USAID
FROM THE AMERICAN PEOPLE

SHARED PROGRESS, SHARED FUTURE

AGENCY FINANCIAL REPORT FISCAL YEAR 2016

ABOUT THIS REPORT

The U.S. Agency for International Development's (USAID) Agency Financial Report (AFR) for fiscal year (FY) 2016 provides an overview of the Agency's performance and financial information. The AFR demonstrates to Congress, the President, and the public USAID's commitment to its mission and accountability for the resources entrusted to it. This report is available on USAID's website at *https://www.usaid.gov/results-and-data/progress-data/agency-financial-report* and includes information that satisfies the reporting requirements contained in the following legislation:

- Inspector General Act of 1978 [Amended] – requires information on management actions in response to the Office of Inspector General (OIG) audits;
- Federal Managers' Financial Integrity Act (FMFIA) of 1982 – requires ongoing evaluations of, and reports on, the adequacy of internal accounting systems and administrative controls, not just controls over financial reporting, but also controls over program areas;
- Chief Financial Officers (CFO) Act of 1990 – requires better financial accounting and reporting;
- Government Management Reform Act (GMRA) of 1994 – requires annual audited agency-level financial statements, as well as an annual audit of government-wide consolidated financial statements;
- Federal Financial Management Improvement Act (FFMIA) of 1996 – requires an assessment of an agency's financial management systems for adherence to government-wide requirements to ensure accurate, reliable, and timely financial management information;
- Reports Consolidation Act of 2000 – permits agencies to prepare a combined Performance and Accountability Report (PAR). During FY 2007 and FY 2008, the Office of Management and Budget (OMB) conducted a pilot in which agencies were permitted to produce an alternative to the consolidated PAR, which USAID has done since FY 2007;
- Accountability of Tax Dollars Act (ATDA) of 2002 – expands auditing requirement for financial statements to non-CFO Act agencies. The provisions of OMB Bulletin 01-09, *Form and Content of Agency Financial Statements*, requires agencies to consolidate their audited financial statements and other financial and performance reports into a combined PAR;
- Government Performance and Results Act (GPRA) Modernization Act (GPRAMA) of 2010 – requires quarterly performance reviews of federal policy and management priorities;
- Improper Payments Information Act (IPIA) of 2002, as amended by Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 – requires agencies to improve efforts to reduce and recover improper payments and requires federal agencies to expand their efforts to identify, recover, and prevent improper payments.

In lieu of a combined PAR, USAID elects to produce an AFR with a primary focus on financial results and a high-level discussion of performance results, along with an Annual Performance Report (APR) which details strategic goals and performance results. The FY 2016 APR will be included in the USAID FY 2018 Congressional Budget Justification in February 2017. Both reports will be available at *https://www.usaid.gov/results-and-data/performance-reporting*.

COVER PHOTO: DAVIDE OSORIO FOR USAID

USAID AT A GLANCE

WHO USAID IS

- An independent Federal Government agency.
- Receives overall foreign policy guidance from the Secretary of State.
- Headquartered in Washington, D.C.
- U.S. Government's lead agency for development, which along with defense and diplomacy, are the three essential components of American foreign policy and national security.

WHERE USAID WORKS

Operating in more than 100 countries around the world, the investment USAID makes in developing countries has long-term benefits for America. To explore where and with whom USAID spends its foreign assistance dollars, visit *http://foreignassistance.gov*.

WHAT USAID DOES

USAID partners to end extreme global poverty and enable resilient, democratic societies to realize their potential, while advancing the Nation's security and prosperity. USAID works to improve the lives of millions of men, women, and children by:

Investing in agricultural productivity

Combating maternal and child mortality and deadly diseases

Providing life-saving assistance in the wake of disaster

Promoting democracy, human rights, and good governance

Helping communities adapt to a changing environment and effects of global climate change

Fostering private sector development and sustainable economic growth

Elevating the role of women and girls and gender equality considerations

Expanding access to education in regions witnessing crisis and conflict

To learn more about who USAID is, where USAID works, and what USAID does, visit *http://www.usaid.gov.*

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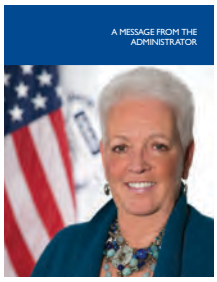

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A brief message from the Agency Head highlighting the Agency's mission, goals, and accomplishments upholding the mission; and an assessment of the reliability and completeness of financial and performance data in the report.

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The MD&A provides an overview of the Agency's performance and financial information. It introduces its mission and values, and describes the Agency's organizational structure. This section highlights the Agency's goals and priorities and summarizes the results for selected key performance programs. It also highlights the Agency's financial results and provides management's assurances on the Agency's internal controls.

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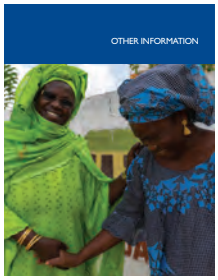

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A MESSAGE FROM THE ADMINISTRATOR

Gayle E. Smith

SHARED PROGRESS, SHARED FUTURE

Early on in his first term, the President elevated development as a core pillar of American foreign policy, and directed the U.S. Agency for International Development (USAID) and our partners across the government to step up our game. He challenged us to follow where the evidence leads, and then to lead with the evidence. He called on us to innovate and adapt to the world we live in, and to work with developing countries around the world not as the recipients of charity but as true partners.

Since then, the men and women of USAID have made great strides toward realizing President Obama's vision while continuing to advance our mission of ending extreme poverty and promoting resilient, democratic societies. This includes steps to diversify the streams of capital that finance development; improve the way we measure progress; and invest in force multipliers like science, technology, innovation, and partnership to accelerate our impact.

These steps, among others, have helped us build a stronger and more accountable USAID. In fiscal year (FY) 2016, USAID continued to spur real outcomes for real people across a diverse array of sectors, including global health, food security, energy, education, governance, and humanitarian assistance[1].

SOLIDIFYING OUR SHARED PROGRESS AND PROTECTING OUR GAINS

As we look ahead to the future, we know we face many tough challenges, from long-lasting and complex conflicts to more frequent and severe climate-related disasters to the volatility of world commodity prices. All of these shocks and shifts have the potential to knock economies off balance; plunge people back into poverty; and slow, halt, or even reverse hard-won development gains.

That is why, even as we have led humanitarian responses to 52 disasters both big and small, USAID has focused this year on solidifying our progress and protecting—and building on—the gains we have helped achieve with partners. Thanks to vital leadership from the U.S. Congress, we have seen the passage of two major pieces of legislation that will help do exactly that.

The Global Food Security Act, signed into law by President Obama in July 2016, ensures that the U.S. commitment to ending global hunger and malnutrition is a lasting one. It cements the approach the U.S. Government has taken through the Feed the Future initiative, which empowers smallholder farmers and strengthens communities and economies through agricultural development. Since the initiative began, poverty has dropped between 7 and 36 percent in many of the areas where Feed the Future works, and child stunting has dropped between 6 and 40 percent. Last year alone, we reached 18 million children with vital nutrition interventions and helped farmers and other producers—many of whom are women and young people—boost their incomes from agricultural sales by more than $800 million.

[1] See USAID's strategic goals and results in the Program Performance Overview beginning on page 6. The strategic goals are summarized on page 12.

That is progress worth protecting, and it must be continued. The same is true for the progress achieved through Power Africa, the U.S. Government-led initiative working to double access to power across sub-Saharan Africa. By employing a transaction-based model that focuses on removing barriers and building an investment-friendly environment, Power Africa is steadily breaking the continent's energy infrastructure logjam, and opening the door to electricity for millions of homes and businesses for the first time. In its first three years of operation, Power Africa has helped facilitate the financial close of power sector transactions that are expected to generate over 4,600 megawatts (MW) of electricity, and is currently tracking 60,000 MW of generation projects across the continent. With the passage of the bipartisan Electrify Africa Act in February 2016, Power Africa is well positioned to continue work toward its goals of adding 60 million new connections and adding 30,000 MW of installed generation capacity by 2030.

USAID plays a key coordinating role for Feed the Future and Power Africa, and we are proud to work with our interagency colleagues, Congress, and a diverse set of partners spanning many different regions and sectors to solidify our shared progress going forward. These are only two illustrative examples of the many one can find throughout this report. All across the board, USAID is partnering to spur transformative change on behalf of the American people. While development is never linear and progress is never easy, we are making significant headway.

MANAGEMENT OPPORTUNITIES AND CHALLENGES

As we represent the American people in the places we work, it is critical that we hold ourselves accountable for achieving results and remain careful stewards of the precious resources entrusted to us.

This is not always easy, especially considering the men and women of USAID work in some of the toughest environments imaginable. As the Office of Inspector General (OIG) notes in its report on USAID's top management challenges of FY 2017, we face serious challenges in five areas. Several of these challenges have persisted over recent years—including those presented by operating in nonpermissive environments, ensuring sustainability in our programs, improving program design, and monitoring for contractors and grantees—and a new challenge regarding the reconciliation of interagency priorities has emerged.

For example, restrictions on movement in Afghanistan have made it difficult for our staff to adequately monitor project activities there. While we have developed strategies for mitigating the problem, such as multitiered monitoring, we have a long way to go to implement these strategies across all programs. In places like Syria and Iraq, where insecurity and hostility run high, our programs are especially vulnerable to exploitation and fraud. Whenever such activity has been identified, we have taken swift action, suspending implementing partners, vendors, and individuals as a result of ongoing investigations. We continue to work with the United Nations and our non-governmental organization (NGO) partners to address these challenges, but we remain vulnerable in some of the most difficult environments.

We have also taken steps that will advance our work to meet several of these challenges at once. This year, USAID issued revised program guidance that will help missions adapt in rapidly changing environments, improve their program design, and incorporate sustainability into development projects. We have also stepped up our training on monitoring and evaluation.

We will continue our work to remedy each and every one of these management challenges in the year ahead. We are thankful to the OIG, under the leadership of Ann Calvaresi Barr, for its continued support, which includes developing a reference guide for identifying and addressing fraud, and assessing the impact and efficiency of our work.

FINANCIAL REPORTING AND REPRESENTATION

The Agency Financial Report (AFR) is our principal report to convey to the President, the Congress, and the American people our commitment to sound financial management and stewardship of public funds. USAID remains committed

to effective governance and financial integrity and takes seriously the responsibility with which we have been entrusted. To that end, we continue to work to improve our financial management and internal controls.

We are pleased that in FY 2016 USAID sustained an unmodified audit opinion, as determined by the OIG. Our Agency continues to work diligently to eliminate our material weakness finding related to Fund Balance with the U.S. Department of the Treasury (Treasury). Specifically, this year we completed a comprehensive reconciliation and data cleanup effort and instituted a monthly reconciliation process to effectively identify and address any new discrepancies. All cash functions have been incorporated into our worldwide Web-based cash reconciliation tool which allows the Agency to detect and promptly address discrepancies between USAID and Treasury. Finally, we have developed a plan of action for consultation with our stakeholders to make a one-time adjustment to eliminate the remainder of the difference with Treasury. We anticipate that we will be able to close out this weakness in FY 2017.

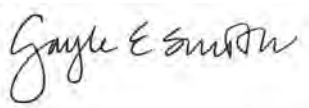
In addition, USAID implemented improved processes to account for reimbursable agreements, including planning for a modification to our core financial accounting system to better track these agreements. The Agency also dedicated resources toward continuing efforts to build and maintain a strong and sustainable internal control posture. Through teamwork and focusing our efforts to address the root causes as well as the specifics of each identified issue, we were able to close three financial deficiencies: (1) Certain Account Balances in USAID's General Ledger did not Agree in Corresponding Accounts in the Subsidiary Ledger; (2) USAID did not Provide Support in a Timely Manner for Funds Obligated and Expenses Accrued; and (3) Controls to Record Estimated Accrued Expenses and Accounts Payable. Additionally, we continued our due diligence working with our trading partners to address the deficiency related to intragovernmental transactions.

We worked with the OIG to ensure that the financial and summary performance data included in this AFR are complete and reliable in accordance with guidance from the Office of Management and Budget. The Independent Auditor's Report, including the reports on internal control and compliance with laws and regulations, is located in the Financial Section of this report. Issues on internal controls, identified by management, are discussed in the Management Assurances, located in the Management's Discussion and Analysis (MD&A) section of this report.

CHARTING OUR SHARED FUTURE

As we approach 2017, I am more confident than ever in this Agency, and in the men and women who serve it. USAID has proven its ability to change people's lives for the better, despite the often harsh realities of the sharp-edged world we live in. We have responded with urgency and professionalism to disasters like Hurricane Matthew and to ongoing crises in Syria, Yemen, and South Sudan. We have supported the slow and steady work to help countries all over the world build open and responsible institutions that deliver for their citizens, and quickly seized emerging opportunities to support free and fair elections in Burma and Sri Lanka. We helped beat back Ebola, and saved the lives of 4.6 million children and 200,000 women. We have helped kids go to school—even in the midst of a global refugee crisis—and helped empower women and girls with opportunity.

And now, we have positioned our Agency to continue this work into the future, to tackle both the urgent and the important. The road ahead will be a difficult one. But I know that together, we can build a better world, one where every person can enjoy the dignity that comes with development and the pride that comes with progress.



Gayle E. Smith
Administrator
November 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

***(Preceding page)* Meet Bassam and Robi, grieving parents who united to advocate for peace in the Middle East. Discover "Our Power is Our Pain" at *stories.usaid.gov*.**

PHOTO: BOBBY NEPTUNE FOR USAID

***(Above)* Meet Selline, a peacemaker who promotes reconciliation between ethnic communities in Kenya. Discover "The Peacemaker" at *stories.usaid.gov*.**

PHOTO: DAVE COOPER FOR USAID

MISSION AND ORGANIZATIONAL STRUCTURE

MISSION STATEMENT

We partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity.

USAID has been working toward these goals for more than 50 years. Extreme poverty is multi-dimensional—driven by everything from water insecurity to a lack of stable democratic governance. Resilient societies must have healthy, educated, and well-nourished citizens, as well as a vibrant economy and inclusive, legitimate, and responsive institutions. All of USAID's work—including efforts to increase food security, address climate change, improve education, and end preventable child death—create pathways for the world's most vulnerable people to escape extreme poverty.

ORGANIZATIONAL STRUCTURE

USAID is an independent federal agency that receives overall foreign policy guidance from the Secretary of State. With an official presence in 87 countries and programs in 19 non-presence countries, the Agency accelerates human progress in developing countries by reducing poverty, advancing democracy, empowering women, building market economies, promoting security, responding to crises, and improving the quality of life through investments in health and education. USAID is headed by an Administrator and Deputy Administrator, both appointed by the President and confirmed by the Senate. USAID plans its development and assistance programs in close coordination with the Department of State (State), and collaborates with other U.S. Government agencies, multilateral and bilateral organizations, private companies, academic institutions, and non-governmental organizations (NGO).

To transform USAID into a modern development enterprise, the Agency continues to implement USAID Forward reforms initiated in 2010. This included a strengthening of the Agency's overseas workforce in key technical areas. In 2016, the Agency's mission was supported by 3,893 U.S. direct hire employees, of which 1,896 are Foreign Service Officers and 253 are Foreign Service Limited, and 1,744 are in the Civil Service. Additional support came from 4,600 Foreign Service Nationals, and 1,104 other non-direct hire employees (not counting institutional support contractors). Of these employees, 3,163 are based in Washington, D.C., and 6,434 are deployed overseas. These totals include employees from the Office of Inspector General.

USAID's workforce and culture continue to serve as a reflection of core American values—values that are rooted in a belief of doing the right thing.

In 1961, the U.S. Congress passed the Foreign Assistance Act to administer long-range economic and humanitarian assistance to developing countries. Two months after passage of the act, President John F. Kennedy established the U.S. Agency for International Development (USAID). USAID unified pre-existing U.S. Government assistance programs and served as the U.S. Government's lead international development and humanitarian assistance agency.

USAID has elected to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) as an alternative to the consolidated Performance and Accountability Report (PAR). The Agency will include its FY 2016 APR with its Congressional Budget Justification and will post it on the Agency's website at *http://www.usaid.gov/results-and-data/progress-data/annual-performance-report* by February 15, 2017.

> There is no escaping our obligations: our moral obligations as a wise leader and good neighbor in the interdependent community of free nations—our economic obligations as the wealthiest people in a world of largely poor people, as a nation no longer dependent upon the loans from abroad that once helped us develop our own economy—and our political obligations as the single largest counter to the adversaries of freedom.
>
> – John F. Kennedy

ORGANIZATIONAL STRUCTURE IN WASHINGTON

In Washington, USAID's geographic, functional, and central bureaus are responsible for coordinating the Agency's activities and supporting implementation of programs overseas. Independent offices support crosscutting or more limited services. The geographic bureaus are Africa, Asia, Middle East, Latin America and the Caribbean, Europe and Eurasia, and the Office of Afghanistan and Pakistan Affairs.

There are four functional bureaus that support the geographic bureaus and offices:

- Bureau for Food Security (BFS), which provides expertise in agricultural productivity and addressing hunger and malnutrition;
- Bureau for Economic Growth, Education, and Environment (E3), which provides expertise in economic growth, trade opportunities, technology, education, and environment/natural resource development;
- Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), which provides expertise in democracy and governance, conflict management and mitigation, and humanitarian assistance;
- Bureau for Global Health (GH), which provides expertise in global health challenges, such as maternal and child health and HIV/AIDS.

