB and the Hill as the problem. Beyond restricting conference travel, it has done nothing overt to implement this recommendation. However, AID does promise that its FY '94 budget request for operating expenses to OMB will include explicit travel justifications tied to program objectives.

GLOSSARY

Action Plan - This term is used in two ways in this report: (1) The Commission report itself is called the Action Plan (2) The Commission recommends that as part of uniform program and project management system, each operating unit prepare an Action Plan every two years. These plans should define strategies, objectives and anticipated, measurable results. AID management would use these plans to judge progress and unit performance.

Agency Management Plan - The Commission recommends that the Chief Operating Officer develop an Agency management plan that would cover both administrative and program issues and (1) clearly define AID's management objectives and goals, (2) allocate resources and assign responsibility, (3) set targets and expected completion dates, and (4) identify specific indicators by which progress will be measured.

AID/Washington (AID/W) - AID headquarters located in Washington, D.C.

AID Representative Status - In 30 countries in which the AID program is relatively small, declining in size or has limited objectives, the Agency maintains an "Office" headed by an AID Representative. These countries have AID Representative status.

AID/Washington Accounting and Control System (AWACS) - The central financial management system AID proposes to develop and implement to replace current accounting systems.

Bureaus - Organizational units in AID/W. There are five geographic and three program bureaus in the Directorate for Operations.
Central Bureaus - The support bureaus in the Directorate for Operations.
Geographic or Regional Bureaus - The five bureaus which cover assistance to countries in (1) Africa, (2) Asia, (3) Latin America and the Caribbean, (4) Near East, and (5) Europe. Each of AID's country Missions or offices reports to the geographic bureau responsible for its region.
Operating Bureaus - The eight bureaus in the Directorate for Operations. The Commission recommends that these be reduced to five operating bureaus for ESF Countries, Advanced Developing Countries, Less Developed Countries, Special Situations, and Technical Support.

Buy-Ins - The process whereby one unit negotiates and manages a contract and other units use their allocated program or operating funds to obtain goods or services under the contract. In most cases, Missions "buy-in" to a contract managed by an AID/W office.

Chief Operating Officer (COO) - In the private sector, the manager of the day-to-day operations of a business. The Commission recommends that the AID Administrator designate the Deputy Administrator as the Chief Operating Officer to manage the day-to-day program and administrative operations of the Agency.

Congressional Presentation - AID's annual budget request submitted to the Congress.

Contract Information Management System (CIMS) - A central information system AID developed and is in the process of installing to track all direct and host country contracts, grants, cooperative agreements and interagency agreements.

Country Assistance Categories - The Commission recommends that AID/W's five geographic bureaus be replaced with four bureaus organized according to the type of assistance AID provides. Overseas Missions and offices would be in one of the following categories: ESF Countries, Advanced Developing Countries, Less Developed Countries, or Special Situations.

Country Development Strategy Statement (CDSS) - The Commission recommends that, as a part of a uniform program and project management system, each Mission and unit submit a 5-year strategic plan for approval by the Administrator or Chief Operating Officer.

Country Program - The total package of assistance AID provides to a specific country.

Design and Deliver Contracting Mechanism - A contracting option AID introduced in 1991. In a Design and Deliver contract, the successful bidder will design the project, develop performance standards, and may begin implementing project segments, as approved by AID.

Design and Performance Contracting Mechanism - A contracting option AID introduced in 1991. In a Design and Performance contract, the successful bidder will design the project and develop performance standards it would satisfy if it were subsequently selected to implement the project.

Development Assistance (DA) Funds - Assistance under Chapter 1 of the Foreign Assistance Act, primarily designed to promote economic growth and equitable distribution of its benefits.

Direct Hire - A Foreign Service, Civil Service or Foreign Service National employee of AID. The term: "non-direct hire" is used to refer to other categories of individuals who help carry out AID operations, including Personal Service Contract employees, institutional contract staff and staff on loan to AID from other agencies.

Earmark - Funding for specific countries or types of activities directed by legislation. The major earmarks are for ESF recipients and the functional Development Assistance accounts.

