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United States Government Accountability Office
Washington, DC 20548

November 21, 2008

The Honorable Howard L. Berman
Chairman
Committee on Foreign Affairs
House of Representatives

The Honorable Robert Menendez
Chairman
Subcommittee on International Development and Foreign Assistance, Economic Affairs, and International Environmental Protection
Committee on Foreign Relations
United States Senate

The Honorable Daniel K. Akaka
Chairman
Subcommittee on Government Management, the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Government Affairs
United States Senate

Subject: *Foreign Assistance: State Department Foreign Aid Information Systems Have Improved Change Management Practices but Do Not Follow Risk Management Best Practices*

In January 2006, the Secretary of State announced major changes in the U.S. government's process for directing and managing foreign assistance programs in a reorganization and revision of operational procedures commonly known as the F Process. These changes were intended to ensure the effective use of U.S. foreign assistance to meet broad U.S. foreign policy objectives and more fully align programs carried out by the Department of State and the U.S. Agency for International Development (USAID). To administer the F Process, the Secretary created the new Office of the Director of U.S. Foreign Assistance (State/F) with a Director of Foreign Assistance (DFA), who carries the rank of Deputy Secretary of State and also serves concurrently as USAID Administrator.

To support State and USAID planning, budgeting, and reporting of foreign assistance under these reforms, State/F developed two new data information systems, the Foreign Assistance Coordination and Tracking System (FACTS) and FACTS Info.[1]

[1]Neither FACTS nor FACTS Info is intended to serve as an accounting or financial tracking system. Both State and USAID have separate systems for these purposes.

FACTS, which State/F began to develop in mid-2006, is a database used to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data. FACTS Info, which State/F created in 2007, is a system used to aggregate, analyze, and report data on U.S. foreign assistance programs under the authority of the DFA.[2] (See encl. I for a complete list of foreign assistance accounts that fall under the DFA's authority according to State.) Although State and USAID are the only U.S. agencies currently using both systems, State/F expects the systems to eventually include data from other agencies involved in foreign assistance, including the Millennium Challenge Corporation and the Department of Treasury, among others.

In connection with our ongoing work addressing the management of State/F and at your request, we examined (1) the creation and development of FACTS and FACTS Info and (2) whether State/F is following best practices for configuration management—the process of establishing and maintaining control over changes made to a system—and risk management of FACTS and FACTS Info. In conducting this work, we reviewed FACTS and FACTS Info system procurement, contract, development, performance, and assessment documents from State and USAID. We also reviewed State/F's configuration management and risk management procedures for consistency with industry best practices.

We interviewed cognizant officials at State and USAID headquarters in Washington, D.C., and at U.S. embassies and USAID missions, including regional missions, in Ethiopia, Haiti, Jordan, Kenya, Peru, and Ukraine.[3] In particular, we conducted several interviews with officials from State/F's Strategic Information, Monitoring and Evaluation Unit, which is charged with implementing and overseeing both FACTS and FACTS Info.

We conducted this performance audit from January 2008 through November 2008 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.

Results in Brief

In conjunction with USAID, State/F developed FACTS I in December 2006 (initially known as FACTS) as a database used to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data for State, USAID, and the over 25 other U.S. departments and agencies implementing U.S. foreign assistance programs. However, only programs under the authority of the DFA are currently detailed in

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[2]State and USAID separately maintain their respective operating expense accounts—the Diplomatic and Consular Program account and the Operating Expense account—which are not under the authority of DFA.

[3]These six countries represent a judgmental sample selected because of the wide variety and number of foreign assistance programs at each post and as part of our ongoing work addressing the management of State/F.

FACTS. Based on a State/F survey of over 100 State and USAID users in 2007, as well as our interviews with State and USAID officials in Washington, D.C., and the six countries we visited, FACTS I was slow and unreliable during the first 2 years of the F Process. To remedy these problems, in February 2008, State/F hired a contractor to develop FACTS II, which was deployed worldwide in October 2008. State/F created FACTS Info to aggregate, analyze, and report data on U.S. foreign assistance programs under the authority of the DFA. During the initial pilot phase, which began in September 2007, FACTS Info was accessible to a limited number of State and USAID users; however, it is expected to expand its usage to additional State/F and USAID users when the pilot phase ends, currently planned for fall 2008.