Central bureaus and offices include:

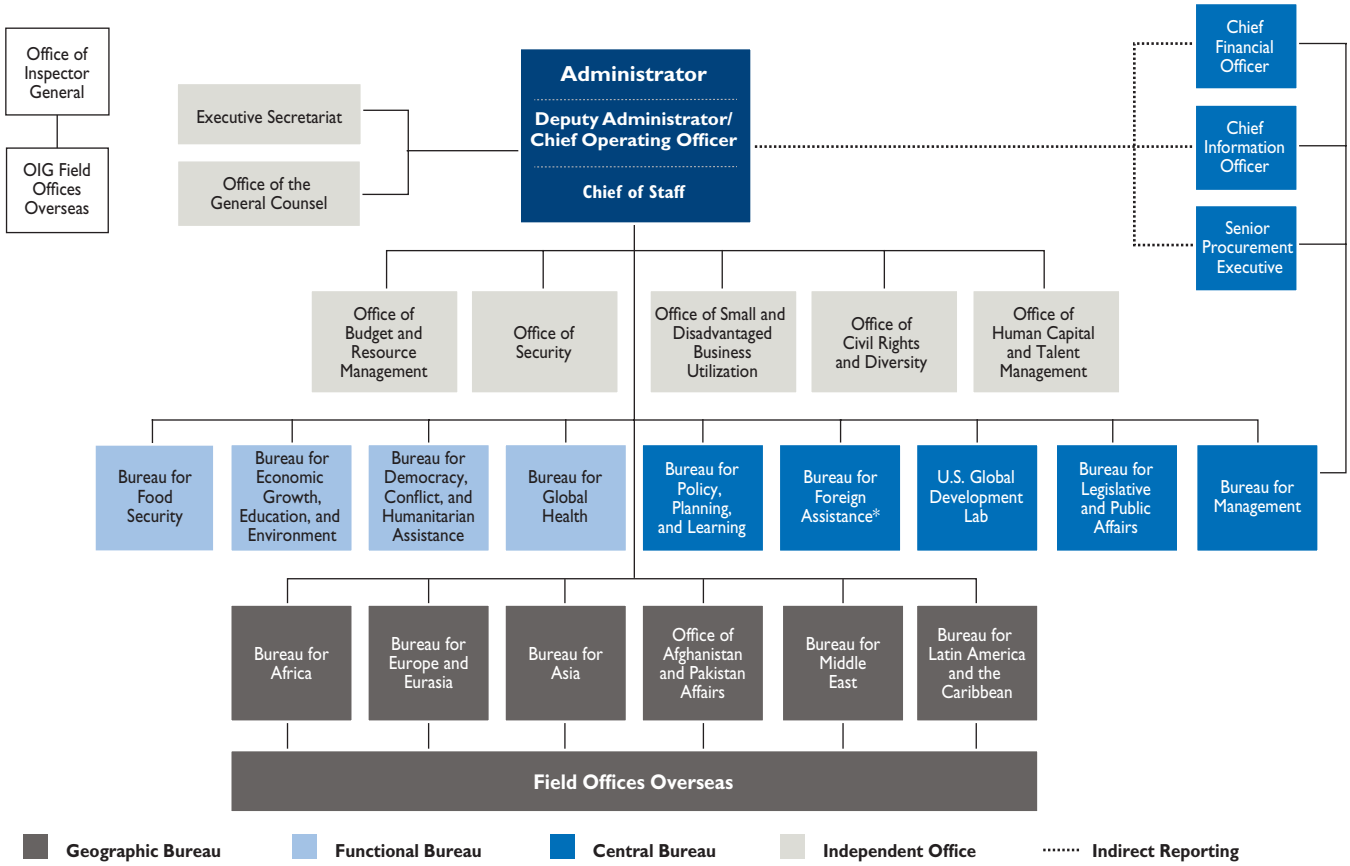
- Bureau for Policy, Planning, and Learning (PPL), which oversees all program, policy, and development and promotes a learning environment;
- Bureau for Foreign Assistance (FA), which provides strategic planning, regional coordination, and program budget formulation in coordination with PPL and the Office of Budget and Resource Management (BRM);
- U.S. Global Development Lab (Lab), which provides expertise in the application of science, technology, innovation, and partnerships to extend the Agency's development impact in helping to end extreme poverty;
- Bureau for Legislative and Public Affairs (LPA), which manages the Agency's legislative engagements, strategic communications, and outreach efforts to promote understanding of USAID's mission and programs;
- Bureau for Management (M), which administers centralized support services for the Agency's worldwide operations.

In addition to these central bureaus, USAID has seven independent offices that are responsible for discrete Agency functions that include diversity programs, security, and partnerships. These offices are: (1) the Office of the Executive Secretariat, (2) the Office of the General Counsel, (3) the Office of Budget and Resource Management, (4) the Office of Security, (5) the Office of Small and Disadvantaged Business and Utilization, (6) the Office of Civil Rights and Diversity, and (7) the Office of Human Capital and Talent Management (HCTM) which oversees the planning, development, management, and administration of human capital for the Agency.

The Office of Inspector General (OIG) is independent and separate from the Office of the Administrator. The OIG reviews the integrity of Agency operations through audits, appraisals, investigations, and inspections.

Finally, the Chief Financial Officer, Chief Information Officer, and Senior Procurement Executive report directly to the Bureau for Management, Assistant Administrator (M/AA) and may indirectly report to the Administrator. The Chief Financial Officers Act of 1990, Chief Information Officer Act of 1996, and the Federal Acquisition Reform Act (FARA) of 1996 mandated the establishment of these positions. The intention was to elevate these positions, establish clear accountability, and to improve the Federal Government's financial and information management activities.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



** Staff in the Bureau for Foreign Assistance work under the auspices of the Office of the Director of U.S. Foreign Assistance at the Department of State.*

ORGANIZATIONAL STRUCTURE OVERSEAS

USAID's overseas organizational units are known as field missions. The U.S. Ambassador serves as the Chief of Mission for all U.S. Government agencies in a given country and all USAID operations fall under his or her authority. The USAID Mission Director or representative, as the USAID Administrator's representative and the Ambassador's prime development advisor, is responsible for USAID's operations in a given country or region and also serves as a key member of the U.S. Government's "country team." USAID missions operate under decentralized program authorities, allowing them to design and implement programs and negotiate and execute agreements.

Missions conduct and oversee USAID's programs worldwide, managing a range of diverse multi-sector programs in developing countries. The Mission Director directs a team of contracting, legal, and project design officers; financial services managers; and technical officers. Bilateral and regional missions work with host governments and NGOs or other partner organizations to promote sustainable economic growth, meet basic human needs, improve health, mitigate conflict, and enhance food security. All missions provide assistance based on integrated strategies, Country Development Cooperation Strategy (CDCS), that include clearly defined program objectives and performance targets.

PROGRAM PERFORMANCE OVERVIEW

USAID FORWARD

Five years ago in the Presidential Policy Directive on Global Development (PPD-6), President Barack Obama called for the elevation of development as a key part of America's national security and foreign policy, and set forth a vision of a results-driven USAID that would lead the world in development. This principle was also reflected in the 2010 Quadrennial Diplomacy and Development Review (QDDR), and reinforced in the 2015 QDDR. To meet this challenge, USAID undertook a series of organizational and programmatic reforms known as USAID Forward in 2010. This effort strengthened the Agency by embracing new partnerships, investing in the catalytic role of innovation, and demanding a relentless focus on results. In a time of fiscal restraint, USAID applies these principles to reach more people, save more lives, and leverage more private investment than ever before—delivering results for the American people and those in greatest need around the world.

To help the Agency determine how well it is meeting its goals, and maximizing its relevance and value as a lead development organization, USAID assesses its performance annually using a set of eight quantitative performance measures. Each year, the Agency releases fiscal year progress toward each of the eight USAID Forward indicators and the underlying data behind them. USAID partners and external stakeholders praise USAID for its commitment to transparently report and publish these achievements on USAID.gov.

These eight metrics focus on three key areas: delivering results on a meaningful scale through a strengthened USAID; promoting sustainable development through high-impact partnerships and local solutions; and identifying and scaling up innovative, breakthrough solutions to intractable development challenges. The below summarizes some of USAID's success in each of these categories.

1 DELIVER RESULTS ON A MEANINGFUL SCALE THROUGH A STRENGTHENED USAID

As noted in the PPD-6, the United States "cannot do all things, do them well, and do them everywhere." In order to maximize USAID's impact with every development dollar, the Agency is pursuing a more strategic, focused, and results-oriented approach. USAID is more focused and selective about the countries and areas in which it works in order to strengthen the impact of its investments. The Agency continues to support scale and focus by:

- **Designing country and sector development strategies and projects to better align U.S. Government resources with the priorities of its partner countries.** As of June 8, 2016, USAID operating units completed 63 of 63 planned country development cooperation strategies (CDCS) and published them on USAID.gov (*https://www.usaid.gov/results-and-data/planning/country-strategies-cdcs*).

- **Evaluating projects for what works and what does not.** In 2011, USAID implemented an Evaluation Policy that has been called a "model for other federal agencies" by the Evaluation Policy Task Force of the American Evaluation Association. In FY 2015, USAID operating units completed 179 evaluations, bringing the total number to over 1 thousand since the Agency established the Evaluation Policy. Today, USAID evaluations are available to the public on the Development Experience Clearinghouse (DEC) (*https://dec.usaid.gov/dec/home/Default.aspx*), and select evaluations are available via an iPhone mobile application (app).

- **Investing in Agency staff by introducing new ways to strengthen and grow the best talent.** USAID's Mentoring Program enhanced the professional development of more than 900 staff over FY 2015. Since the program's inception, the number of participants in the mentoring program has increased by 25 percent annually on average. This progressive increase has occurred as operating units have begun to see mentoring as a critical element in achieving their strategic goals.

2 PROMOTE SUSTAINABLE DEVELOPMENT THROUGH HIGH-IMPACT PARTNERSHIPS AND LOCAL SOLUTIONS

In order to achieve long-term, sustainable development, USAID collaborates with and supports government institutions, private sector partners, and civil society organizations that serve as engines of growth and progress for their own nations. The Agency is developing the capabilities of its partners to direct their own development by:

- **Promoting local solutions by investing directly in partner governments and civil society organizations where the capacity exists, and strengthening it where there are gaps.** Since 2010, USAID has tripled the percentage of funding obligated through local governments, civil society partners, and local private sector. Overall, the Agency obligated 18.6 percent of funding to local actors in FY 2015 (26.9 percent, including cash transfers and qualifying trust funds). These Local Solutions investments have demonstrated evidence of progress, local resourcing, and sustained results.

- **Encouraging direct engagement of staff with local actors and systems.** The percentage of field staff who engaged with a local partner grew from 66.3 percent in FY 2014 to 67.1 percent in FY 2015, building on continuing efforts at direct engagement with, among others, host country governments, regional entities, and local for-profit and non-profit entities to further development. Missions have learned that direct engagement yields results and are using a broad range of approaches, including:
  - direct training to build capacity (financial, procurement, reporting);
  - joint program monitoring and field trips;
  - operational manuals on how to work with USAID (*https://www.usaid.gov/work-usaid/how-to-work-with-usaid*).

- **Forging public-private partnerships with new and existing partners that leverage new resources and expertise to expand the reach and impact of the Agency's work.** In FY 2015, USAID operating units leveraged commitments of $400 million in private sector resources for new Global Development Alliances (GDA)—partnerships with at least 1:1 cost sharing. Since FY 2011, GDAs and public-private partnerships leveraged over $1.8 billion in new resources from the private sector toward development goals. These partnerships not only make budgets go further, they also bring unique expertise and assets of the private sector to make the Agency's work more efficient and effective.

- **Improving lending to new and emerging markets through the Development Credit Authority (DCA).** Since the launch of USAID Forward, the DCA has surpassed former fiscal year benchmarks and continues to make historic gains in the Agency's Private Capital Mobilization efforts. The size and impact of USAID's DCA credit guarantees grew by $2.5 billion within the last four years compared to the $1.7 billion impact over DCA's first 11 years of activity combined. In FY 2015 alone, USAID made $695 million of private capital available through 46 guarantees with 45 financial partners.

3 IDENTIFY AND SCALE UP INNOVATIVE, BREAKTHROUGH SOLUTIONS TO INTRACTABLE DEVELOPMENT CHALLENGES

- **USAID fosters a culture of innovation and uses convening power to test and scale breakthrough innovations to solve development challenges faster and cheaper.** USAID's U.S. Global Development Lab (Lab) seeks to increase the application of science,

technology, innovation, and partnerships to achieve, sustain, and extend the Agency's development impact. The Lab sources, tests, and delivers proven solutions—from expanding the reach of mobile banking to teaching a child to read in her local language. The Agency sustains and extends its development impact by:

- ***Encouraging Innovation to improve lives.*** By investing in new technologies and research to source and scale game-changing solutions, USAID has fostered over 420 development innovations through the Lab, improving the lives of over 24.5 million people. For example, since the beginning of the Securing Water for Food Grand Challenge for Development, grantees have saved over 300 million liters of water, produced nearly 3 thousand tons of food, and served more than 370 thousand farmers and other customers in approximately 30 low-resource countries. The Lab also brings new perspectives to long standing development challenges, with over 10 thousand applicants for innovation grants, 60 percent of whom have never received USAID funding, and with 25 percent of Grand Challenge applicants coming from developing countries.
- ***Supporting investments in digital finance services.*** To harness innovation and technology, the Agency has made investments in 14 markets. Digital financial services accelerate financial inclusion, help fight corruption, and catalyze private sector development. For example, in the Philippines, the Scaling Innovations in Mobile Money Project helped four municipalities launch mobile-enabled payment and collection systems for taxes, utilities, and social transfers. In one municipality, shifting payroll to mobile money platforms reduced disbursement costs by almost 90 percent, saving valuable time and money that can be invested in public and social services.

To learn more on the progress of USAID Forward go to the USAID Forward Web page (*http://www.usaid.gov/usaidforward*).

FORWARD PROGRESS

In September 2015, all 193 member states of the United Nations (UN) adopted an ambitious agenda with 17 Sustainable Development Goals (or "Global Goals") to achieve by 2030. The United States is committed to these Global Goals at home and around the world, but success requires more than just the participation of governments. Businesses, civil society organizations, academic institutions, and citizens themselves must all play essential roles. There must be investment in education, health care and inclusive economic growth. New and better jobs are all-important. We must realize full empowerment of and equality for women and girls. Food security and access to essential services like water and energy are key. Combating climate change and protecting the ecosystems and oceans are required. Our collective responsibility is to promote peaceful and just societies.

This universal agenda is one where no one gets left behind. Marginalized groups—including women and girls, people with disabilities, ethnic and religious minorities, refugees and displaced persons, and LGBTI individuals—must participate and benefit from the enormous dividends in economic growth, effective and accountable governance, security, stability, sustainability, and prosperity that the agenda will provide.

These goals are closely aligned with the USAID Core Values, which can be found on the Agency's Mission, Vision, and Values Web page (*https://www.usaid.gov/who-we-are/mission-vision-values*).

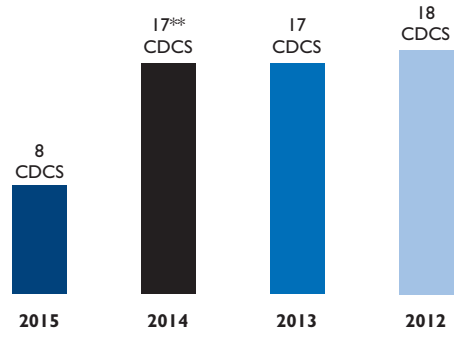
DISCIPLINE OF DEVELOPMENT

In 2011, USAID introduced the Program Cycle as the foundational framework for evidence-based development. The Program Cycle reinforces the linkages between Agency policies and strategies, country-level strategic planning (through CDCSs), project design and implementation, and performance evaluation and monitoring. These components, representing the discipline of development, are informed by continuous learning and adapting, influence the annual budget and resource management processes, and focus

on achieving results. Currently, 62 USAID missions and one regional mission, out of a total of 63, have completed a CDCS. Where Program Management Plans have been developed for a CDCS, USAID missions and offices utilize each strategy's Performance Management Plan to target and track progress toward intended results. They are also responsible for reporting key indicator data in their annual performance reports. These performance reports inform decisions on funding, program development, and implementation.

Recent updates to the Program Cycle were released in September 2016 to ensure that USAID continues to increase the impact of its development programs by promoting strategic planning, project design, monitoring and evaluation, and learning and adapting based on evidence and analysis.

NUMBER OF CDCSs APPROVED*



* *One CDCS per country with a population of 63.*

** *Number of CDCSs approved in 2014 updated after FY 2015 AFR published.*

QUALITY OF MONITORING AND EVALUATION

To ensure country programs and strategies are achieving the results they were designed to deliver, the Agency introduced a new evaluation policy in 2011 that has been called "a model for other federal agencies" by the American Evaluation Association. In 2015, USAID finalized the Evaluation Utilization at USAID study and briefer. The Agency analyzed the most recent data available, which was from 2011 to 2014. USAID also reviewed evaluation characteristics and the Agency's business processes that most clearly fostered or impeded evaluation use. At several stages during the USAID Program Cycle, evaluation use was evident. At the country level, 59 percent of approved strategies referenced USAID evaluations, and 71 percent of respondents reported using evaluations to design or modify a USAID project or activity. USAID found the most common changes were actions that refocus ongoing activities, such as revisions to work plans, extending activity time lines, or expanding activity geographic areas. The study concluded that USAID evaluation utilization practices were strong, and compared well to those of other U.S. Government agencies.

To ensure these data are publicly available, the Agency has built an accessible website where its evaluations can be read and easily shared. These can be viewed in USAID's DEC at *https://dec.usaid.gov*.

The Agency is also collecting baseline data and employing study designs to better understand the impact of its interventions over the course of its work. For example, in Feed the Future (FTF), President Obama's global food security program, a robust measurement system that uses 57 indicators—from childhood stunting to new roads to farm sales—assesses progress annually. Food security will continue to be one of the Agency Priority Goals (APG). The food security APG is that by September 30, 2017, 10 out 19 FTF-focus countries will exhibit reductions of 10 percent or greater in the prevalence of poverty or stunting in their zones of influence, compared to the 2011–2012 baseline study results (*https://www.performance.gov/content/food-security-1?view=public*).