Economic Support Fund (ESF) - The objective of the ESF program is to support U.S. economic, political and security goals in countries of strategic interest to the United States, in some cases related to military base rights or access rights agreements. The United States provided about $4 billion in Economic Support Fund assistance to about 50 countries in 1991.

ESF Bureau - One of the five operating bureaus in the AID/W structure recommended by the Commission. This bureau would manage operations in countries where AID assistance is ESF funded.

Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255) - Among other things, this Act requires that heads of federal agencies establish and maintain systems of internal control, periodically evaluate and report annually to the President and the Congress on the status of the systems.

Foreign Assistance - In this report, the term refers to economic assistance which is designed primarily to benefit the recipient country's economy. It does not include military assistance.

Foreign Assistance Act of 1961, as amended - AID authorizing legislation.

Foreign Service Employment Categories - Based on their education and experience, U.S. career Foreign Service employees are assigned to one of 26 professional or administrative skill groups, which are also known as "cones" or "backstops." AID's personnel system uses these categories to define positions and the types of employees qualified to fill them.

General Accounting Office (GAO) - The investigative arm of Congress charged with examining all matters relating to the receipt and disbursement of public funds. GAO conducts audits and evaluations of government programs and activities.

Host Country - A country to which AID provides assistance. The terms "host government," "recipient" and "recipient government" are also used in this report.

Host Country Contracting - AID provides funding for an activity but a host government agency is responsible for contract award and implementation - subject to AID requirements, oversight and approval. In 1990, AID channeled funds through 342 host country contracting agencies. Active host country contracts total over $1 billion.

Human Resources Development and Management Office (HRDM)- Replaced the Office of Personnel Management in the October 1, 1991, reorganization of AID headquarters. It is a part of the Directorate for Finance and Administration.

Inspector General (IG) - The AID Inspector General is General Herbert L. Beckington. In this report, "IG" may also refer to the Office of the Inspector General (OIG), an independent organization established in 1980. The OIG consists of four offices: audit, investigations, security and resource management. It has an annual budget of about $38 million and 260 employees located in Washington and at six regional offices overseas.

Internal Control Review Process - Pursuant to the Federal Manager's Financial Integrity Act of 1982, the Office of Management and Budget issued specific guidance for evaluating internal controls (OMB Circular A-123 Revised). An Internal Control Review is a detailed examination of a system of internal controls to determine whether adequate control measures exist and are implemented to prevent the occurrence of potential risks in a cost effective manner.

Local Currencies - Certain types of AID assistance generate funds denominated in the currency of the recipient country, which usually belong to the government of that country. For example, a recipient government may sell AID-provided commodities, such as tractors or food, in the private sector, thereby generating local currency.

Management Controls - The systems that management uses to regulate and guide its operations.

Mission - AID maintains offices in 48 countries where the AID program is large and involves multiple types of assistance. As used in this report, the term also includes other types of AID offices overseas.

Obligation - A legal commitment of funds through such mechanisms as signed agreements between the U.S. government and host governments, contracts and grants to organizations and purchase orders.

OMB/SWAT Team Report - A report, "Improving Management at the Agency for International Development," issued in July 1992. It was the result of a joint AID-OMB review of management and operating problems at AID. The SWAT Teams focused on three general management areas and made recommendations for thirty short and medium term improvements.

Operations Directorate - As of October 1, 1991, AID headquarters was reorganized under three Directorates, the heads of which report directly to the Administrator. These include the Directorates for Operations, Policy, and Finance and Administration. The Directorate for Operations includes the five geographic Bureaus and their Missions and overseas offices, and the Bureaus for Research and Development, Food and Humanitarian Assistance and Private Enterprise.

Operating Expense (OE) Funds - The appropriations and funds used to pay employee salaries, benefits, travel and administrative support costs of AID's operations.

Participant Training - The program through which AID provides training in the U.S. or abroad to citizens of developing countries. AID spends about $250 million a year to train about 19,000 participants. About half receive academic or degree training in the United States.

Performance Indicators - Quantifiable measures.

Personal Services Contractor (PSC) - The Federal Acquisition Regulation defines a PSC as a contract that makes the contractor appear as a government employee by the nature of the relationship that is established. AID reported that it employed about 570 U.S. and 4,200 foreign national personal service contractors in 1991.