FACTS II and the ongoing pilot of FACTS Info have recently implemented new configuration management processes, but both lack adequate risk management procedures, such as formalized procedures to plan for foreseeable risks. State/F has taken steps to address these challenges, such as updating the project management plan and implementing change tracking software to address certain weaknesses, particularly to both systems' configuration management. However, as of October 2008, State/F had not fully implemented improvements to the systems' risk management; State officials noted that they plan to complete these improvements by December 2008. Because both FACTS II and FACTS Info lack formal processes for risk management, State/F cannot ensure that risks are identified, analyzed, tracked, and mitigated, increasing the likelihood that potential problems become actual problems. Moreover, State/F was unable to mitigate a key risk that led to problems with the development of FACTS II. Without improved risk management processes, risks may not be effectively managed.

To help ensure that FACTS II and FACTS Info are implemented successfully and perform as designed, we are recommending that the Secretary of State direct the DFA to better utilize best practices for risk management procedures to both systems. In particular, we are recommending that the DFA (1) identify and develop a comprehensive list of system development risks for FACTS and FACTS Info, and (2) fully develop risk mitigation plans for FACTS and FACTS Info.

State provided written comments about a draft of this report, which we have reprinted in enclosure II. State noted the steps it has taken to begin implementing the recommendations and expects to complete those steps in December 2008.

Background

In January 2006, following a foreign assistance review, the Secretary of State determined that U.S. foreign assistance programs were fragmented among multiple State Department bureaus and offices, as well as between State and USAID, which created potential redundancies and complicated efforts to integrate foreign assistance with broader U.S. foreign policy objectives. As a result, the Secretary concluded that the U.S. government must align its activities more fully across the State Department and USAID and within the State Department itself.

To address these challenges, State/F was created in 2006 to focus the use of foreign assistance toward achieving the Secretary's transformational diplomacy goal "to help build and sustain democratic, well-governed states that will respond to the needs of

their people, reduce widespread poverty, and conduct themselves responsibly in the international system."[4] The DFA serves concurrently as the USAID Administrator, with approval authority over all State and USAID foreign assistance funding and programs, with the exception of Global HIV/AIDS Initiative funds. (See encl. I for a complete list of foreign assistance accounts that fall under the DFA's authority according to State.) As part of the integrated interagency planning, coordination, and implementation of foreign assistance, State/F's major responsibilities include, among other duties, the following:

- developing a coordinated U.S. government foreign assistance strategy and directing the development of related country-specific multiyear assistance strategies and annual operational plans;
- creating and directing consolidated policy, planning, budget, and implementation mechanisms and staff functions required to provide leadership to foreign assistance; and
- providing guidance to foreign assistance delivered through other U.S. agencies and entities, including the Millennium Challenge Corporation and the Office of the U.S. Global AIDS Coordinator.

State/F created the Strategic Information, Monitoring and Evaluation Unit to manage the information tools and products that support the organization, including FACTS and FACTS Info. Prior to the creation of State/F, many individual operating unit systems gathered information and informed program management and budget formulation, but no system existed to integrate and aggregate the information. The creation of such a system was intended to provide uniform reporting across countries, funding accounts, and agencies.

Configuration and Risk Management Best Practices

The disciplines of configuration and risk management, along with other system development practices, are important to help ensure that projects are delivered on time, within budget, and with the promised functionality. These practices should be formalized in such a way that their processes are clearly defined, precise, systematized, and documented.

According to the Software Engineering Institute,[5] the purpose of configuration management is to establish and maintain control over changes made to a system. When changes or problems are identified, configuration management activities can help determine where the changes or problems have occurred and what steps were taken to correct or implement them. The configuration management process includes activities designed to identify the system's baseline specifications and configuration

[4]*Strategic Plan Fiscal Years 2007-2012: Transformational Diplomacy*, U.S. Department of State and U.S. Agency for International Development, revised May 7, 2007.