PERFORMANCE INDICATORS AND TRENDS

Foreign assistance performance indicators measure development progress contributions by U.S. activities. While a number of factors contribute to the overall success of foreign assistance programs, analysis and use of performance data are critical components of managing for results. In FY 2012, USAID updated its guidance on performance monitoring to ensure that all operating units, both abroad and in Washington, D.C., are using high quality performance data to regularly assess and learn from their programs' performance. The Agency issued a new Joint Strategic Plan with the Department of State (State) in FY 2014, with updated strategic goals, objectives, and corresponding performance measures. The results of USAID and State foreign assistance programs for FY 2016 are not reported by operating units until December 2016, after the required publication date of USAID's Agency Financial Report (AFR). Accordingly, the most recent performance data contained in this report on pages 23-25 are for FY 2015[1], with baseline and trend data included when available.

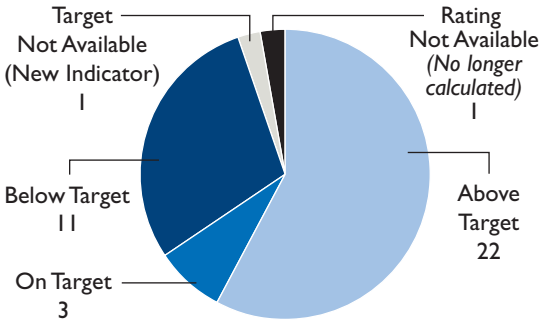
In assessing performance, it is important to underscore the challenges faced by USAID's assistance programs. In many USAID countries, host government technical capacity is weak, private and public sector resources are scarce, and the legal framework and political climate make it difficult for civil society organizations to actively engage for positive change. In spite of these obstacles, most USAID programs met or exceeded their targets in FY 2015.

DATA QUALITY

Data are only useful for decision making if they are of high quality and provide the groundwork for informed decisions. As indicated in USAID's Automated Directives System (ADS) (Chapter 203[2]), USAID missions and operating units are required to follow standard processes to ensure data quality. A Performance Indicator Reference Sheet (PIRS) is the primary process USAID uses to ensure data quality. A PIRS must be developed for each performance indicator as it: (1) defines the indicator's meaning, use, and the method of data collection; and (2) specifies where the data are sourced and identifies any limitations of the data. A Data Quality Assessment (DQA) is the process by which USAID assesses the validity, integrity, precision, reliability, and timeliness of performance indicator data. All data reported externally from a mission or operating unit must go through the DQA process. USAID obtains performance data from three sources: (1) primary (data collected by USAID or where collection is funded by USAID), (2) secondary (data compiled by USAID implementing partners but collected from other sources), and (3) third-party (data from other government agencies or other international organizations, e.g., World Bank or the UN).

The ADS chapters that are related to the Program Cycle have been revised and reissued in September 2016. An extensive training and implementation program will commence in the first quarter of FY 2017.

FY 2015 PERFORMANCE RESULTS



Total Results: 38

[1] Annual targets are set before results of the previous year are calculated. Targets are included in the Performance Plan and Report (PPR) two years in advance. For example, targets for FY 2015 were set in the PPR of FY 2013.

[2] ADS Chapter 203 was reviewed and its updated contents are under ADS Chapter 201 which was issued on September 2016.

STRATEGIC GOALS AND RESULTS

The President's PPD-6, the first of its kind by a U.S. administration, recognizes that development is vital to U.S. national security interests and is a strategic, economic, and moral imperative for the United States. It calls for the elevation of development as a core pillar of American power and charts a course for development, diplomacy, and defense to mutually reinforce and complement one another in an integrated, comprehensive approach to national security. Operationally, USAID and State implement this directive by working cooperatively to pursue U.S. national security objectives abroad. They do this through diplomacy, and foreign assistance programs, that are implemented by both agencies.

The 2015 QDDR supports USAID and State's five joint strategic goals released in the FY 2014 – FY 2017 Joint Strategic Plan. These goals support the U.S. Government's overall efforts to shape and sustain a peaceful, prosperous, just, and democratic world and foster conditions for stability and progress for the benefit of the American people and people everywhere. USAID and State have reiterated their commitment to joint planning to implement foreign policy initiatives and invest effectively in foreign assistance programs.

In accordance with the Government Performance and Results Act (GPRA) and Modernization Act (GPRAMA), USAID and State created joint strategic goals and objectives, APGs, and performance goals that reflect State's and USAID's global reach and impact as part of the FY 2014 – FY 2017 USAID-State Strategic Plan (*http://www.usaid.gov/documents/1868/usaid-and-department-state-joint-strategic-plan*).

Also per GPRAMA, USAID and State publicly report, on a quarterly basis, on the progress of the APGs on (*http://www.performance.gov/agency/department-state-and-usaid?view=public#apg*). The five APGs for FY 2016 – FY 2017 are in the following areas: Food Security (USAID); Global Health (USAID); Climate Change (USAID and State); Consular Service Delivery (State), and Outreach to U.S. Businesses (State). Progress updates on each of these APGs are included in the applicable Strategic Goal update sections in this report and on performance.gov.

As part of the Climate Change APG, USAID and State build partnerships to reduce emissions of short-lived climate pollutants and from deforestation. USAID and State also build capacity for countries to undertake Low Emission Development Strategies (LEDS) and actions. In FY 2016, USAID and State increased the number of LEDS policies or measures in developing countries by capacity gained through participation in the LEDS Global Partnership. USAID and State increased from zero policies at the beginning of the fiscal year to eight by the third quarter of FY 2016. USAID and State expect the results to continue to increase through FY 2017. These actions address complex issues related to climate change and sustainable economic, energy, and resource development.

STATE-USAID JOINT STRATEGIC GOAL FRAMEWORK

Strategic Goal	Strategic Objective	Program Categories*
Strategic Goal 1: Strengthen America's economic reach and positive economic impact	Strategic Objective 1.1 – Expand access to future markets, investment, and trade Strategic Objective 1.2 – Promote inclusive economic growth, reduce extreme poverty, and improve food security	Economic Growth Investing in People
Strategic Goal 2: Strengthen America's foreign policy impact on our strategic challenges	Strategic Objective 2.1 – Build a new stability in the Middle East and North Africa Strategic Objective 2.2 – Rebalance to the Asia-Pacific through enhanced diplomacy, security cooperation, and development Strategic Objective 2.3 – Prevent and respond to crises and conflict, tackle sources of fragility, and provide humanitarian assistance to those in need Strategic Objective 2.4 – Overcome global security challenges through diplomatic engagement and development cooperation Strategic Objective 2.5 – Strengthen America's efforts to combat global health challenges	Peace and Security Humanitarian Assistance Investing in People
Strategic Goal 3: Promote the transition to low-emission, climate-resilient world while expanding access to sustainable energy	Strategic Objective 3.1 – Building on strong domestic action, lead international actions to combat climate change Strategic Objective 3.2 – Promote energy security, access to clean energy, and the transition to a cleaner global economy	Economic Growth
Strategic Goal 4: Protect core U.S. interests by advancing democracy and human rights and strengthening civil society	Strategic Objective 4.1 – Encourage democratic governance as a force for stability, peace, and prosperity Strategic Objective 4.2 – Promote and protect human rights through constructive bilateral and multilateral engagement and targeted assistance Strategic Objective 4.3 – Strengthen and protect civil society, recognizing the essential role of local capacity in advancing democratic governance and human rights	Governing Justly and Democratically
Strategic Goal 5: Modernize the way we do diplomacy and development	Strategic Objective 5.1 – Enable diplomats and development professionals to influence and operate more efficiently, effectively, and collaboratively	Operating Unit Management

* Program Categories are reflected as "Objectives" in the financial statements and footnotes reporting costs and revenues.

ILLUSTRATIVE ACCOMPLISHMENTS

Below are illustrative accomplishments that will support achievement of USAID's strategic goals as outlined in the State-USAID Joint Strategic Plan.

STRATEGIC GOAL 1

Strengthen America's economic reach and positive economic impact

PUBLIC BENEFIT

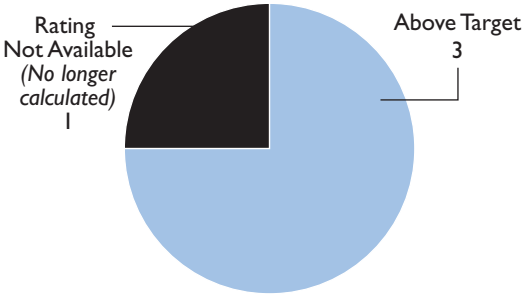
In the developing world, inclusive economic growth, in which all members of society share in the benefits of growth, can be transformative by reducing poverty, expanding opportunity, and reducing gender inequality. Development assistance is in the U.S. economic interest, in its strategic interest, and is a visible expression of its values. Further, expanding international collaboration on science, technology, and knowledge-based industries and fostering the free flow of goods, services, and ideas have a powerful impact on growth and innovation.

LINKING ACTIVITIES TO OUTCOMES

Improving food security has risen to prominence as a global development goal in recent years due to factors such as food price spikes, increasing poverty rates, and social unrest related to poverty and hunger. Led by USAID, the FTF initiative builds on the skills and resources of 11 U.S. federal departments and agencies and is the U.S. Government's contribution to the collaborative global effort to fight poverty, hunger, and malnutrition. In 2015, FTF reached more than 18 million children with nutrition interventions and helped 9 million farmers gain access to new tools or technologies such as high-yielding seeds, fertilizer application, soil conservation, and water management. Data demonstrate these efforts are contributing to substantial reductions in both poverty and childhood stunting (*http://www.feedthefuture.gov/progress*).

In FY 2015, 9 million farmers, ranchers, and other agricultural producers applied new technologies or management practices, which is above the target of 8 million. This was accomplished through ongoing efforts to bring proven technologies and innovations to scale, increasing the impact of U.S. investments.

FY 2015 STRATEGIC GOAL 1 PERFORMANCE RESULTS



Total Results: 4

PERFORMANCE INDICATOR: *Number of farmers and others who have applied new technologies or management practices as a result of U.S. Government assistance (in Millions)*

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Result	5.2M	6.5M	6.8M	9M	N/A
Target	N/A	N/A	N/A	8M	8M

Source: *2016 Feed the Future Progress Report.*

For example, in FY 2015, FTF assisted over 27 thousand maize farmers in Ghana to apply new technologies such as row planting, plant spacing, improved fertilizer application, and improved post-harvest handling practices. Despite ongoing security concerns, efforts in Mali enabled FTF to assist 144 thousand farmers in using improved technologies and management practices. In Rwanda, over 100 thousand farmers applied improved technologies and management practices with the support of FTF, such as maize shellers and drying equipment to improve post-harvest handling.

IRRIGATION INCREASES FARM PRODUCTION

Tajik farmers work together in restoring their irrigation systems

After a water users association was established and an irrigation canal improved, Makhadali Khuramov saw his harvest and income grow substantially. PHOTO: VIRGINIJA MORGAN FOR USAID / CAR

"Farmers are now optimistic ... They have concrete plans on how to solve their own problems," said Makhadali Khuramov, chairman of the Samarkandi Water Users Association's board of directors.

Makhadali Khuramov, who leases two hectares (approximately five acres) of land in Tajikistan's Rudaki District, struggled for years to obtain water to irrigate his fields adequately. He attempted to create an association of water users to resolve his and his neighbors' irrigation problems. Although he submitted all the necessary documents to the Union of Dekhkan Farms, the association's registration was never completed as his neighbors were reluctant to join in, doubtful that they could collectively resolve their water management problems through an association.

Then representatives from a USAID program came to his community to discuss the assistance they could offer in establishing a water user association. At first, the local farmers, including Makhadali, were suspicious. But after several discussions, farmers agreed to work with the program and established the Samarkandi water users association, with Makhadali elected as board chairman.

Upon registration, the association received a USAID grant to rehabilitate their irrigation and drainage system. Within months, water flowed from the canal for the first time in years. The association also put in place a management system to ensure fair delivery of water. With a steady flow of water, Makhadali and his neighbors focused on growing their gardens and orchards and reaping benefits from their fields.

Before the irrigation, Makhadali's income from his strawberry harvest was 200 Tajik somoni ($60). The following year, he was able to also grow melons, eggplants, peppers, cucumbers, tomatoes, and pumpkins, and earned 4 thousand somoni ($1,200)—twenty times more income.

Perhaps the project's most significant outcome has been the change in farmers' attitudes and the sense of empowerment they have gained. "Now we have a real opportunity to solve our problems together, not only those related to irrigation and water management, but also other issues related to agriculture and community problems," Makhadali said.

STRATEGIC GOAL 2

Strengthen America's foreign policy impact on our strategic challenges

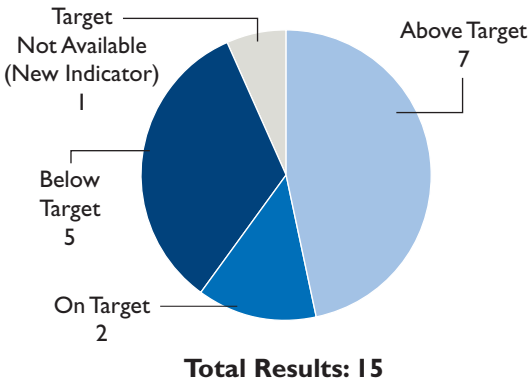
PUBLIC BENEFIT

President Obama has stated that development is a vital part of U.S. foreign policy strategy, and working to invest in developing countries has mutually beneficial outcomes. USAID knows the difference the United States can make around the world, and it continues to deliver security, development, and humanitarian solutions that match the scale of the challenges faced, including in the area of Global Health.

LINKING ACTIVITIES TO OUTCOMES

USAID with its partners in the U.S. Government and the global community are committed to the goal of ending preventable child and maternal deaths. According to the World Health Organization, the estimated number of malaria deaths in the Africa region has fallen by 58 percent from 2000 to 2015 in children under five years of age. In FY 2015, USAID's malaria projects supported the U.S. President's Malaria Initiative's (PMI) continued efforts to support the scale-up of insecticide treated nets (ITN); indoor residual spraying; appropriate malaria case management, including parasitological diagnosis and treatment with artemisinin-based combination therapies; and intermittent preventive treatment of malaria in pregnancy. PMI includes 19 focus countries in Africa and one regional program in the Greater Mekong sub-region. USAID also supports malaria control activities in three other countries in Africa (Burkina Faso, Burundi, and South Sudan), as well as a regional program in Latin America. If used properly, ITNs are one of the best ways to prevent mosquitoes from biting individuals and infecting them with malaria. During the past decade, household ownership of at least one ITN increased from an average of 29 to 68 percent in all 19 PMI focus countries. Additionally, use of an ITN among children under five tripled from an average of 18 to 54 percent, and similar increases have been documented for use of ITNs by pregnant women (from an average of 17 to 45 percent).

FY 2015 STRATEGIC GOAL 2 PERFORMANCE RESULTS



PERFORMANCE INDICATOR: *Annual total number of people protected against malaria with insecticide treated nets (in Millions)*

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Result	50M	45M	89M	72M	N/A
Target	N/A	N/A	N/A	50M	62M

Source: *FY 2015 Annual Performance Report/ FY 2017 Annual Performance Plan.*

The PMI, led by USAID, has provided leadership, funding, and technical assistance to save lives. Together with partner countries, USAID is bringing effective tools for the prevention and control of malaria, including use of insecticide treated mosquito nets, indoor residual spraying, accurate diagnosis and prompt treatment, and intermittent preventive treatment of pregnant women, to the people who need them most—women and children.

PMI coordinates its procurement and distribution of ITNs with other major donors including the Global Fund, the World Bank, and UNICEF. In FY 2015, PMI protected 72 million people against malaria with ITNs. PMI exceeded the projected target due to a mass universal coverage campaign that was scheduled and successfully implemented in Uganda in FY 2014 and Nigeria in FY 2015.

COLOMBIAN REFUGEES IN ECUADOR GAIN LONG-TERM NUTRITIONAL BENEFITS

Food assistance also benefits host communities through e-vouchers

"Where we lived before, there were armed groups. We couldn't live in the same place as them."

June 2016—For many families who have been forced to flee from conflict in Colombia, Ecuador has become a safe haven.

"Where we lived before, there were armed groups. We couldn't live in the same place as them. We made the decision together ... because I have a 6-year-old son, and it wasn't a good environment for him," explains Ana*, a refugee mother living in Ecuador's northern region, where many Colombian refugees cross the border into Ecuador and resettle.

Ecuador hosts the largest number of refugees and asylum seekers in Latin America, the majority of whom are escaping from the 50-year conflict in Colombia.

USAID is helping to meet both short-term and longer-term needs of refugees and vulnerable host communities in Ecuador by partnering with the UN World Food Program (WFP) to provide monthly electronic food vouchers. E-vouchers are critical to the refugee crisis because of their long-term benefits for the vulnerable families who receive them and for local communities.

Families such as Ana's use e-vouchers to choose and purchase items at local stores that make up a nutritious food basket with fruits, vegetables and sources of protein like chicken or eggs. Allowing recipients to shop for their own food is an important aspect of the e-voucher system as it helps to promote dignity and independence.

Food refugees are buying with their e-vouchers at local stores. Ecuadorian business owners are now benefiting from the refugees buying at their stores. PHOTO: BOBBI KRAHAM FOR USAID

This family fled Colombia when the Revolutionary Armed Forces of Colombia (FARC) threatened to recruit the oldest son to be a soldier. In the background is the house they were given in Ecuador in exchange for working on the land of a local landowner.

PHOTO: BOBBI KRAHAM FOR USAID

Families are also trained in nutrition, learning the value of a healthy diet and the importance of eating a variety of nutritious foods.

"This help that WFP has given us has served us well. The products we buy last us a month," says Ana. "There are foods that are very healthy, so I would like my son to learn to eat them, how to vary what he eats. The most important foods are dairy products, vegetables, fruits, chicken, eggs, more than anything else."

E-vouchers also help to stimulate local economies. Since the vouchers are used at local shops, shop owners benefit from new customers and increased income. The shops are stocked by local small-scale farmers, who in turn benefit from increased demand for their produce.