Pipeline - The difference between what AID has obligated for specific activities and the amount it has actually disbursed to implement them. As of September 30, 1990, AID's pipeline amounted to $8.8 billion, some of which was obligated over ten years ago.

Private and Voluntary Organization (PVO) - A nonprofit, tax-exempt and nongovernmental organization established and governed by a group of private citizens whose purpose is to engage in voluntary, charitable and development assistance operations overseas. In 1990, 277 U.S. PVOs were registered with AID. That year AID provided over $1 billion in the form of grants, contracts, U.S. government-owned property, ocean freight subsidies and food aid for PVOs to distribute.

SCHEDULE OF EVENTS

General Herbert L. Beckington (Ret.) Inspector General, AID	August 19, 1992
Eric Newsom Staff Director, Subcommittee on Foreign Operations Appropriations Committee U.S. Senate	August 19, 1992
The Honorable Thomas E. McNamara Special Assistant to the President for National Security Affairs The White House	August 19, 1992
Major Mike Sheehan Director of International Programs National Security Council	August 19, 1992
The Honorable Scott M. Spangler Associate Administrator Directorate for Operations, AID	August 25, 1992
Terrence J. McMahon Director Office of Procurement, AID	August 26, 1992
The Honorable Ronald W. Roskens Administrator, AID	August 28, 1992
Richard Ames Associate Administrator for Finance and Administration, AID	August 28, 1992
George Ingram Senior Staff Consultant Foreign Affairs Committee U.S. House of Representatives	August 31, 1992
Lawrence Suda Assistant Director National Security and International Affairs Foreign Economic Assistance General Accounting Office	September 1, 1992

James Bond Minority Clerk Subcommittee on Foreign Operations Appropriations Committee, U.S. Senate	September 1, 1992
John P. Hummon Workforce Planning Group Leader, AID	September 2, 1992
Anthony J. Cauterucci Director of Human Resources Development and Management, AID	September 3, 1992
John E. Mullen Deputy General Counsel, AID	September 4, 1992
The Honorable Frank Wisner Under Secretary for International Security Affairs Department of State	September 4, 1992
The Honorable John F.W. Rogers Under Secretary for Management Department of State	September 8, 1992
Full Commission Meeting Participants <u>AID</u> Ronald W. Roskens, AID Administrator Scott Spangler, Associate Administrator for Operations Richard Ames, Associate Administrator for Finance and Administration Kathryn Boe Morgan, Director for Policy <u>GAO</u> Lawrence Suda, Assistant Director of National Security and International Affairs Division Audrey Solis, Senior Evaluator Mickey McDermott, Assistant Director Information Management and Technology Ernst Stockel, Accounting and Financial Management	September 9, 1992
Kenneth H. Sherper Counselor to the Agency, AID	September 11, 1992
Mark Sanna National Association of Public Administration	September 15, 1992

The Honorable Paul S. Sarbanes United States Senator	September 16, 1992
Richard L. McCall, Jr. Professional Staff Member Committee on Foreign Relations, U.S. Senate	September 16, 1992
Subcommittee on Foreign Operations Export Financing and Related Programs Appropriations Committee U.S. House of Representatives Terry R. Peel, Staff Assistant William E. Schuerch, Staff Assistant Mark W. Murray, Staff Assistant	September 16, 1992
George M. Ferris, Jr., Chairman F.T. (Ted) Van Dyk, Commissioner Testimony before The Honorable Paul S. Sarbanes United States Senator Chairman Subcommittee on International Economic Policy, Trade, Oceans and Environment Committee on Foreign Relations	September 30, 1992

COMMISSIONERS

George M. Ferris, Jr., *Chairman*

C. Harvey Bradley, *Member*

Thomas P. Kemp, *Member*

Michael Roth, *Member*

F.T. (Ted) Van Dyk, *Member*

STAFF

Frank B. Kimball, *Executive Director*

Richard H. Endres, *Deputy Director*

Francis J. Kenefick, *Senior Management Analyst*

Walter Bayer, *GAO Liaison Officer*

Brenda K. Jones, *Special Assistant*