[5]Carnegie Mellon University's Software Engineering Institute is recognized for its expertise in software and system processes and has developed the Capability Maturity Model[R] Integration (CMMI[SM]) model and a CMMI appraisal methodology to evaluate, improve, and manage system and software development and engineering processes.

and to track and control changes made to the baseline. Configuration management activities can be divided into several key areas:[6]

- identifying the configuration of a system's baseline data;
- controlling changes made to the system;
- maintaining the integrity of the system's baselines; and
- providing accurate status and current configuration data of the system to developers, end users, and customers.

The purpose of risk management is to identify potential problems before they occur. When problems are identified, risk-handling activities can be planned and invoked as needed across the life of a project to mitigate adverse impacts on objectives. Effective risk management involves early and aggressive risk identification through the collaboration and involvement of relevant stakeholders. Risk management activities can be divided into several key areas:[7]

- preparing for risk management,
- identifying and analyzing risks,
- mitigating risks, and
- executive oversight.

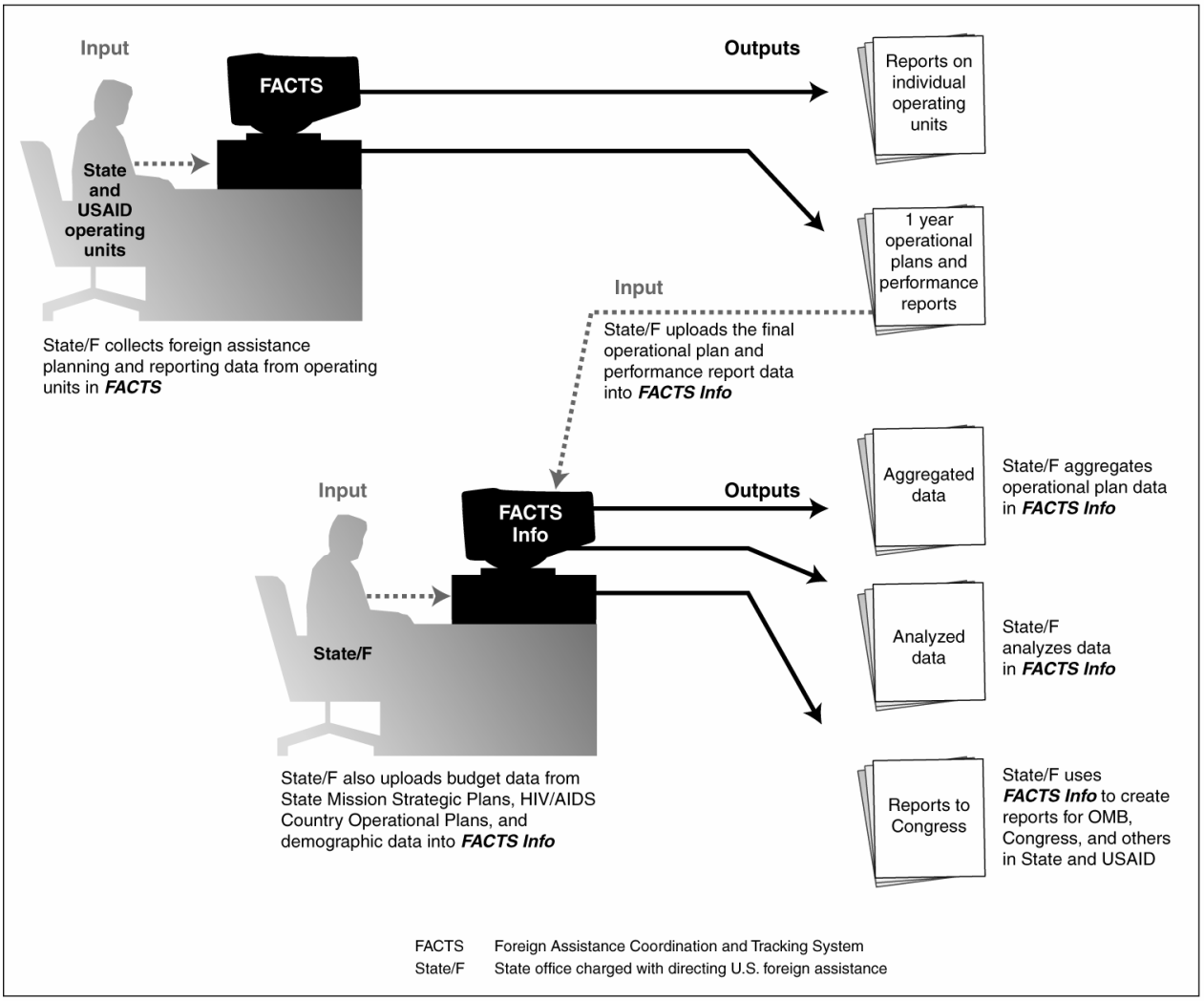
State Developed and Implemented FACTS I and FACTS Info to Support the F-Process, but Found FACTS I to Be Slow and Unreliable