By supporting local businesses and farming, e-vouchers strengthen communities while providing essential food assistance to refugees.

In FY 2015, USAID contributed more than $2 million to WFP to help provide critical food assistance to more than 18 thousand Colombian refugees and vulnerable Ecuadorians and to provide income-generating activities to complement e-vouchers and strengthen communities. In March 2016, USAID contributed an additional $2.1 million to the response, including activities along the northern border and the coastal earthquake-affected Esmeraldas province.

**Name changed to protect identity.*

STRATEGIC GOAL 3

Promote the transition to low-emission, climate-resilient world while expanding access to sustainable energy

PUBLIC BENEFIT

In just 60 years, the world's population has accelerated from 2.5 billion people to 7 billion people today. By 2050, another 2 billion will join the planet—mostly in developing countries—increasing the rapidly growing demand for the planet's resources. A changing climate will hurt the poor most, undermining the livelihoods of millions of people struggling to break free from poverty.

As a rapidly-changing climate presents new challenges to citizens around the globe, the United States recognizes the need to invest in clean energy sources and work with local governments and farmers to invest in sustainable, climate-resilient energy solutions.

LINKING ACTIVITIES TO OUTCOMES

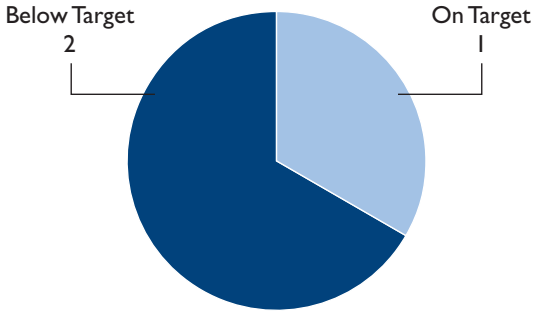
To promote energy security, access to clean energy, and mitigate climate change by accelerating the transition to a cleaner global economy, State and USAID will support increased energy efficiency, better energy sector governance, improved energy access, stronger national and regional energy markets, and more public and private financing.

Gaining access to energy can transform lives, so Power Africa will seek to increase access to reliable, affordable energy services for underserved rural and urban populations across the world. This will require accelerating development and scaling up appropriate business and financing models for energy access. It also means supporting cross-sectoral development priorities, such as health, agriculture, and education.

Since the creation of Tropical Forest Alliance (TFA) 2020, the United States has played a leadership role in standing up the organizational structure by providing funding for the interim Secretariat, convening key partners, communicating on TFA 2020 in international fora, and providing financial and technical support to key initiatives. TFA 2020 was highlighted at the 2014 UN Climate Summit and is aligned with U.S. Government programming to reduce tropical deforestation. For example, the United States, led by USAID and State, worked with key private sector partners in Indonesia to develop deforestation-free palm oil production commitments and in Colombia worked with the government and stakeholders to design a national-level TFA 2020 strategy for beef, soy, and palm oil development while building secure, safe communities in Colombia.

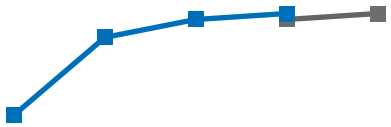
There is also strong progress on the LEDS APG. The focus of the joint State and USAID APG is to enable economic growth together with significant reductions in national emissions trajectories through 2020 and the longer term by supporting the development and implementation of LEDS. Specifically, this APG measures the progress of Enhancing Capacity for LEDS and the multilateral LEDS Global Partnership. USAID and State exceeded the end of fiscal year target for the number of country programs initiating technical assistance, with Ethiopia becoming the 26th country where technical assistance has been initiated.

FY 2015 STRATEGIC GOAL 3 PERFORMANCE RESULTS



Total Results: 3

PERFORMANCE INDICATOR: *Number of countries in which U.S. Government technical assistance for LEDS has been initiated*



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Result	9	22	25	26	N/A
Target	N/A	N/A	N/A	25	26

Source: *FY 2015 Annual Performance Report/ FY 2017 Annual Performance Plan.*

FY 2012 was the first year in which data was reported for this indicator.

Abou Traore in his tree nursery in Doromou community on the right and Dore Mossoua tending his tree plantation in Bossou community on the left. STEWARD is a trans-boundary biodiversity conservation program funded by USAID and implemented in the Mano River Union member countries by the U.S. Forest Service-International. Programs Implementing partners include AUDER, CARE-International, BioClimate, and PCI-Media Impact. PHOTO: FAYA MALAYA OUENDENO, COMMUNICATION OFFICER FOR STEWARD

GUINEA CUTS A PROFITABLE PATH TO FOREST CONSERVATION

With agroforestry, farmers protect resources while growing high-value crops

March 2016—Imagine living in one of the most biodiverse regions in West Africa, but not being able to reap the benefits of your environment.

For many years, Abou Traore and his neighbors found themselves in just this situation. But they recently discovered a way to productively use—and preserve—their surroundings.

Traore, a 57-year-old farmer, lives in the Doromou community of Guinea near Mount Nimba, a UN Educational Scientific and Cultural Organization (UNESCO) World Heritage Site (*http://whc.unesco.org/en/list/155*) known for its remarkable animal and plant populations. He long relied on traditional agricultural practices that resulted in low yields and threatened the rich biodiversity around him. Opportunities beyond farming were limited and Traore and his family, like many in their community, depended on forest products and high-interest loans to survive.

Frustrated by continuing hardships, Traore realized he needed to do things differently. He turned to agroforestry.

Traore participated in an agroforestry project in 2012 that promotes forest conservation and sustainable natural resources management under USAID's Sustainable and Thriving Environments for West African Regional Development (STEWARD) (*http://stewardprogram.org/*) program. As part of training in the Gbie community near Doromou, Traore watched as two community oil palm plantations on 2.5 hectares were established in degraded areas of the Doromou Community Forest.

Under the program, the community of Doromou received 1,100 oil palm, 1,960 coffee, 11,885 rubber and 4,830 cacao tree seedlings—all high-value crops. But these crops are more than just sources of income for farmers: they help to repair soil quality by enriching it with their dead foliage and prevent further soil damage by limiting erosion from wind and rain. The crops also become animal habitats and provide other benefits to the ecosystem, such as serving as an important reservoir for carbon sequestration.

"I am happy to see many people in my community very engaged in plantations. It is a hope for a brighter future."

With training under his belt and seedlings in hand, Traore started practicing agroforestry. In 2014, he established a 64-hectare nursery in his village, with 9 thousand cacao, 20 coffee and 60 oil palm tree seedlings. He recently sold around 8 thousand new seedlings, earning 21 million Guinean francs ($3,000).

"The program has transformed my socioeconomic status," says Traore. With his earnings he can now cover his family expenses and significantly invest in improvements to his nursery.

Traore has been quick to share his agroforestry experience with members of his community and others in the Mount Nimba area, spreading the word about the dual value of agroforestry. Not only does it increase incomes for people in the region, he points out, but it also increases the vegetation cover of degraded areas.

"Had it not been for this intervention, we would have continued to destroy our forests out of ignorance," remarks Traore. "I am ... happy to see many people in my community very engaged in plantations. It is a hope for a brighter future."

In Guinea and Cote d'Ivoire, the USAID STEWARD program has improved the management of more than 250 hectares of plantations, benefiting more than 290 households. It has also helped 20 communities to protect more than 300 hectares of community forests. The program, which runs from October 2011 to September 2016, conserves biodiversity in the Upper Guinea Forest ecosystems of Guinea, Sierra Leone, Liberia, and Côte d'Ivoire.

STRATEGIC GOAL 4

Protect core U.S. interests by advancing democracy and human rights and strengthening civil society

PUBLIC BENEFIT

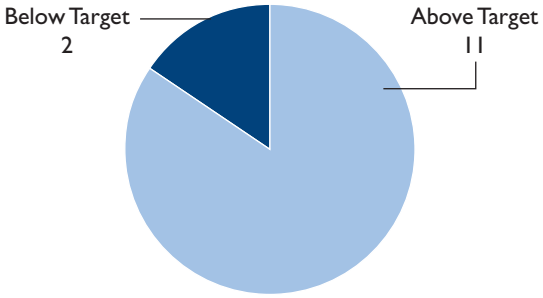
U.S. policy states that the security of U.S. citizens at home and abroad is best guaranteed when countries and societies are secure, free, prosperous, and at peace. USAID and its partners seek to strengthen their diplomatic and development capabilities, as well as those of international partners and allies, to prevent or mitigate conflict, stabilize countries in crisis, promote regional stability, and protect civilians.

LINKING ACTIVITIES TO OUTCOMES

One of the three overarching human rights outcomes to be achieved by operating units defined in USAID's Gender Equality and Female Empowerment Policy is to "Reduce gender-based violence and mitigate its harmful effects on individuals and communities." Building on the work of over two decades, USAID is leading efforts to implement the U.S. Strategy to Prevent and Respond to Gender-Based Violence Globally. Gender-based violence (GBV) is defined as violence that is directed at an individual based on his or her biological sex, gender identity, or perceived adherence to socially defined norms of masculinity and femininity. It includes: (1) physical, sexual, and psychological abuse; (2) threats; (3) coercions; (4) arbitrary deprivation of liberty; and (5) economic deprivation, whether occurring in public or private life. Forms of gender-based violence include, but are not limited to: (1) female infanticide; (2) child sexual abuse; (3) sexual coercion and abuse; (4) neglect; (5) domestic violence; (6) elder abuse; and (7) harmful traditional practices, such as, early and forced marriage, "honor" killings, and female genital mutilation/cutting.

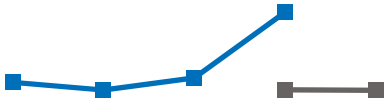
The GBV Strategy has four complementary objectives: (1) enhanced interagency coordination, (2) integration of GBV into policies and programs, (3) improved data and research, and (4) expansion of programming. To achieve these objectives in FY 2015, USAID made further strides toward integrating GBV in multiple sectors. USAID's

FY 2015 STRATEGIC GOAL 4 PERFORMANCE RESULTS



Total Results: 13

PERFORMANCE INDICATOR: *Number of people reached by a U.S.-funded intervention providing gender-based violence services (e.g., health, legal, psycho-social counseling, shelters, hotlines, other) (in Millions)*



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Result	1.89M	.80M	2.52M	11.84M	N/A
Target	N/A	N/A	N/A	.83M	.76M

Source: *FY 2015 Annual Performance Report/ FY 2017 Annual Performance Plan.*

Office of Gender Equality and Women's Empowerment produced and widely shared the new Child, Early and Forced Marriage Resource Guide (*https://www.usaid.gov/sites/default/files/documents/1865/USAID_CEFM_Resource-Guide.PDF*), the Beyond Access: Integrating Gender-Based Violence Prevention and Response in Education Projects toolkit (*https://www.usaid.gov/documents/1865/beyond-access-toolkit-integrating-gender-based-violence-prevention-and-response*), and the Building a Safer World: Integrating Gender-Based Violence Prevention & Response into Energy and Infrastructure Projects toolkit (*https://www.usaid.gov/documents/1865/building-safer-world-toolkit-integrating-gbv-prevention-and-response*). USAID held several training events to strengthen the capacities of USAID staff and implementing partners to design, implement, monitor, and evaluate programs addressing GBV. One of these events includes

Member of Parliament Oksana Yurynets continues to promote women's participation within her political party.

PHOTO: COURTESY OF NATIONAL DEMOCRATIC INSTITUTE

UKRAINIAN WOMEN GAIN POLITICAL REPRESENTATION

Civic activism helps women win 11 percent of parliamentary seats

"Since the times of the ancient Trypillian culture and Kyivan Rus, Ukrainian women have not only been mothers and wives, but also politicians, executives and diplomats."

June 2016—Oksana Yurynets was one of only two women elected to Ukraine's parliament, the Verkhovna Rada, in by-district races in 2014. By gaining the skills to become a political leader, she challenged gender stereotypes and broke new ground, and Ukrainians elected a new Parliament that looked markedly different from previous legislatures.

In the wake of the Euromaidan Revolution, or Revolution of Dignity, in October 2014, Ukrainians elected respected journalists and reform leaders in addition to the ever-present political cronies and self-serving businessmen. Women's representation increased to 11 percent (47 members) of Parliament, up from 8.6 percent before the election, due in part to the more prominent role that women played within the civic society groups that led to the revolution.

Yurynets, who hails from Lviv, won a seat in a by-district, single-mandate race, by which 50 percent of Parliament is elected. Other members are elected through a proportional, or party list, method.

With USAID support, the National Democratic Institute (NDI) works to give Ukrainian women leadership skills in the political arena through the Strengthening Political Processes in Ukraine project.

In 2012 and 2013, Yurynets participated in USAID-funded trainings and consultations on advancing women's political participation. She credits USAID's implementing partner, NDI, with allowing her to realize her abilities as well as the roles women have played historically in Ukraine.

"NDI training events provide an opportunity to better understand my capabilities," says Yurynets. "They reinforce long-held Ukrainian traditions of women leadership: Since the times of the ancient Trypillian culture and Kyivan Rus, Ukrainian women have not only been mothers and wives, but also politicians, executives and diplomats."

Yurynets first entered regional politics in 2010 when she was elected to the Lviv Oblast Council. Then, in October 2014, she won a seat in Parliament. A USAID focus group characterized her as "a prominent candidate who contributed significantly to raising the visibility of women candidates."

Yurynets believes that her parliamentary campaign was successful because of her civic activism representing the interests of thousands of citizens in Lviv Oblast during the Euromaidan protests in late 2013 and early 2014. Together with hundreds of activists, Yurynets led the charge to challenge the relegation of Ukrainian women to a supporting role.

Today, Member of Parliament Yurynets continues working to promote women's participation within the Petro Poroshenko Bloc. She also continues to engage voters in her district and works to pass reform-oriented legislation to bring about the change that she and her fellow citizens stood for in the frosty streets of Lviv during the wintry days of the Revolution of Dignity.

USAID's Strengthening Political Processes in Ukraine program works to make political processes and actors more representative, transparent, and accountable to citizens. The program, which runs from 2009 to 2016, is implemented by the NDI for International Affairs, the International Republican Institute, and the International Foundation for Electoral Systems.

the newly designed five-day USAID staff training course on preventing and responding to GBV piloted in July 2015. USAID plans to repeat this training course for Agency-wide audiences, or to use individual modules to meet the GBV learning needs of specific audiences. As a result of targeted messaging, an increase in operating unit planning tools and progress reports addressing GBV, additional resources, and scaled-up capacity building events, USAID's GBV programming is becoming more diverse and expansive. The number of people benefiting from USAID supported GBV services has also increased significantly, as illustrated by the results on this indicator from FY 2013 to FY 2015.

In FY 2015, more than 11.8 million individuals benefited from a U.S.-funded intervention providing GBV services. This number registers a substantial increase in the total number of beneficiaries over the FY 2015 target of 528 thousand persons and the more than 2.5 million beneficiaries reported in FY 2014. The USAID Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) made the largest contribution to the overall results of this indicator and mainly accounts for the sharp increase in the FY 2015 numbers. This increase stems from the surge in GBV services provided by the humanitarian assistance programs in Syria, Iraq, and South Sudan, as well as USAID's Ebola response efforts.

STRATEGIC GOAL 5

Modernize the way we do diplomacy and development

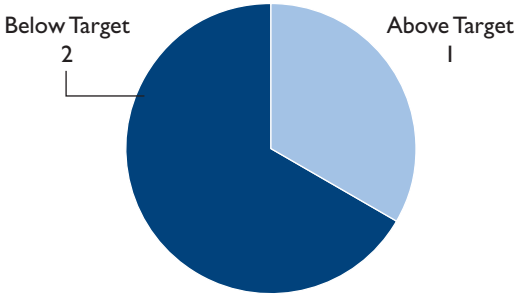
PUBLIC BENEFIT

USAID continues to modernize the way it does development by advancing new theories of change and institutionalizing its new model of development through enhanced public-private partnerships and multi-stakeholder alliances. USAID will enhance its effectiveness by implementing new technology solutions geared at reducing operating costs, boosting collaboration, improving security, and broadening engagement opportunities. By applying existing and new analytical tools and data sources, USAID aims to strengthen its staffing and operations through identifying opportunities for more cost-effective procurement processes and foreign assistance management.

LINKING ACTIVITIES TO OUTCOMES

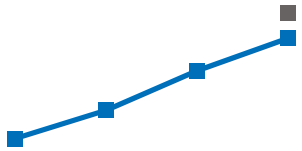
USAID focuses on ensuring it is a strategically managed and effective development partner. To accomplish this, USAID adapted evidence-based strategic planning and results management best practices for its operations, which include using data to drive management improvements and decision-making. USAID and its stakeholders from around the globe are using these practices to improve development outcomes. For example,

FY 2015 STRATEGIC GOAL 5 PERFORMANCE RESULTS



Total Results: 3

PERFORMANCE INDICATOR: *Percent of contractor performance assessment reports (CPARS) completed in Past Performance Information Retrieval System (PPIRS)*



	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Result	11%	31%	59%	82%	N/A
Target	N/A	N/A	N/A	100%	N/A[1]

Source: *FY 2015 Annual Performance Report/ FY 2017 Annual Performance Plan.*

[1] *The Procurement Reform Agency Priority Goal (APG) is not continuing in the FY 2016 – FY 2017 APG cycle.*

as part of Power Africa, USAID partnered with African governments and other organizations to add more than 30 thousand megawatts of cleaner, more efficient electricity generation, and to increase electricity access by adding 60 million new home and business connections in sub-Saharan Africa. Using its information technology (IT) expertise and the modern, agile development process, the Power Africa Tracking Tool (PATT) (*https://www.usaid.gov/power-africa/newsletter/jan2016/powerafrica-tracking-tool*) app allows for easy, real-time tracking of power transactions across the continent.

Also, as part of its procurement reform efforts to reduce the Procurement Action Lead Time (PALT), the Agency tracks the Contractor Past Performance Assessment Reports (CPARS). The availability of CPARS improves the efficiency of the procurement process as it allows USAID to make informed, timely business decisions when awarding government contracts and orders. During FY 2015, USAID continued its strong focus on improving its compliance rates, including by providing training, workshops, guidance, and templates. Owing to these and other efforts by Agency staff and management, USAID's CPARS completion rate increased from 7 percent in FY 2011 to 82 percent by the end of FY 2015.

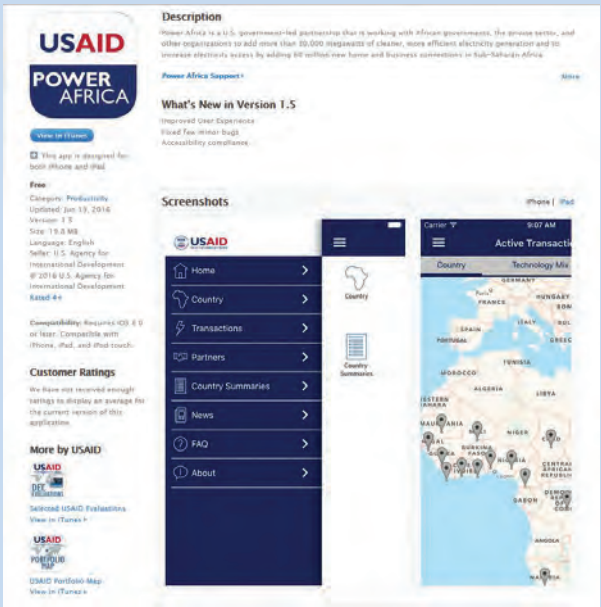
MOBILE APPLICATION MAKES DATA ON ELECTRICITY PUBLICLY AVAILABLE IN SUB-SAHARAN AFRICA

Application supports Power Africa's efforts to provide electricity to millions

USAID updated the Power Africa Tracking Tool (PATT) (*https://www.usaid.gov/power-africa/newsletter/jan2016/powerafrica-tracking-tool*) mobile application (app) President Obama featured during the June 2016 Global Entrepreneurship Summit (*http://www.ges2016.org/*). PATT is a mobile app and Web portal that provides easily accessible information on 45 thousand megawatts in power transactions from stakeholders on the ground across sub-Saharan Africa. Much of the data in PATT is being made publicly available for the first time, a move that will increase transparency and better inform financing opportunities and foster more deal closures between private sectors.

Users can view transaction status by project in each country; dive into national-level statistics on generation capacity, energy mix, and available technology; see active projects underway through Power Africa partners; and read the latest news and information from the African energy sector. PATT also keeps tabs on the environmental, social, and other impacts of energy projects in the system.

The PATT app is available for download on Apple devices. An Android app release is planned for the near future.



To view the Power Africa website shown above go to https://itunes.apple.com/app/patt/id1039913424?mt=8

USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS[1]

Strategic Goal 1: Strengthen America's Economic Reach and Positive Economic Impact

Indicator Title	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Target	FY 2015 Results	FY 2016 Target
Number of people trained in disaster preparedness as a result of U.S. Government assistance	26,768	28,647	148,714	34,428	106,923	38,804
Percent of operating units using at least one gender empowerment and female equality indicator in their performance report	N/A	N/A	45%	40%	53%	50%
Number of communities and stakeholders involved in the development of plans, policies, and strategies related to hazard risk reduction	N/A	N/A	117	60	N/A	N/A
Number of farmers and others who have applied new technologies or management practices as a result of U.S. Government assistance	5.2 million	6.5 million	6.8 million	8 million	9 million[2]	8 million

Strategic Goal 2: Strengthen America's Foreign Policy Impact on Our Strategic Challenges

Indicator Title	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Target	FY 2015 Results	FY 2016 Target
Number of country programs that aim to decrease youth unemployment rates	N/A	7	7	7	7	7
Percent of designated USAID focus countries in which foreign assistance resources are aligned with the U.S. National Action Plan on Women, Peace and Security	N/A	54%	74%	75%	75%	80%
Number of new groups or initiatives created through U.S. Government funding with a mission related to resolving the conflict or the drivers of the conflict	17,148	12,733	10,849	492	1,619	2,082
Percent of U.S. Government-declared international disasters responded to within 72 hours	N/A	N/A	86%	95%	88%	95%
Number of internally displaced and host population beneficiaries provided with basic inputs for survival, recovery, or restoration of productive capacity as a result of U.S. Government assistance	48,989,676	61,315,940	54,079,863	46,381,077	109,533,298	50,750,582
Number of domestic NGOs engaged in monitoring or advocacy work on human rights receiving U.S. Government support	818	914	1,001[3]	920[3]	1,253	604
Prevalence of stunted children under five years of age	N/A	N/A	37.70%	37%	35.7%	34.9%
Prevalence of anemia among women of reproductive age	40.9%	38.5%	35.1%	37.4%	33.7%	32.8%
Number of people gaining access to an improved sanitation facility	N/A	1,884,169	1,903,544[3]	2,087,731	2,386,095	2,712,908
Number of people gaining access to an improved drinking water source	N/A	3,131,707	3,232,648[3]	4,226,216	3,625,637	3,987,554
Teenagers who have begun childbearing	N/A	N/A	N/A	N/A	18.8%	18.0%
Number of neglected tropical disease treatments delivered through U.S. Government-funded programs	244.6 million[4]	233.9 million[5]	239.1 million[6]	218 million	174.9 million[7]	200 million
Case Notification rate for all forms of TB per 100,000 population nationally	120 per 100,000	129 per 100,000	131 per 100,000	133 per 100,000	138 per 100,000	140 per 100,000[3]
Percent of registered tuberculosis cases that were cured and completed treatment (all forms) (treatment success rate)	86%[3]	87%[8]	86%[3]	87%	88%[3]	88%
Annual total number of people protected against malaria with insecticide treated nets	50 million	45 million	89 million	50 million[3]	72 million	62 million

See end of table on page 25 for footnotes.

(continued on next page)

USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS [1] *(continued)*

Strategic Goal 3: Promote the Transition to Low-Emission, Climate-Resilient World While Expanding Access to Sustainable Energy

Indicator Title	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Target	FY 2015 Results	FY 2016 Target
Clean energy generation capacity installed or rehabilitated as a result of U.S. Government assistance	N/A	29	185[9]	60	8.5[10]	310
Number of megawatts of U.S. Government supported generation transactions that have achieved financial closure	N/A	N/A	4,147	5,493	770	3,078
Number of countries in which U.S. Government technical assistance for LEDS has been initiated	9	22	25	25	26	26

Strategic Goal 4: Protect Core U.S. Interests by Advancing Democracy and Human Rights and Strengthening Civil Society

Indicator Title	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Target	FY 2015 Results	FY 2016 Target
Number of executive oversight actions taken by legislature receiving U.S. Government assistance	279	359	254	181	81	84
Number of U.S. Government-supported activities designed to promote or strengthen the civic participation of women	N/A	359	106	181	221	73
Number of domestic election observers and/or party agents trained with U.S. Government assistance	N/A	41,302	28,892	14,600	40,398	20,397
Number of individuals/ groups from low income or marginalized communities who received legal aid or victim's assistance with U.S. Government support	N/A	36,759	185,631	168,306	257,232	171,181
Number of human rights defenders trained and supported	15,426	21,078	48,224	28,907	47,922	23,303
Number of domestic NGOs engaged in monitoring or advocacy work on human rights receiving U.S. Government support	818	914	1,001	920[3]	1,253	604
Percent of defenders and civil society organizations receiving Rapid Response Fund assistance (% receiving assistance) able to carry out work and/or report positive safety or security impacts	N/A	N/A	86%	75%	86%	85%
Percentage of NGO or other International Organization projects that include dedicated activities to prevent and/or respond to gender-based violence	45%	56%	30%	37%	35%	37%
Number of training and capacity-building activities conducted with U.S. Government assistance that are designed to promote the participation of women or the integration of gender perspectives in security sector institutions or activities	145	149	219	229	640	288
Number of participants in the Young African Leaders Initiative	N/A	N/A	500	500	28,380	56,730
Number of individuals receiving voter and civic education through U.S. Government-assisted programs	58,020,113	140,950,044	65,046,830	72,269,893[3]	92,404,708	36,784,029
Number of civil society organizations receiving U.S. Government assistance engaged in advocacy interventions	11,247	13,570	18,238	10,950	18,024	9,102
Number of people reached by a U.S.-funded intervention providing gender-based violence services (e.g., health, legal, psycho-social counseling, shelters, hotlines, other)	1,886,460	800,634	2,515,862	830,033[3]	11,836,729	756,522

See end of table on page 25 for footnotes.

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USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS [1] *(continued)*

Strategic Goal 5: Modernize the Way We Do Diplomacy and Development

Indicator Title	FY 2012 Results	FY 2013 Results	FY 2014 Results	FY 2015 Target	FY 2015 Results	FY 2016 Target
Percent of USAID-funded evaluations published online	N/A	67%	79%[11]	75%	53%[12]	80%
Number of data sets added to usaid.gov/data	N/A	N/A	77	20	99	20
Percent of contractor performance assessment reports (CPARS) completed in Past Performance Information Retrieval System (PPIRS)	11%	31%	59%	100%	82%	N/A[13]

[1] *Indicators and data are from the FY 2015 Annual Performance Report (APR)/FY 2017 Annual Performance Plan (APP), available at https://www.usaid.gov/sites/default/files/documents/1870/State-USAID_FY2017APP_FY2015APR.pdf. This report also includes explanations for the results as compared to the targets. Some performance indicators were introduced in FY 2014, and thus data was not collected in previous years. Where appropriate, N/A (not applicable) has been indicated.*

[2] *Reported 8.5 million farmers in the FY 2015 APR, based on data available as of January 2015. This has been updated to 9 million farmers and others who have applied improved technologies or management practices, as reported in the 2016 Feed the Future Progress Report, available at https://feedthefuture.gov/progress2016.*

[3] *Updated information not presented in FY 2015 APR/FY 2017 APP.*

[4] *Reported 103.8 million treatments delivered in FY 2012 in the FY 2012 APR based on data available as of September 30, 2012. Upon reporting of complete data, an updated result of 244.6 million treatments were delivered.*

[5] *Reported 103.2 million treatments delivered in FY 2013 in the FY 2013 APR based on data available as of November 8, 2013. Upon reporting of complete data, an updated result of 233.9 million treatments were delivered.*

[6] *Reported 133.4 million treatments delivered in FY 2014 in the FY 2014 APR based on data available as of October 31, 2014. Upon reporting of complete data, an updated result of 239.1 million treatments were delivered.*

[7] *Amount reported was 174.9 million treatments delivered in FY 2015 based on data available as of October 31, 2015. Our best estimate for when complete data is available by mid-2016 is 287.2 million treatments delivered*

[8] *The definition of treatment success rate changed for FY 2014 with the new World Health Organization reporting framework and this new definition remained in place for FY 2015. For example, the denominator of this indicator shifted from 1.2 to 2.7 million from FY 2013 to FY 2014, and the numerator included all laboratory confirmed and clinically diagnosed tuberculosis (TB) cases instead of only smear positive. This significant change in the definition made it impossible to report consistently from FY 2015; therefore, this indicator has been replaced with "Percent of registered TB cases that were cured and completed treatment (all forms) (treatment success rate)."*

[9] *Data was reported by an operating unit after the Performance Plan and Report was finalized.*

[10] *Construction of a 60 megawatts Kenyan wind farm in Kinangop, Nyandarua was planned for 2015, but has been stalled due to an ongoing land acquisition dispute. Construction of the 310 megawatts Kenyan wind farm in Lake Turkana broke ground in July 2015 and is scheduled for completion in 2016.*

[11] *Data for the APR/APP is collected before many evaluations are completed in a given fiscal year, therefore, the percentage of evaluations published online appears artificially low. In-progress evaluations are not reflected in this indicator.*

[12] *FY 2015 results are preliminary based on data collected as of January 2016.*

[13] *The Procurement Reform Agency Priority Goal (APG) is not continuing in the FY 2016 – FY 2017 APG cycle.*

LOOKING FORWARD

Angelique M. Crumbly

USAID's commitment to end extreme poverty and promote resilient, democratic societies, while advancing the security and prosperity of American citizens requires a relentless focus on improving how it delivers on its mission. Much was accomplished in FY 2016. In FY 2017, USAID will maintain its focus on continuous process improvement to allow the Agency to build on past successes, continue to learn, and become ever more agile.

The Agency has been working in unstable and harsh environments and managing risks since its founding over five decades ago. However, there has never been a time in which it has been asked to address a growing multitude of complex situations or in which it has had a greater opportunity to apply new approaches than today. As such, USAID has adopted a new model for development that embraces public-private partnerships, invests in the catalytic role of innovation, and demands a relentless focus on results. USAID has implemented this new model for development under the whole-of-government approach outlined in the very first Presidential Policy Directive on Global Development (PPD-6), and pursues its objectives in close consultation with the Department of State (State), Department of Defense, and other U.S. Government agencies.

As part of its effort to leverage partnerships to achieve the greatest efficiencies and impact, USAID helped to shape international norms for development. These included setting the Sustainable Development Goals, innovating new ways of Financing for Development, and incorporating the landmark Paris Agreement on climate change in the design of all of its programming going forward. As USAID works with other agencies and international partners on these initiatives and the full range of other U.S. Government priorities, some particular areas the Agency will focus on in FY 2017 are: (1) balancing openness with security, (2) strengthening the means of implementation, and (3) effectively leveraging the Agency's workforce.

BALANCING OPENNESS WITH SECURITY

Effective and accountable 21st century governance requires transparency and accountability, and USAID has taken important steps in this area, particularly related to improving public access to foreign assistance data. Since 2014, the Agency has increased more than 18 points in Publish What You Fund's annual Aid Transparency Index. USAID's 2016 Open Government Plan outlines new initiatives designed to integrate transparency, participation, and collaboration into the Agency's core mission while leading the Federal Government in four areas of the National Action Plan. Additionally, USAID's open data policy provides a framework to make data available to the public through vehicles, such as the enhanced Development Data Library. In FY 2017, the Agency expects to launch a new Development Information Solution in order to make further progress toward making development information available at the corporate level and managing that data for Agency decision making.

In making data available to the public, USAID has had to design an approach that also protects sensitive government information and personal data. To continue to strike the right balance of openness and security, USAID is: (1) increasing investment in cybersecurity; (2) fully implementing the Federal Information Technology Acquisition Reform Act Implementation Plan, revising its Agency operational policy on information systems security found in Automated Directives System

545; and (3) enforcing multi-factor authentication on all USAID systems for all employees. To protect against the unauthorized release of data, the Agency plans to invest in additional cloud security applications and implement a dynamic approach to fortifying the cybersecurity of networks and systems. The Agency will continue to make data available to interested stakeholders by taking active steps to protect government information and safeguard sensitive data while seeking additional opportunities for public engagement.

STRENGTHENING THE MEANS OF IMPLEMENTATION

In FY 2017, USAID will continue to strengthen the operational and programmatic means of implementing development and humanitarian assistance. Risk management will be a particular focus. As a congressionally mandated Partner Vetting System pilot program with State concludes, USAID will assess the future of vetting and further evaluate procedures to reduce the risk of diversion of foreign assistance funding from its intended purpose. USAID will also continue to strengthen the fiduciary tools for responsibly delivering assistance through local government systems and local partners by leading efforts to increase engagement and use of these tools with other donors. Additionally, USAID will implement federal requirements for Enterprise Risk Management (ERM), which emphasizes integration of risk management across functional silos.

To accelerate progress on increasing aid effectiveness, USAID will work with the interagency and our development partners to: (1) strengthen country ownership, (2) build more effective and inclusive partnerships and institutions, and (3) promote mutual accountability for development results. In FY 2016, the Agency completed an overhaul of the Program Cycle, USAID's framework and policies for planning, delivering, assessing, and adapting development programming. These revisions allow greater flexibility, enable us to address emerging challenges, and promote the use of analytical tools for evidence-based decision making during program planning and implementation, as well as fostering a culture of learning and adapting at every stage of the process to enhance the sustainable impact of USAID's programs.

LEVERAGING THE WORKFORCE

Keeping pace with demographic trends and adding workers with new skills is essential to leveraging the USAID workforce to meet the Agency's development and humanitarian goals. In 2016, 32 percent of USAID's workforce was younger than 40, and 20 percent plans to retire in the next five years. With this shift, the Agency, like many others, loses institutional knowledge as long-term workers leave. At the same time, the Agency is developing strategies to recruit personnel with new skills in data management, information design and visualization, adaptive and mobile technologies, and other areas, which creates opportunities to work in new ways harnessing and capturing the knowledge of the entire workforce. Improving the way the Agency attracts, engages, and retains talent is a critical requirement in the 21st century. In FY 2016, the Agency embarked on the implementation of its Human Resources (HR) Transformation Strategy and Action Plan (2016–2021) and will continue an intensive focus on executing the plan in FY 2017.

In summary, USAID's long-standing commitment to continual process improvement has produced real achievements in FY 2016. In FY 2017, that commitment continues, as the Agency becomes ever more agile in achieving its mission. All of this must be done if the U.S. Government is to fulfill its commitment to the most vulnerable people in our world.

Angelique M. Crumbly
Performance Improvement Officer

ANALYSIS OF FINANCIAL STATEMENTS

The financial statements of USAID reflect and evaluate the Agency's execution of its mission to advance economic growth, democracy, and human progress in developing countries. This analysis presents a summary of the Agency's financial position and results of operations, and addresses the relevance of major changes in the types and/or amounts of assets, liabilities, costs, revenues, obligations, and outlays.

The principal statements include a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources. These principal statements are included in the Financial Section of this report. The Agency also prepares a Combining Schedule of Budgetary Resources and a Combined Schedule of Spending, which are included in the Required Supplementary Information and Other Information sections, respectively.