In conjunction with USAID, State/F developed FACTS I as a database to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data. According to numerous FACTS I users and based on our review, FACTS I was slow and unreliable during the first 2 years of the F Process. Consequently, State/F developed FACTS II as a successor to FACTS I. State/F also created the FACTS Info system to aggregate, analyze, and report data on U.S. foreign assistance programs under the authority of the DFA. During its initial pilot phase, which began in September 2007, FACTS Info is accessible within State and USAID to a limited number of users; however, State/F plans to expand its usage to additional State/F and USAID users when the pilot phase ends, currently planned for the fall of 2008.

[6]These activities are derived from the Software Engineering Institute's CMMI.

[7]These activities are derived from the Software Engineering Institute's CMMI.

Figure 1: FACTS and FACTS Info Data Flow Chart



Sources: GAO analysis of Department of State data; Nova Development (clip art).

FACTS I Was Designed to Support Foreign Assistance Reform but Was Slow and Unreliable

In conjunction with USAID, State/F developed FACTS I as a database to collect foreign assistance planning and reporting data, including plans for implementing current-year appropriated budgets and performance planning and reporting data. USAID awarded the contract, which cost a total of $4.5 million, for the initial phase of FACTS, known as FACTS I. According to USAID and State officials, both USAID and State/F managed the contract. State/F's Strategic Information, Monitoring and Evaluation Unit managed the development of FACTS I to combine the data from the more than 25 U.S. government agencies involved in planning and reporting on foreign assistance activities into one central data system. However, only programs under the authority of the DFA are currently detailed in FACTS. FACTS I was based on the system used by the Office of the U.S. Global AIDS Coordinator to plan, budget, and report on the President's Emergency Plan for AIDS Relief program. FACTS I was launched in December 2006 and included foreign assistance program information from both State and USAID. State and USAID operating units—which in 2007

included 128[8] U.S. embassies and USAID missions overseas, regional offices, and Washington bureaus involved in the management and delivery of foreign assistance—used FACTS I to enter, review, and submit their operational plans[9] and performance reports. In addition, State and USAID operating units used the system to plan activities; retrieve data for operating unit reporting; and report on specific operating unit programs to State and USAID management, Congress, and others. State/F used the system to review and approve the operational plan and performance report submissions, to retrieve data for analysis and reporting, and to respond to information requests.

A State/F survey and our field work indicate that users found FACTS I was slow and unreliable during the first 2 years of the F Process. The system was intended to be accessible to users at 128 operating units. However, FACTS I faced several problems in the field. In particular, in an internal State/F survey that had over 100 respondents and at the posts we visited during our field work, individuals who used the system described it as slow and tedious with frequent periods when data could not be entered during peak usage times prior to work deadlines. For example, one USAID employee told us that, to perform her other responsibilities, she frequently entered data from her home computer after normal working hours (weekends and evenings) because the system was especially slow during normal working hours. Concluding that FACTS "was marred by slowness, technical glitches, and unreliability," the State/F survey concluded that State/F should correct the system's problems and make it more user friendly.