CHANGES IN FINANCIAL POSITION IN FY 2016
(In Thousands)

Net Financial Condition	2016	2015	% Change in Financial Position
Fund Balance with Treasury	$ 32,637,640	$ 32,344,408	1%
Direct Loans and Loan Guarantees, Net	1,622,046	2,013,413	-19%
Accounts Receivable, Net	57,565	120,569	-52%
Cash and Other Monetary Assets, Advances and Other Assets	1,025,759	1,033,414	-1%
PP&E, Net and Inventory, Net	122,104	127,081	-4%
Total Assets	$ 35,465,114	$ 35,638,885	0%
Debt and Liability for Capital Transfers to the General Fund of the Treasury	2,049,158	2,316,021	-12%
Accounts Payable	1,703,360	1,850,783	-8%
Loan Guarantee Liability	3,145,753	2,866,890	10%
Other Liabilities and Federal Employees and Veteran's Benefits	1,624,808	1,708,989	-5%
Total Liabilities	$ 8,523,079	$ 8,742,683	-3%
Unexpended Appropriations	26,603,696	26,339,211	1%
Cumulative Results of Operations	338,339	556,991	-39%
Total Net Position	26,942,035	26,896,202	0%
Net Cost of Operations	$ 12,490,533	$ 12,528,594	0%
Budgetary Resources	$ 27,230,842	$ 27,149,433	0%

OVERVIEW OF FINANCIAL POSITION

Preparing the Agency's financial statements is a vital component of sound financial management and provides accurate, accountable, and reliable information that is useful for assessing performance, allocating resources, and targeting areas for future programmatic emphasis. The Agency's management is responsible for the integrity and objectivity of the financial information presented in the statements. USAID is committed to financial management excellence, and maintains a rigorous system of internal controls to safeguard its widely dispersed assets against loss from unauthorized acquisition, use, or disposition. As USAID broadens its global relevance and impact, the Agency will continue to promote local partnership through delivering assistance through host government systems and community organizations.

A summary of USAID's major financial activities in FY 2016 and FY 2015 is presented in the table on the left. This table represents the resources available, assets on hand to pay liabilities, and the corresponding net position. The net cost of operations is the cost of operating USAID's lines of business, less earned revenue. Budgetary resources are funds available to the Agency to incur obligations and fund operations. This summary section also includes an explanation of significant fluctuations on each of USAID's financial statements.

BALANCE SHEET SUMMARY

ASSETS – WHAT WE OWN AND MANAGE

Total assets were $35.5 billion as of September 30, 2016. This represents a slight decrease of $174.0 million over the FY 2015 total of $35.6 billion. The most significant assets are the Fund Balance with Treasury and Direct Loans and Loan Guarantees (Net), which represent 92 percent and 5 percent of total USAID's assets, respectively, as of September 30, 2016. The Fund Balance with Treasury consists of cash appropriated to USAID by Congress or transferred from other federal agencies and held in U.S. Department of the Treasury's (Treasury) accounts that are accessible by the Agency to pay the Agency's obligations incurred.

LIABILITIES – WHAT WE OWE

The Consolidated Balance Sheet reflects total liabilities of $8.5 billion, of which $5.2 billion or 61 percent is comprised of Debt and Liabilities for Capital Transfers to the General Fund of the Treasury and Loan Guarantee Liability. These liabilities represent funds borrowed from Treasury to carry out the Agency's Federal Credit Reform program activities and net liquidating account equity. Loan Guarantee Liability accounts increased by $278.9 million between the two fiscal years, which represents an increase of almost 9.8 percent. This was driven by new loan guarantees with the Middle East Northern Africa (MENA) and Ukraine programs.

ENDING NET POSITION – WHAT WE HAVE DONE OVER TIME

Net Position represents the Agency's equity, which includes the cumulative net earnings and unexpended authority granted by Congress. USAID's Net Position is shown on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position. The reported Net Position balance remained relatively static between FY 2016 and FY 2015.

RESULTS (NET COST) OF OPERATIONS

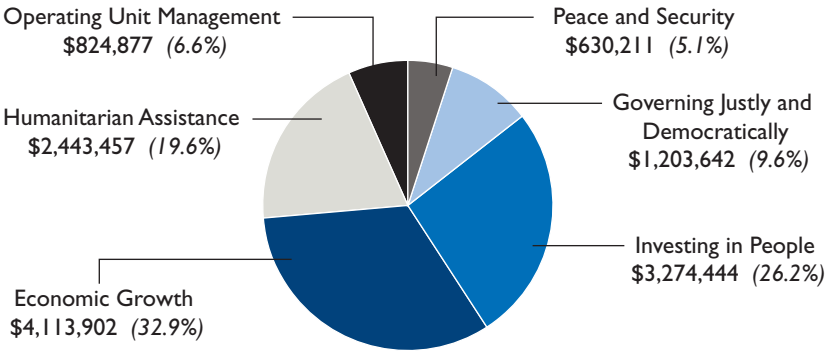
NET COSTS

The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position. The Consolidated Statement of Net Cost represents the cost (net of earned revenues) of operating the Agency's six strategic objectives. These objectives are consistent with the Department of State (State)-USAID Strategic Planning Framework in place during FY 2016. Three of the six objectives represent 78.7 percent of the total Net Cost of Operations, these objectives include Economic Growth, Investing in People, and Humanitarian Assistance. The following chart shows the total net cost incurred to carry out each of these Agency's objectives.

The USAID's net cost of operations totaled $12.5 billion for both FY 2016 and FY 2015. Overall the USAID net cost of operations remained relatively unchanged over this two-year period, however the net costs of operations within the strategic objectives shifted due to changing global program initiatives as shown in the chart below. The largest shift in net costs was $413.4 million or 14 percent increase in costs related in the Investing in People objective. This increase

FY 2016 NET COST OF OPERATIONS BY OBJECTIVES

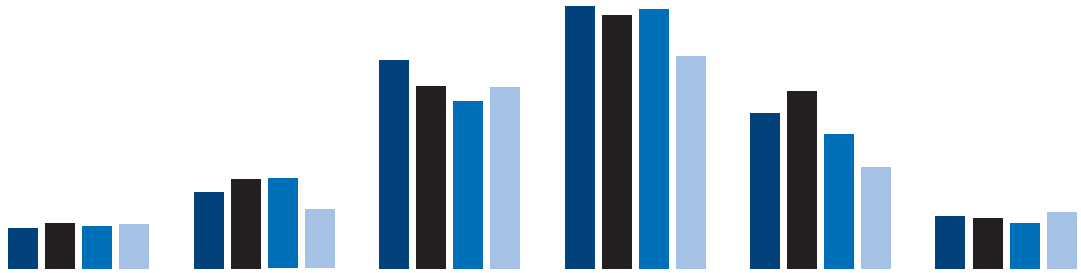
(In Thousands)



Total Net Cost: $12,490,533

MAJOR ELEMENTS OF NET COST COMPARISON OVER TIME

(In Thousands)



OBJECTIVES	Peace and Security	Governing Justly and Democratically	Investing in People	Economic Growth	Humanitarian Assistance	Operating Unit Management
FY 2016	$ 630,211	$ 1,203,642	$ 3,274,444	$ 4,113,902	$ 2,443,457	$ 824,877
FY 2015	$ 718,411	$ 1,400,277	$ 2,861,007	$ 3,976,310	$ 2,783,754	$ 788,835
FY 2014	$ 666,716	$ 1,410,669	$ 2,622,193	$ 4,071,538	$ 2,106,819	$ 714,099
FY 2013	$ 691,795	$ 925,010	$ 2,842,875	$ 3,331,564	$ 1,595,385	$ 888,311

was primarily due to increased costs within the Health and Education program areas. Additionally, there were decreases in the nets costs for the following strategic objectives: Governing Justly and Democratically of $197.0 million or 14 percent, Humanitarian Assistance of $340.3 million or 12 percent, and Peace and Security of $88.2 million or 12 percent. The chart above presents the major elements of net cost broken out by strategic objectives from FY 2016 through FY 2013.

NET COSTS BY PROGRAM AREAS

In addition to reporting net costs by strategic objectives, USAID further calculates nets costs by strategic objectives and program areas for financial reporting. In FY 2016, there are 27 program areas within the six strategic objectives, as shown in the table on the next page. Each program area is an important element of the Agency's framework for effectively leveraging scarce resources to impact development priorities and allows USAID management to efficiently and effectively evaluate the overall major mission or program activity. For a further breakout, costs by responsibility segments and program areas are included in Note 16, *Suborganization Program Costs/ Program Costs by Program Area*. The responsibility segments include the six geographic bureaus and four functional bureaus.

BUDGETARY RESOURCES

OUR FUNDS

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to USAID during the fiscal year and the status of those resources at the end of the fiscal year. The Agency receives most of its funding from general government funds administered by Treasury and appropriated by Congress for use by USAID. In addition, USAID receives budget authority from the following parent agencies: U.S. Departments of State and Agriculture, Forest Service. Activity related to these parent agencies is detailed in the Combining Schedule of Budgetary Resources located in the Required Supplementary Information section of this report.

Budgetary Resources consist of the resources available to USAID at the beginning of the year, plus the appropriations received, spending authority from offsetting collections, and other budgetary resources received during the year. The following chart compares the obligations incurred, unobligated balances, and total budgetary resources for USAID during the FY 2013 through FY 2016 periods. The Agency received $27.2 billion in cumulative budgetary resources in FY 2016, of which it has obligated $13.8 billion.

FY 2016 NET COST BY PROGRAM AREAS
(In Thousands)

Objective	Program Area	Total
Peace and Security	Counterterrorism	$ 41,981
	Combating Weapons of Mass Destruction (WMD)	35,075
	Stabilization Operations and Security Sector Reform	21,283
	Counternarcotics	144,990
	Transnational Crime	14,550
	Conflict Mitigation and Reconciliation	372,332
Peace and Security Total		630,211
Governing Justly and Democratically	Rule of Law and Human Rights	131,925
	Good Governance	673,218
	Political Competition and Consensus-Building	158,407
	Civil Society	240,092
Governing Justly and Democratically Total		1,203,642
Investing in People	Health	1,804,094
	Education	1,188,777
	Social and Economic Services and Protection for Vulnerable Populations	281,573
Investing in People Total		3,274,444
Economic Growth	Macroeconomic Foundation for Growth	939,498
	Trade and Investment	6,204
	Financial Sector	115,720
	Infrastructure	529,827
	Agriculture	1,246,934
	Private Sector Competitiveness	238,553
	Economic Opportunity	273,436
	Environment	763,730
Economic Growth Total		4,113,902
Humanitarian Assistance	Protection, Assistance and Solutions	2,410,612
	Disaster Readiness	29,877
	Migration Management	2,968
Humanitarian Assistance Total		2,443,457
Operating Unit Management	Crosscutting Management and Staffing	716
	Program Design and Learning	243,805
	Administration and Oversight	580,356
Operating Unit Management Total		824,877
Total Net Cost of Operations		$ 12,490,533

OBLIGATIONS AND OUTLAYS

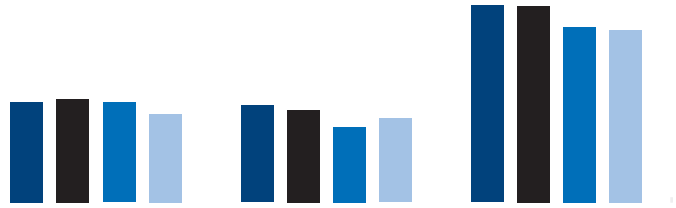
The Status of Budgetary Resources chart shown below compares obligations incurred and unobligated balances at year-end for FY 2016, FY 2015, FY 2014, and FY 2013. As shown in the chart, USAID's Total Budgetary Resources for FY 2016 was $27.2 billion, which is an increase of $81.4 million or less than 1 percent over the FY 2015 Total Budgetary Resources of $27.1 billion. In addition, the obligations incurred between FY 2016 and FY 2015 are relatively comparable, with only a 3 percent fluctuation decrease. One of the primary factors contributing to this is a $555 million payment to Treasury in 2016 which effectively reduced the obligations for the year. This amount was returned due to the closing of the Egypt bond guarantee that was fully repaid in September 2015. The Net Outlays for USAID for FY 2016 and FY 2015 were $11.9 billion and $11.7 billion, respectively. The primary reason for the $0.2 billion or 2 percent increase in Net Outlays was due to the repayment of the Egypt subsidy to Treasury.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared from the Agency's accounting records to report the financial position and results of operations of USAID, pursuant to the requirements of 31 U.S.C.3515 (b). While the statements have been prepared from the books and records of USAID, in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are provided in addition to the financial reports used to monitor and control budgetary resources. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

STATUS OF BUDGETARY RESOURCES FY 2013* – FY 2016

(In Thousands)



	Obligations Incurred	Unobligated Balance	Total Budgetary Resources
FY 2016	$ 13,837,261	$ 13,393,581	$ 27,230,842
FY 2015	$ 14,323,918	$ 12,825,515	$ 27,149,433
FY 2014*	$ 13,831,404	$ 10,392,509	$ 24,223,913
FY 2013*	$ 12,214,142	$ 11,600,634	$ 23,814,776

* FY 2014 and FY 2013 are Restated

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

The Agency's internal control policy is comprehensive and requires all USAID managers to establish cost-effective systems of internal controls to ensure U.S. Government activities are managed effectively, efficiently, economically, and with integrity. All levels of management are responsible for ensuring adequate controls over all USAID operations.

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal control and financial systems that provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations;
- Reliability of reporting for internal and external use.

This law requires that the head of the agency, based on an evaluation, provides an annual Statement of Assurance (see below) on whether the agency has met this requirement. The Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the FMFIA and defines management's responsibility for internal control in federal agencies. USAID has also provided a Summary of Financial Statement Audits and Management Assurances as required by OMB Circular A-136, *Financial Reporting Requirements,* revised, in the Other Information section of this report.

USAID STATEMENT OF ASSURANCE

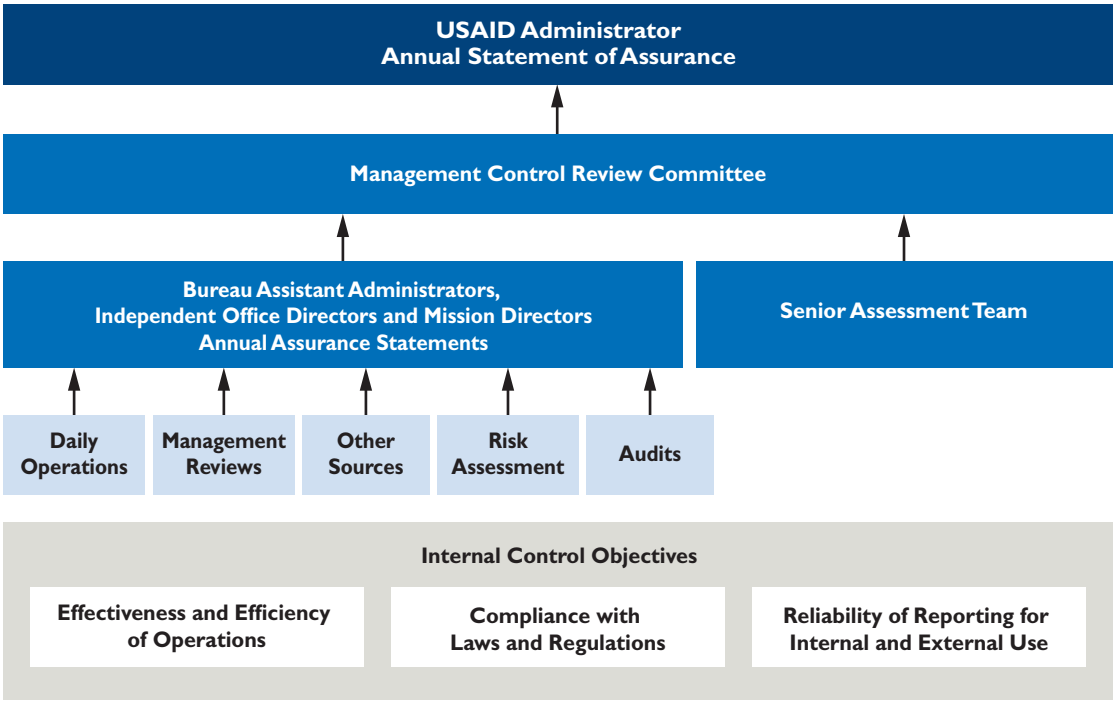
The Agency's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2016, the Agency assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123. Based on the results of this assessment, the Agency can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2016, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Agency conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this assessment, the Agency can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2016, except for the following material weakness reported: USAID did not reconcile its Fund Balance with Treasury account with the U.S. Department of the Treasury (Treasury), and resolve reconciling items in a timely manner (See Exhibit A). Further, no material weaknesses related to internal control over financial reporting were identified between July 1 and September 30.

Based on reviews conducted by the Agency, it has been able to determine that its financial management systems conform to financial systems requirements except for accounting for reimbursable agreements (See Exhibit B).

Gayle E. Smith
Administrator
November 15, 2016

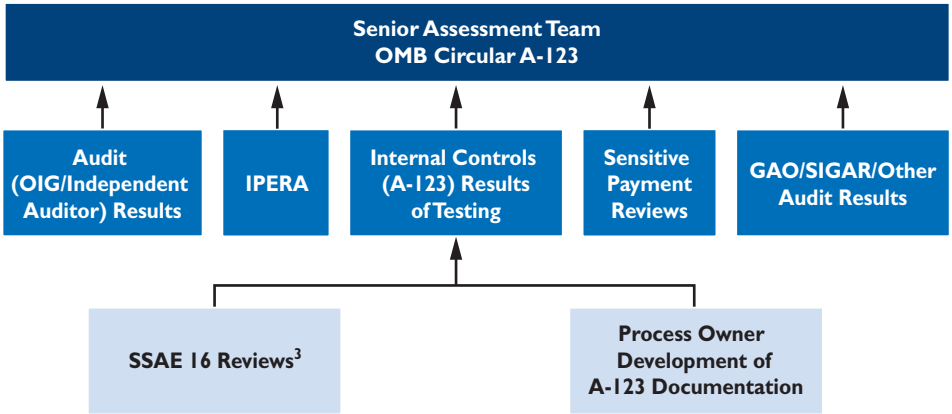
FMFIA ANNUAL ASSURANCE PROCESS



The Agency's Management Control Review Committee (MCRC) oversees the Agency's internal control program. The MCRC is chaired by the Deputy Administrator, and is comprised of the 20 Bureau/Independent Office (B/IO) heads; Agency Counselor; Executive Secretariat; Chief Financial Officer; Chief Information Officer; Chief Acquisition Officer; Chief Human Capital Officer; and the Director of the Bureau for Management, Office of Management Policy, Budget and Performance (M/MPBP), and Office of Budget and Resource Management (BRM). Individual assurance statements from the B/IO heads in Washington, D.C., and mission directors assigned overseas serve as the primary basis for the Agency's FMFIA assurance statement issued by the Administrator. The assurance statements are based on information gathered from various sources, including the managers' personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, the Office of Inspector General (OIG), the Special Inspector General for Afghanistan Reconstruction, and the Government Accountability Office (GAO) conduct reviews, audits, inspections, and investigations that are considered by management.

As a subset of the MCRC, the Senior Assessment Team (SAT) oversees the assessment of internal control with an emphasis on internal control over financial reporting as required by Appendix A of OMB Circular A-123. The SAT reports to the MCRC and is comprised of senior executives from B/IOs that have significant responsibilities relative to the financial-related deficiencies. An executive from the OIG is also a non-voting member of the SAT. In addition, the Agency's Internal Control Teams apply an integrated process to perform the work necessary to meet the requirements of Appendix A, Appendix C (regarding the Improper Payments Elimination and Recovery Act), and the FMFIA; as well as to monitor compliance with Appendix B (Government Charge Card Management), Appendix D (Federal Financial Management Improvement Act) and OMB guidance on conducting the acquisition assessment. The Agency employs a risk-based approach in evaluating internal controls over financial reporting on a multi-year rotating basis, which has proven to be efficient. Based on this assessment, the Agency agreed with the OIG's identification of a material weakness in USAID's internal control over financial reporting detailed in Exhibit A as of September 30, 2016.

SENIOR ASSESSMENT TEAM OVERSIGHT



The Agency's internal control program is designed to promote full compliance with the goals, objectives, and requirements of the FMFIA and various federal laws and regulations. To that end, the Agency has dedicated considerable resources to administer a successful internal control program. The Agency's policy is that any organization with a material weakness[4], significant deficiency, or control deficiency must prepare and implement a corrective action plan to fix the deficiency. The plan, combined with the individual assurance statements and Appendix A assessments, provides the framework for monitoring and improving the Agency's internal controls on a continuous basis. Management will continue to direct focused efforts to resolve issues for all internal control deficiencies identified by management and auditors.

EXHIBIT A – FMFIA MATERIAL WEAKNESS

The Agency reported one material weakness for FY 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)

USAID did not reconcile its Fund Balance with Treasury account with the Department of Treasury, and resolve unreconciled items in a timely manner

Plan: USAID will: (1) resolve the differences between the general ledger and Treasury, (2) continue the reconciliation effort to investigate and resolve unreconciled differences and monitor and report the results to ensure that the balances in the general ledger and subsidiary ledger are consistently in agreement, and (3) consult with Treasury and OMB to obtain advice and approval for resolving unreconciled funds.

Progress to date: USAID completed a comprehensive general ledger and subsidiary ledger reconciliation and historical clean-up effort. As of July 2016, all cash functions have been incorporated in the Agency electronic Cash Reconciliation Tool (eCART), with the exception of National Finance Center payroll data, which now enables the Agency to detect and promptly address any future general ledger to Treasury discrepancy. The Bureau of Management, Office of the Chief Financial Officer (M/CFO) developed a plan of action and documented the process for consultation with OMB and Treasury to charge-off the remaining unreconciled difference. M/CFO is continuing analysis to identify and resolve reconciliation differences.

Target completion date: December 31, 2016

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[3] USAID obtained copies of Statement on Standards for Attestation Engagements (SSAE) 16 reviews, i.e., in-depth audits, from third party organizations.

[4] See Appendix A, Summary of Federal Managers' Financial Integrity Act (FMFIA) Definitions and Reporting.

EXHIBIT B – FMFIA NON-CONFORMANCE

The Agency's financial management systems conform to financial systems requirements except for accounting for reimbursable agreements.

CONFORMANCE WITH FEDERAL FINANCIAL MANGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)

The Agency is required to make an annual determination as to whether its financial management systems comply with the requirements of section 803(a) of the Federal Financial Management Improvement Act (FFMIA). USAID's process for accounting for reimbursable agreements deviated from (1) Statement of Federal Financial Accounting Standards No. 1, *Accounting for Selected Assets and Liabilities*, and (2) the U.S. Standard General Ledger (USSGL) at the transaction level.

Plan: USAID plans to remediate this condition by configuring and implementing the Project Cost Accounting System (PCAS) module in Phoenix, the Agency's financial system, and working with other USAID business system owners and users that integrate data with Phoenix to update systems and processes so that an agreement number is included at the point of obligation. When fully utilized, PCAS will allow USAID to track reimbursable agreements with greater detail and flexibility based on the terms of the agreements. PCAS will track the status of agreements including amounts available, collected, and expended; and USAID will be able to recognize revenue and receivables based on the collections and expenditures against the agreements.

Target completion date: December 31, 2017

FFMIA COMPLIANCE ASSESSMENT

The Federal Financial Management Improvement Act (FFMIA) requires that each agency implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the USSGL at the transaction level. The purpose of the FFMIA is to advance federal financial management by verifying that financial management systems provide accurate, reliable, and timely financial management information. USAID assesses its financial management systems annually for compliance with the requirements of Appendix D to OMB Circular A-123, compliance with FFMIA, and other federal financial system requirements. USAID's process for assessing its financial management systems is in compliance with Appendix D to OMB Circular A-123 and includes the use of the FFMIA Compliance Determination Framework, which incorporates a risk model of risk levels against common goals and compliance indicators.

The Agency determined that its financial management systems do not substantially comply with federal accounting standards and the USSGL at the transaction level as a result of how the Agency accounted for reimbursable agreements. A corrective action plan is outlined in Exhibit B above.

GOALS AND SUPPORTING FINANCIAL SYSTEM STRATEGIES

USAID continually strives to maximize development impact per dollar spent to deliver more innovative and sustainable results. In order to do so, USAID needs a financial management system that is accurate, efficient, useful for management, and compliant with federal regulations. In the past 16 years, USAID met that requirement by implementing a single, worldwide financial system called Phoenix, which enabled the Agency to produce auditable financial statements. As USAID shifts the way it administers assistance—channeling funding to local governments and organizations, and streamlining the procurement process—the financial systems strategy must also

evolve. Maintaining and building upon a strong financial system framework better enables USAID to meet the Sustainable Development Goals in support of the 2030 Agenda, outlined by President Obama in his remarks to the United Nations; efforts to improve government-wide data transparency; and the goals of the USAID Forward reform agenda. Publishing foreign assistance budget and spending data on the public Foreign Assistance Dashboard helps stakeholders understand how U.S. taxpayer funds are used to achieve international development results. USAID provides transactional detail to the Foreign Assistance Dashboard that represents each financial record in Phoenix that has been processed in a given time period for program work with implementing partners and other administrative expenses. USAID's operational efficiency of financial management will enable the Agency to focus its resources where they achieve the most impact and directly support the Administration's expanded focus, not only on the dollars spent, but on the results achieved. This requires new technologies and data.

As the Federal Government undertakes new strategies and initiatives to improve financial management, USAID is updating its systems and processes accordingly, as funding permits. The Agency is performing requirements gathering, configuration and development, and system rollout for implementation of Phoenix's PCAS, which addresses the findings related to USAID's ability to track interagency agreements and reimbursable activity. The Agency has also done extensive strategic and technical work to address the major update to the Department of State's (State) Office of U.S. Foreign Assistance Resources (F) Standardized Program Structure and Definitions, which were deployed in Phoenix at the beginning of FY 2017. The Agency plans to invest in financial data and reporting support by upgrading its reporting database and the supporting infrastructure. This will allow the Agency to continue implementing mandates established by the Digital Accountability and Transparency Act of 2014 (DATA Act). In addition, the financial reporting modernization's data-centric approach increases transparency, and adheres to new data standards such as those set forth by the Federal Information Technology Reform Act (FITARA), and M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*, which sets the requirements to continue compliance with the reporting requirements in the Federal Funding Accountability and Transparency Act (FFATA) and new requirements to comply with the DATA Act.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

The Phoenix financial management system is the accounting system of record for the Agency and the core of USAID's financial systems framework. Phoenix enables Agency staff to analyze, manage, and report on foreign assistance funds. The Phoenix system interfaces with other Agency systems and tools in order to align financial management with other business processes. Based on available resources and Agency priorities, USAID makes incremental investments to automate and streamline financial management processes.

An improvement made to financial management processes was the deployment of the Phoenix 7.2.1 Upgrade in June 2016, which was delivered under budget and on time. The Agency worked with key financial business process owners, across bureaus, independent offices, and missions to gather requirements for configuring many of the go-live features to make using Phoenix more efficient. Enhancements included PingFederate's Single Sign-On, which aligns with the Agency's information technology (IT) Strategic Plan objective of "More Effective and Efficient IT Services"; Invoice to Pay (I2P), which matches data from the referenced document to the invoice that will populate header-level values to reduce manual work; and upgrading some of the technical infrastructure, which supports virtualized and cloud infrastructures, enabling the Agency to move away from physical servers. The upgraded software also simplifies data entry and improves the ability to review budget data.

USAID successfully implemented the Auto-Deobligation application in 2015, which leverages functionality in the current Phoenix Viewer reporting tool to streamline the deobligation process. This application allows authorized

users to review and then mark obligations for deobligation, which are then processed via a batch function in Phoenix on a quarterly basis. The tool has simplified the old deobligation process, which previously required manual work and coordination between multiple offices and missions. The application has been successful across bureaus in Washington and in the missions in ensuring Agency funds are available for reuse. Throughout FY 2016, 28,394 obligation lines were deobligated, freeing up almost $76 million in unliquidated obligations for potential reuse of Agency funds.

USAID will continue to make improvements to financial management processes so that they are more efficient and take advantage of shared services, when possible. Upgrading the Phoenix system from 7.0.2 to 7.2.1 provided the Agency the technical ability to implement the Invoice Processing Platform (IPP), a Web-based system that efficiently manages government invoicing from purchase order through payment notifications and centralizes all invoice transaction data and documents. The IPP capability would automate vendor invoicing and payments that should reduce transactional costs, improve accuracy of payment and accounting data, and help USAID comply with federal accounting and IT standards, many driven by Treasury with a vision of all-electronic invoicing by the end of FY 2018.

2015 Certificate of Excellence Awards

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

Management excellence for development is the foundation on which USAID's ability to deliver results is built. In concert with the President's Management Agenda, which focuses on realizing a smarter, more innovative and more transparent government, this section is organized around the pillars of reform as articulated through Cross-Agency Priority (CAP) Goals: effectiveness, efficiency, economic growth, and people and culture (*https://www.performance.gov/cap-goals-list?view=public*).

EFFECTIVENESS

USAID aims to improve the effectiveness of its operations through smarter IT delivery and delivering world-class customer service.

CYBERSECURITY

With cyber incidents on the rise, the Federal Government has elevated cybersecurity as a significant priority for all agencies. In FY 2016, USAID achieved 100 percent Personal Identity Verification (PIV) compliance. This means that the Agency requires all staff worldwide to utilize a USAID PIV or PIV Alternative smart card for network logon access. Achieving this major cybersecurity milestone of the Cybersecurity National Action Plan will help to improve privacy and keep Agency information safe and secure.

USAID is also strengthening its overall cybersecurity capabilities to improve the ability to protect, detect, respond, and recover from any cyber incidents. This includes implementing new anti-malware and anti-phishing applications, more robust cybersecurity and privacy training for staff, and leading participation in the Department of Homeland Security's Continuous Diagnostics and Mitigation (CDM) program. CDM provides federal departments and agencies with capabilities and tools that: (1) identify cybersecurity risks on an ongoing basis, (2) prioritize these risks based upon potential impacts, and (3) enable cybersecurity personnel to mitigate the most significant problems first.

DEVELOPMENT INFORMATION SOLUTION

USAID currently faces several critical data challenges, including the proliferation of systems and lack of integration between Washington and mission systems. This places a high management burden on USAID staff and impacts USAID's mission and effectiveness. The number of stand-alone systems makes it difficult to obtain a corporate-level view of USAID's Agency portfolio, leading to missed opportunities. Stand-alone systems also face potential vulnerabilities due to the inconsistent application of security standards.

The overarching principles of the Development Information Solution (DIS) are: (1) Support transformation of USAID into a more nimble agency; (2) Enable Agency reforms and policy implementation, including those relating to IT security; and (3) Promote more rigorous data analysis through improved data management. DIS will provide a single point of data entry, minimizing human error and reducing duplication of effort. Once fully deployed, it will be the only system users need to execute their portfolio management tasks. The reduction of time spent on data management frees up resources for deeper data analysis and improved decision making by providing access to high-quality data in real time. Easy availability of current and historical data will greatly enhance the ability to identify over and underperforming activities in a timely manner leading to better cost estimates and future planning.

The design and development for the Work Stream on performance management will commence in early October 2016. Extensive outreach to stakeholders is also underway through webinars, presentations, and workshops to ensure strong engagement in the development and testing of DIS.

CUSTOMER SERVICE

To improve internal customer service, USAID announced its Service Central, a one-stop shop for getting IT and Human Resources (HR) assistance, in June 2016. Building on lessons learned from the IT Help Desk, Service Central for HR Support allows for easier customer access through the HR contact center, providing a single point of intake for employees' HR questions. Employees can submit inquiries via phone, email, or through the ticket system. This allows the use of a case management system, which will provide better control of work flow, consistent resolution of questions, standard processes for escalating issues, and the ability to gather metrics on HR issues, as well as customer service performance.

The Agency also administers a survey to all staff to solicit feedback about its support services. The 2016 Management Support Services Customer Survey (MSSCS) gathered input on 13 operating units providing management services to Agency staff. Responses indicate 61 percent of those utilizing services have their needs met, a 1 percentage point increase from the 2015 survey. The operating units have been developing action plans to improve customer satisfaction and increase the efficiency and effectiveness of management operations based on results from the survey.

USAID regularly engages with partners to improve its external customer service. One such engagement took place in August 2016, when the Bureau for Management's Director of the Office of Acquisition and Assistance (M/OAA) addressed the Small Business Association of International Companies (SBAIC). The meeting included over 50 member organizations. In addition to hearing updates about M/OAA's priorities, SBAIC raised concerns about policy decisions, as well as the utilization of small businesses as subcontractors both in Washington and at the field missions. The Agency also holds "Ask the Procurement Executive" (*https://www.usaid.gov/partnerships/ask-the-executive*) conference calls every few months to answer partners' questions about working with USAID beyond the Business Forecast and specific funding opportunities. These calls are well attended as nearly 400 partners participated in the March 2016 call.

AGENCY RULEMAKING

Rulemaking also supports customer engagement. As required, USAID gives notice to the public that it is considering a specific regulatory change that will alter the rights and interests of outside parties before the rule takes effect. Once USAID publishes the rule in the Federal Register, the public can comment on the proposed rule and provide feedback to the Agency.

In 2016, USAID continues its commitment to transparency with partners/stakeholders via the Rulemaking and eRulemaking processes and engagement. USAID currently has 12 rules in process that the fall 2016 Unified Semi-Annual Agenda of Regulations (*https://resources.regulations.gov/public/component/main?__dmfClientId=1474908121586&__dmfTzoff=240*) will identify. Ten of these rules propose important amendments and administrative changes and clauses to the USAID Acquisition Regulation (AIDAR), such as a new clause entitled "Nondiscrimination against End-Users of Supplies or Services." This proposed clause expressly states that USAID-funded contractors must not discriminate among end-users of supplies or services in any way that is contrary to the scope of the activity as defined in the statements of work.

USAID is dedicated to maintaining public engagement, and the rulemaking process is an integral part of that effort.

EFFICIENCY

USAID works in more than 100 countries and partners with a variety of different types of organizations to achieve its mission. USAID awards the majority of its funds competitively through acquisition and assistance (A&A) instruments. Over the past year, USAID has led several efforts

to improve the efficiency of its A&A, including: implementing a new Agency A&A Plan, promoting enhanced accountability in A&A, and conducting the Award Cost Efficiency Study (ACES). Following these, this document discusses other USAIDs efficiency efforts.

AGENCY ACQUISITION AND ASSISTANCE PLAN

In 2012, the former Administrator called on the Agency to create an A&A Planning Tool. As he stated, the Agency needs to plan effectively to make sure that procurement activities support vibrant local private sectors, effective local governments, and strong civil societies. The Agency created the A&A Planning Tool to meet these requirements and support achievement of USAID Forward objectives. In FY 2015, USAID deployed a new Web-based A&A planning system that enables a more detailed, accurate overview of all planned actions for the year. This business management tool captures planned A&A actions from all bureaus, independent offices, and missions, helping ensure USAID obligates funds in a timely manner and providing an overview of planned A&A activities for senior leaders in table report form, as well as standard dashboards that visualize key data elements at-a-glance for users and managers.

During FY 2016, the Agency revised the A&A Plan system operational policy (Automated Directives System (ADS) 300) (*https://www.usaid.gov/ads/policy/300/300*) to clarify what A&A actions users are required to enter into the system. It also clarified and better defined roles and responsibilities for contracting and assistance officers and requesting offices. In addition, based on user feedback, USAID added functionality to the A&A Plan system, including the ability to modify an existing award or create a new one. This new functionality has had a positive impact on data quality and created greater efficiency in the A&A process.