To remedy the problems with FACTS I, in February 2008, State/F hired a contractor for $1.9 million to develop a follow-on system known as FACTS II.[10] The contractor was required to (1) design, build, test, and implement a data system that collects, aggregates, and prepares reports on data needed for foreign assistance planning and reporting; (2) maintain and operate FACTS II, including developing and staffing a help desk facility to support users; (3) train and make proficient the users of FACTS II; and (4) update and maintain FACTS I until FACTS II was deployed. State/F deployed FACTS II worldwide to improve FACTS I's ability to capture, report, and manage foreign assistance planning and performance data in October 2008.

FACTS Info Pilot Is Launched to Support Foreign Assistance Reform

FACTS Info is an information system created in-house[11] by two State/F employees and is used to aggregate, analyze, and report data on U.S. foreign assistance programs

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[8]In 2008, State/F expanded the number of operating units inputting data into FACTS to 187.

[9]The operational plans are intended to provide a comprehensive picture of all foreign assistance resources—even those that do not fall under the authority of DFA and not currently captured in FACTS—planned for implementation in a country by providing detail about the specific use of appropriated funds for the current fiscal year.

[10]State/F also spent $210,000 to have a separate contractor develop the technical requirements of both FACTS and FACTS Info.

[11]As an in-house system, the cost of FACTS Info development is included within staff and other operational expenses, but State estimated the lifecycle cost is $2.5 million.

under the authority of the DFA. The system imports budget, program, and performance data from FACTS I and embassy mission strategic plans (MSP) and is integral in formulating the foreign operations portion of the congressional budget justification and performance report. As of September 2008, FACTS Info contained the following information:

- appropriations for fiscal years 2006 through 2008;
- operational plan data for fiscal years 2007 and 2008;
- performance report data for fiscal year 2007;
- congressional budget justification process data for fiscal year 2009; and
- budget formulation information from the fiscal year 2010 Mission Strategic Plans.

FACTS Info has multiple uses. State/F has used FACTS Info primarily in supporting the foreign assistance budget formulation process;[12] conducting budget and performance analysis to develop funding and strategic priorities; and reporting to Congress, OMB, and other stakeholders on the progress of assistance programs. Other State and USAID bureaus and offices that have access to the system may use FACTS Info as a reporting and management tool—for example, in aggregating and analyzing information by region, sector, funding account, or special interest area for program planning and for preparing speeches, briefs, and responses to queries. FACTS Info also serves as a data source for reporting on the progress and funding of specific congressional earmarks and presidential initiatives.

During the initial pilot phase, which began in September 2007 and is expected to end in the fall of 2008, FACTS Info is accessible within State and USAID to a limited number of users. FACTS Info is being piloted at 42 overseas and domestic operating units at State and USAID. After the trial period ends, State/F plans to expand access to the FACTS Info system to other State and USAID operating units, as well as other U.S. agencies, on an as-needed basis. Once fully operational, FACTS Info is expected to be the DFA's primary data repository, analysis tool, and reporting system.

FACTS and FACTS Info Are Beginning to Follow Configuration Management Best Practices but Do Not Follow Risk Management Best Practices

FACTS II and the ongoing pilot of FACTS Info have recently implemented new configuration management processes, but both lack adequate risk management procedures, such as formalized procedures to plan for foreseeable risks. State/F has taken steps to address these challenges; however, as of October 2008, State had not fully implemented improvements to the systems' risk management. State officials noted that they plan to complete these improvements by December 2008.

[12]The foreign assistance budget formulation process is used to develop the annual President's budget request as well as supplemental information and details for certain foreign assistance programs. Foreign assistance program dollars for both State and USAID, as well as USAID's operating expenses, are contained in the DFA's foreign operations congressional budget justification; State's operating expenses—including those that support State/F—are instead contained in the State Department congressional budget justification.

State's Management of FACTS and FACTS Info Is Beginning to Follow Configuration Management Best Practices

Both FACTS II and FACTS Info have recently implemented and formalized processes for configuration management. The FACTS II contractor was tasked with developing a configuration management and change control plan to ensure that changes are made in a deliberate and coordinated manner. However, a June 2008 independent verification and validation report[13] contracted by State found that a plan had not been developed for FACTS II and that change control of FACTS Info had not been formalized and was insufficient. We also found that a plan for FACTS Info had not been developed and the change control status had not been formalized. State/F tracked the changes to FACTS Info in an informal notes screen in the FACTS Info system. However, the independent verification and validation report found that the tracking system did not track effectively all necessary change elements, and that the system therefore prevented future developers from fully understanding the changes that have occurred. In November 2008, State officials noted that they acquired and implemented commercial-off-the-shelf software to effectively track changes and that they have updated the configuration management section of their project management plan to address these weaknesses.

In April 2008, State/F and USAID established a FACTS Change Control Review Board to help manage configuration management by identifying, evaluating, and approving changes to FACTS II. However, as of October 2008, the board had not yet convened because the schedule and cost change thresholds required for triggering the board's involvement had not been reached. State/F used weekly management meetings with the system developers to address configuration management issues. State/F officials also acknowledged that they had difficulties placing FACTS Info under the same change control board procedures as FACTS II because, as an in-house system that does not use an outside contractor, FACTS Info faces different types of schedule or cost risks than does FACTS. Consequently, State/F officials said that they had developed a less formal change control structure for FACTS Info managed by the new FACTS Info Executive Board, which will serve as the decision-making body for FACTS Info changes.

State's Management of FACTS and FACTS Info Does Not Follow Risk Management Best Practices, but State Has Made Recent Improvements

Neither FACTS II nor FACTS Info has fully followed formal processes for risk management. In December 2007, State/F drafted a risk management plan that identified having a fixed price contract as, according to State/F officials, the greatest risk to developing FACTS II, because it does not allow State/F to adjust the amount of the contract in response to new requirements or unforeseen developments that may increase cost. State/F indicated that having a firm fixed price contract was also the primary action taken to reduce risk since the contract transferred most of the risk for

[13]The *FACTS II and FACTS Info IV&V Initial Assessment*, an independent verification and validation report dated June 25, 2008, had three objectives: (1) to verify and validate that FACTS II was being designed successfully, (2) to determine the probability of a successful implementation of FACTS II, and (3) to determine whether FACTS II would meet State's objectives. We found the assessment's methodology sound.

cost and schedule from State to the system developer. State also stated that it used the June 2008 independent verification and validation report to help it identify risks and took steps to reduce schedule slippage as a result. However, State/F did not mitigate this risk, resulting in State/F's assuming some duties from the contractor. State/F's failure to mitigate this risk also led to a delay in the release of FACTS II. As noted by the independent verification and validation report and in our meetings with State/F officials, the contractor responsible for maintaining FACTS I as well as developing FACTS II found that maintaining FACTS I required far more time and resources than expected. As a result, time and resources planned for FACTS II were used for FACTS I, delaying the development of FACTS II. In July 2008, 2 months prior to the expected deployment of FACTS II, the contractor revised the draft risk management plan. This version of the plan has a risk register—a log used to track projected risks—that identifies six risks and provides a minimal mitigation strategy. However, the risk register is designed only for FACTS II and does not apply to FACTS Info.

State/F acknowledged that, as of October 2008, it had not fully implemented a risk management plan. State officials noted they have developed a revised risk management plan that incorporates FACTS Info risks into the risk register; however, as of October 2008, the new plan had not yet been fully implemented. State officials stated that they expect of have a fully approved risk management plan in place by December 2008.

Conclusion

State/F is in charge of managing the development of the core information systems for planning, budgeting, and reporting on U.S. foreign assistance programs. State and USAID operating units upload their operational budget plans into FACTS, and State/F is able to aggregate this data in FACTS Info. However, these systems face potential challenges to their continued development, because State/F has not fully developed the processes needed for managing risks. Because neither FACTS II nor FACTS Info has fully followed formal processes for risk management, State/F cannot ensure that risks are identified, analyzed, tracked, and mitigated, increasing the likelihood that potential problems become actual problems. State has taken steps to enhance its compliance with risk management. However, these actions do not reduce State's responsibility to carry out oversight of risk management to ensure success of the project. Moreover, State/F did not mitigate a key risk that led to problems with the development of FACTS II. Without improved risk management processes, risks may not be effectively managed.

Recommendations for Executive Action

To help ensure that FACTS II and FACTS Info are implemented successfully and perform as designed, we recommend that the Secretary of State direct the DFA to better utilize best practices for risk management procedures to both systems. In particular, we recommend that the DFA

- identify and develop a comprehensive list of system development risks for FACTS and FACTS Info, and

- fully develop and implement formalized risk mitigation plans for FACTS and FACTS Info.

Agency Comments and Our Evaluation

State provided written comments on a draft of this report, which we have reprinted in enclosure II. State noted the steps it has taken to begin implementing the recommendations and expects to complete those steps in December 2008.

In its technical comments on our draft, State officials reported that they had acquired and implemented commercial-off-the-shelf software to track changes to FACTS and FACTs info and updated their project management plan to address prior weaknesses in the configuration management. We subsequently received supporting documentation of these activities, incorporated this information into our report, and removed a draft recommendation concerning configuration management.

In its written comments, State also noted that FACTS does not collect data from agencies other than State and USAID and that State does not have agreements or procedures in place to collect detailed planning information from other agencies. Our report acknowledges that FACTS does not include this information. However, contractual documents for FACTS I and FACTS II state that one of the purposes of FACTS is to combine all U.S. government agency planning and reporting on foreign assistance activities into one central data system. This purpose is in accordance with one of the stated missions of the DFA to provide leadership, coordination, and strategic direction within the U.S. government as a whole to enhance foreign assistance effectiveness.

We are sending copies of this report to the Secretary of State, the Administrator of USAID, and the Director of the Office of Management and Budget. We will also make copies available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-3149 or gootnickd@gao.gov. Other key contributors to this report were Audrey Solis, Thomas Costa, David Powner, Karl Seifert, and George Taylor. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

David Gootnick
Director, International Affairs and Trade

Enclosures

Enclosure I: List of Function 150 International Affairs Accounts under DFA's Authority

Congress appropriates to function 150 through the annual State Department, Foreign Operations, and Related Programs appropriations bill. It excludes programs within the defense budget or within the budgets of domestic agencies.

Table 1: List of Function 150 International Affairs Accounts under DFA's Authority

Account acronym	Full account name
ACI	Andean Counterdrug Initiative
AEEB (formerly SEED)	Assistance for Eastern Europe and the Baltic States (formerly Support for Eastern European Democracy or SEED)
CRF (requested)	Conflict Response Fund
CSH	Child Survival and Health Programs
DA	Development Assistance
DCA	Development Credit Authority
DF	Democracy Fund
ERMA	U.S. Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
FMF	Foreign Military Financing
FSA	Assistance for the Independent States of the Former Soviet Union
GHAI[a]	Global HIV/AIDS Initiative
IDFA	International Disaster/Famine Assistance
IMET	International Military Education and Training
INCLE	International Narcotics Control and Law Enforcement
IO&P	International Organizations and Programs
MCC[a]	Millennium Challenge Corporation
MRA	Migration and Refugee Assistance
NADR	Nonproliferation, Anti-Terrorism, Demining and Related Programs
PKO	Peacekeeping Operations
OTI	USAID Office of Transition Initiatives
PL-480 Title II	Public Law 480 Title II Food for Peace Program

Source: Department of State.

[a]DFA has authority over foreign assistance programs that fall under function 150 spending with several exceptions. Of the accounts listed above, DFA only coordinates with GHAI or MCC and does not have approval authority over those accounts. PL-480 programs are under the authority of the USAID Administrator rather than the Director of Foreign Assistance, although these positions are currently held by the same individual.

Note: GAO comments supplementing those in the report text appear at the end of this enclosure.

United States Department of State

Assistant Secretary for Resource Management and Chief Financial Officer

Washington, D.C. 20520

NOV 07 2008

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

See comment 1.

We appreciate the opportunity to review your draft report, "Foreign Assistance: State Department Foreign Aid Information Systems Do Not Follow Change and Risk Management Best Practices," GAO Job Code 320569.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Michael Austin, Strategic Information Director, Office of the Director of Foreign Assistance at (202) 647-2085.

Sincerely,

Bradford R. Higgins

cc: GAO – Audrey Solis
F – Henrietta H. Fore
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report

Foreign Assistance: State Department Foreign Aid Information Systems Do Not Follow Change and Risk Management Best Practices
(GAO-09-52R, GAO Code 320569)

The Department of State appreciates the opportunity to respond to the GAO draft report "*Foreign Assistance: State Department Foreign Aid Information Systems Do Not Follow Change and Risk Management Best Practices.*" We offer the following response to the GAO recommendations, as well as updates/corrections to the text.

Recommendations:

Identify and develop a comprehensive list of system development risk for FACTS and FACTS Info.

Fully develop and implement risk management plans for FACTS and FACTS Info.

State Department Response:

The State Department is committed to the appropriate and effective risk management of its information technology development projects, and has identified and taken actions to mitigate risks throughout the development of both FACTS and FACTS Info. Actions include the completion of a risk assessment on FACTS I in November 2006; preparation of a preliminary Risk Management Plan for FACTS II in December 2007; and approval of a FACTS II risk management plan which includes a risk register list of key FACTS II development risks in July 2008. In addition, State/F employed a professional independent verification and validation (IV&V) contractor in June 2008 whose responsibility was to identify and report risks to FACTS II and FACTS Info's management, development, deployment, and preparation for steady state operations. State/F carefully reviewed the IV&V findings and recommendations, and took appropriate action to mitigate development risk identified in both the IV&V report and FACTS II risk registry.

State/F is now finalizing a Program-level Risk Management Plan that includes a risk registry listing of all risks for both FACTS and FACTS Info identified during system development and by the IV&V. The program-level risk management plan will include current status, impact assessments, and mitigation strategies for risks

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identified in the risk registry. The program-level risk management plan is scheduled for completion in December 2008.

Other Comments:

See comment 2.

Page 3, section "Results in Brief", Page 9 (sixth line and footnote): please remove reference to "and the over 25 other USG departments and agencies..." **Reason:** Our information systems do not collect data from those agencies. The desire is for a comprehensive picture of foreign assistance programs across the U.S. government, but we do not have agreements or procedures in place to collect detailed planning information on the use of appropriated funds from agencies beyond State and USAID. USAID and State offices are encouraged to include information on other USG agency programs in their operational plans in a narrative section entitled "Work of USG players", but this is not known to be comprehensive as we cannot assume that all posts have complete information on the non-presence USG agencies.

The following are GAO's comments on State's letter dated November 7, 2008.

GAO Comments

1. During the formal comment period, State/F supplied technical comments and additional evidence detailing improvements made to the configuration management processes of FACTS and FACTS Info. We incorporated this information into our report and removed a draft recommendation concerning configuration management. Our revised title reflects these changes.

2. Our report acknowledges that FACTS does not include information from agencies other than State and USAID. However, contractual documents for FACTS I and FACTS II state that one of the purposes of FACTS is to combine all U.S. government agency planning and reporting on foreign assistance activities into one central data system. This purpose is in accordance with one of the stated missions of the DFA to provide leadership, coordination, and strategic direction within the U.S. government to enhance foreign assistance effectiveness.

(320569)

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