Currently, the A&A system captures all planned actions for more than 147 specific operating units representing some 26 bureaus and independent offices within the Agency. Since its launch in FY 2015, users have entered over 9,300 planned actions into the system. The Agency aggregates the plan data, and when combined with expiring and encumbered funds information from its financial management system, is able to create a clear picture of the status of USAID's business mechanisms and can engage operating units to ensure resources are directed where needed.

ENHANCED ACCOUNTABILITY IN ACQUISITIONS AND ASSISTANCE

The complex A&A portfolio designed, competed, and awarded by USAID annually enables the Agency to harness strategic technical assistance as well as provide goods and commodities to complete its mission. (See ADS 300, *https://www.usaid.gov/sites/default/files/documents/1868/300.pdf*) The Agency launched a senior management review process in 2013, which has been central to ensuring that complex awards (valued at $25 million or greater) fulfill qualifying criteria. The reviews have enabled the Agency to align resources with priorities, sharpen the focus on results, emphasize the use of small business and in-country organizations, leverage science and technology, and incorporate open data requirements. In addition to expanding reviews to include non-emergency humanitarian assistance in FY 2015, during FY 2016, the Agency examined the efficiency of the review process. As a result of consultations with key stakeholders, the threshold for review will increase to allow bureaus and missions to have a greater role in decision making. Beginning in FY 2017, the responsible Assistant Administrator will be able to delegate approval authority to mission directors for planned awards of $50 million to $100 million, and the Administrator will approve planned awards of greater than $100 million. The review process has proven to be a valuable tool for focusing attention on the scope of awards, their impact, and the value for money.

PROCUREMENT REFORM

USAID performed the ACES in 2013, which identified opportunities to increase the value for money. The study reviewed 60 awards with more than two years remaining, and greater than $10 million in total estimated cost. ACES further reviewed the Agency's A&A processes, interviewed USAID and implementing partner staff, and analyzed the procurement processes of peer development agencies.

In May 2016, the Small Business Administration awarded USAID an "A" grade on its utilization of small businesses. USAID greatly surpassed its target of 14 percent by awarding over 18 percent of its Washington-based procurements to small businesses.

In line with ACES recommendations, USAID implemented a variety of process improvements designed to enhance award planning and management, strengthen and streamline A&A processes, and provide greater transparency and evaluation of costs. Some of these improvements include: (1) rolling out ASIST, which provides appropriate USAID personnel access to complete award file documents as well as an automated voucher routing process; (2) creating and updating a suite of information and training on "How to Work with USAID"; and (3) Delivering Management, Knowledge, and Learning training to nearly 150 participants to increase their proficiency in the use of management operations systems, policies and processes including a module on "Value for Money."

In FY 2016, USAID continued its work to institutionalize and expand the Procurement Action Lead Time (PALT) tracking process with each bureau and mission to ensure internal transparency on procurement processes and identify delays. The Agency took active steps to increase the use and effectiveness of milestone plans in the Global Acquisition and Assistance System (GLAAS), USAID's procurement system. In order to streamline the process and incentivize use of milestone plans USAID reduced the number of key elements and dates tracked by 50 percent. The Agency is also responding to requests by COs/AOs to customize milestone plans for particular procurements. USAID established a cross-functional team to review options for an IT system solution that would continue to streamline milestone planning, increase tracking and reporting capability, integrate milestone requirements into other Agency enterprise systems, and serve as an Agency-level management tool.

In addition, during FY 2016 USAID began piloting an end-to-end paperless A&A process via FedConnect, a government acquisitions and grant portal. The Agency's goal for this pilot is to automate the A&A process as much as possible to help streamline PALT and make it easier for implementing partners to submit proposals and applications. Following the completion of the pilot, it is USAID's intention to deploy FedConnect Agency-wide. The Agency will establish time lines for the launch of FedConnect upon completion of the pilot program.

BENCHMARK AND IMPROVE MISSION SUPPORT OPERATIONS

The Benchmark and Improve Mission Support Operations CAP goal covers the areas of acquisition, financial management, human capital, real property, and IT. USAID showed improvement against 25 indicators in FY 2015 across all five services. For 13 of those indicators, USAID demonstrated improvement in cost efficiency whereas other Chief Financial Officers Act (CFO Act) agencies exhibited increased costs or decreases in efficiency.

USAID remained one of the top five performing CFO Act agencies for the rate at which it generates multiple proposals for competitive acquisitions. Only 5 percent of competitive acquisitions received one bid or were sole sourced in FY 2015. This metric has seen a steady decrease over the last two years, down from 6.15 percent in FY 2014 and 7.44 percent in FY 2013.

USAID showed increases in efficiency in nine of 16 financial management metrics. These include: cost per vendor invoice, interest paid on vendor invoice, and financial system cost per user. USAID significantly reduced the cost per vendor invoice from $120.40 in FY 2014 to $48.02 in FY 2015. As a result, USAID improved its ranking on this metric, from 22nd out of 24 agencies in FY 2014 to 8th in FY 2015. M/CFO received a positive response rate of over 75 percent in all 2016 customer service questions, ranking the highest of all five USAID benchmarking functions.

USAID ranked in the top three agencies for Human Resources Information Technology (HRIT) cost per employee at $132.12 compared to the government-wide median of $266.55. However, USAID struggled in both overall HR customer satisfaction and customer perception of HR as a strategic partner. As part of its HR Transformation Strategy, USAID has made improving customer service a top priority, and in 2015 USAID increased scores in all three Office of Personnel Management hiring satisfaction survey questions by over 10 percent each.

USAID excelled in IT cost metrics compared to other CFO Act agencies, ranking fifth in help desk cost per ticket, sixth in cost per email inbox, and ninth in cost per terabyte of storage. In FY 2015, USAID resolved 54 percent of help desk issues on first contact, which ranked ninth across the government and represents a 13 percent increase from FY 2014. USAID ranked 11th on the amount spent on IT development/modernization relative to supporting the operations and maintenance costs of existing IT systems and assets. This represents a 14 percent decrease since being flagged by OMB as an improvement opportunity in FY 2014.

In FY 2015, the General Services Administration re-measured USAID's space. As a result USAID had the highest space utilization rate compared to other CFO Act agencies (189.92 square feet per employee). The government-wide median was 282.17 square feet per employee.

CONFERENCE MANAGEMENT

OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, (*https://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-12.pdf*), requires that federal agencies ensure that conference expenses are appropriate, necessary, and managed in a way that minimizes expenses to taxpayers. In response, USAID has implemented comprehensive policies and other controls to mitigate the risk of inappropriate spending on conferences (See ADS 580, *https://www.usaid.gov/sites/default/files/documents/1868/580.pdf*). Senior level review of conference expenditures resulted in a total cost avoidance of $62,623. Out of 41 conferences, four conferences lowered their total cost as a result. The Agency saved an average of $15,656 per event.

In FY 2016, the Agency established consistent bureau-level review ensuring best practices are incorporated at the planning stage. This resulted in a significant decline in the number of conferences requiring a cost reduction.

COST SAVINGS

USAID demonstrates strong fiscal stewardship and performance in undertaking government cost savings reform. The Agency remains committed to productivity, efficiency, and spending restraint through short and long-term cost savings. To date, the Agency realized cost savings and cost avoidance of more than $24 million in FY 2014, $12 million in FY 2015, and projected savings and avoidance of $1.7 million in FY 2016. The Agency accomplished these efficiencies primarily through reductions in conferences, printing, and the disposal of excess real estate. USAID will continue to pursue cost savings through streamlining processes and increasing time efficiency.

SUSTAINABILITY

As part of the Federal Government's commitment to lead by example in curbing the greenhouse gas emissions that are driving climate change, on February 19, 2015, President Obama signed Executive Order 13693 Planning for Federal Sustainability in the Next Decade (*https://www.whitehouse.gov/the-press-office/2015/03/19/executive-order-planning-federal-sustainability-next-decade*).

USAID's Sustainability Plan (*https://www.usaid.gov/sustainability*) details improvements to environmental performance with a goal to reduce greenhouse gas emissions. The report also includes innovative efforts the Agency is undertaking in the missions to reduce greenhouse gas emissions and reduce energy consumption. This year's Plan highlights the designation of USAID/South Africa building NOB2 (*https://www.usaid.gov/southern-africa-regional/press-releases/usaidsouthern-africa-awarded-five-stars*) as a 5-Green Star as-built certification from the Green Building Council of South Africa.

In addition to the greenhouse gas emissions and energy consumption reductions goals stated in Executive Order 13693, USAID has submitted three iterations of an Agency Climate Change Adaptation Plan (*https://www.usaid.gov/climate/adaptation*) to the Council on Environmental Quality and OMB in accordance with Executive Order 13653, *Preparing the United States for the Impacts of Climate Change* (*https://www.epa.gov/greeningepa/executive-order-13653-preparing-united-states-impacts-climate-change*). The Climate Change Adaptation Plan details how the Agency integrates consideration of climate change into operations and overall mission objectives. Following the plan in FY 2016, USAID began vulnerability screening of projects and activities to avoid dedicating Agency resources to activities vulnerable to the negative effects of climate change.

ENTERPRISE RISK MANAGEMENT

USAID implements its responsibility for Enterprise Risk Management (ERM) by building on its strong foundation and practice. Agency staff regularly assess and mitigate a wide variety of risks, in order to ensure good stewardship of taxpayer funds and achievement of development program goals. USAID staff also apply internal controls as continuous, operations-level safeguards. These assure that funds are used properly and support the achievement of development objectives. Yet, there is opportunity and room to improve practices, increase consistency in the consideration of risks and opportunities, and in management of risks across operating units. Improving practices will help respond to external directives from OMB in the revised Circular A-123 (*https://www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-17.pdf*) and the 2015 Quadrennial Diplomacy and Development Review (QDDR) (*https://www.usaid.gov/sites/default/files/documents/1870/QDDR2015.pdf*). Strengthened risk management practices also help streamline and simplify current approaches, and better integrate risk considerations in ongoing planning and management activities.

Specifically with a view to implementing Circular A-123 and the 2015 QDDR, the Administrator's Leadership Council formed a Sub-Group on Risk Management. This effort is to provide Agency leaders worldwide with guidance and tools of current approaches and processes already in use. USAID will also meet the specific requirements of A-123, and will provide OMB: (1) a planned Risk Management governance structure, (2) a process for considering risk appetite and risk tolerance levels, (3) methodology for developing a risk profile, and (4) a general implementation time line and plan for maturing the comprehensiveness and quality of the risk profiles.

ECONOMIC GROWTH

USAID supports economic growth through a focus on open data and open government to spark innovation.

OPEN DATA

Improving and systematizing the process of making U.S. Government data accessible, discoverable, and usable by USAID's partners and the international community continues to be a priority for the Agency. Accessible data contributes to improved design and implementation of development programs while reducing expensive and duplicative data collection efforts.

USAID has embarked on a substantial initiative to strengthen its data archive, the Development Data Library (*https://www.usaid.gov/data*) as an open data platform and digital repository that will enhance the accessibility, discoverability, and re-use of Agency data over the coming years. Scheduled for launch in early 2017, it will streamline the process by which USAID partners submit data to the Agency and will increasingly reflect data management protocols used by the academic and data science communities. It will also enhance search and discovery for USAID data resources, preliminary data analysis and visualization, and the global public's ability to access data on international development for research and innovation.

As submissions to the Development Data Library have increased over the past year (from roughly 1.5 per week in 2015 to 3.0 in 2016), the Agency has also turned its attention to enhancing privacy protections in the data clearance process as outlined

in its open data policy (ADS 579 - USAID Development Data *https://www.usaid.gov/sites/default/files/documents/1868/579.pdf*). USAID is conducting research on how to more accurately assess personal privacy risks associated with datasets received from implementing partners. The Agency will bolster its efforts over the next two years to conduct rigorous, expeditious data privacy reviews that create strong privacy protections and improve data usability.

To give the public opportunity to review USAID's practices related to open data, the Agency has sought public comment via its website (*https://www.usaid.gov/comment)* on draft language related to obtaining informed consent in an era of data transparency. USAID also recognizes the broad interest in its open data policy as a whole. The Agency has also committed to pursuing the federal rulemaking process to seek public comment on open data language proposed for USAID contracts. The proposed rule is expected to be released for public comment by the end of calendar year 2016.

OPEN GOVERNMENT

USAID, in partnership with the Department of State (State), Office of Foreign Assistance Resources (F), leads the effort to ensure greater transparency of U.S. Government foreign assistance funding through the ForeignAssistance.gov website. ForeignAssistance.gov allows stakeholders, both internal and external, the ability to search and visualize expanded, timely information about what, where, how, and with whom USAID spends development dollars. USAID fulfills the obligation from the Open Government Plan 3.0 (*https://www.usaid.gov/sites/default/files/documents/1868/USAID-Open-Gov-Plan-3.0.2014-07-23.pdf*) and disseminates up-to-date information in a common, open format. Publishing data on ForeignAssistance.gov is also a significant component in USAID's International Aid Transparency Initiative (IATI) cost management plan (CMP) (*https://www.usaid.gov/sites/default/files/documents/1870/IATI%20Cost%20Management%20Plan_u_14July2015.pdf*). Through FY 2016, USAID implemented the first three phases of the IATI CMP, making considerable progress delivering on its IATI commitments. USAID reported on 16 new IATI data fields and improved reporting on an additional seven data fields in FY 2015. As a result of these transparency efforts, USAID has also seen substantial improvements in Publish What You Fund's Aid Transparency Index (*http://ati.publishwhatyoufund.org/*), which, in part, utilizes the data published on ForeignAssistance.gov.

Unstructured, qualitative data remain available through the Development Experience Clearinghouse (DEC) (*https://dec.usaid.gov*), which contains more than 200 thousand documents. Notably, 95 percent of the 236 project evaluations completed in FY 2015 are available online with select evaluations available via an iPhone mobile application (*https://itunes.apple.com/us/app/selected-usaid-evaluations/id530184752?mt=8*). Evidence from these evaluations is used to make mid-course corrections and in future project design.

Powered by an underlying database of all U.S. foreign assistance funding from over 70 U.S. Government departments, agencies, and offices, Foreign Aid Explorer (*https://explorer.usaid.gov/*) presents the multi-dimensional picture of U.S. foreign assistance through a highly visual and interactive website. Additionally, USAID created the Dollars to Results (D2R) website (*https://results.usaid.gov/*) to provide visual and narrative data about USAID's impact around the world by linking foreign assistance spending and illustrative results by fiscal year. Currently, D2R displays FY 2011 through FY 2015 data for 44 countries. To make USAID information more accessible to the public, D2R displays results with reader friendly explanations and users can download data in a machine-readable format. Other U.S. Government agencies have lauded D2R for showcasing results in an easy to understand manner, and have reached out to USAID for information about how to create similar websites.

USAID is committed to integrating the principles of open government into sustainable development. For example, as part of the U.S. Government commitment to the Global Partnership for Sustainable Data, USAID will provide financial support to the Global Open Data for Agriculture and Nutrition (GODAN) (*http://www.godan.info/*) secretariat to expand its work in promoting

> "USAID's actions over the past year and a half are a welcome sign that the agency is taking its aid transparency commitments seriously."
>
> – InterAction

the opening of agriculture and nutrition data sets. The Agency will support implementation of surveys on agricultural production, productivity, and socio-economic variables that support the Feed the Future Core Agricultural and Rural Data Surveys (CARDS) project. The project supports (1) methodological research aimed at improving the core set of country household data, and (2) training and dissemination activities to improve usability of country household data and to expand the use of the data in policy-making.

Please see USAID's recently released Open Government Plan 4.0 for more information. (*https://www.usaid.gov/sites/default/files/documents/1868/USAID_OpenGovPlan2016.pdf*).

PEOPLE AND CULTURE

USAID contributes to unlocking the full potential of the workforce today and building the workforce needed for tomorrow through its HR transformation strategy, efforts to promote employee engagement, and prevention of insider threats.

HUMAN CAPITAL TRANSFORMATION

In FY 2016, USAID released its five-year HR Transformation Strategy and Action Plan (2016–2021) (*http://pdf.usaid.gov/pdf_docs/PBAAE486.pdf* which seeks to establish strong core HR capabilities that exceed the expectations of customers. Fundamentally, improving the way USAID supports human resources and talent management is central to advancing the Agency's mission, particularly given the increasingly complex operating environments. The three major pillars of the transformation are HR operations, workforce preparedness, and organization culture and wellness. During the first year of implementation, the strategy prioritizes efficient, effective, and customer-focused HR operations to improve customer service, clarify roles and responsibilities, and clean-up HR data. The HR Transformation will ensure workforce preparedness by providing the knowledge, skills, abilities, and attributes needed to meet the Agency's mission for today and the future. Finally, the overarching pillar of HR Transformation of organization culture and wellness will build a stronger culture of accountability where people demonstrate high levels of ownership to think and act in the manner necessary to achieve organizational results. As of June 2016, USAID has made the following progress: (1) Defining HR roles and responsibilities for approximately 1,200 HR work streams; (2) Designing and implementing a revamped HR contact center through Service Central; and (3) Forming several Communities of Stakeholders to make accountable, transparent, and participatory progress on specific HR issues, such as the Community of Stakeholders on Foreign Service Performance Management, which is reforming the way we undertake performance management.

EMPLOYEE ENGAGEMENT

USAID's focus on employee engagement leverages data from the Federal Employee Viewpoint Survey (FEVS) (*https://www.fedview.opm.gov/*). USAID values an inclusive work environment, one where the Agency learns from every member of its team and fosters his or her active engagement. USAID recognizes the relationship between employee engagement and mission performance. Through action planning, the Agency has been working to achieve an Employee Engagement Index score of 67 percent and surpassed its target in 2016 by achieving a score of 68.6 percent, up from 66.6 percent in 2015 and 63.7 percent in 2014. To further improve employee engagement, action planning will be extended to all operating units.

INSIDER THREAT AND SECURITY CLEARANCE

USAID seeks to mitigate the inherent risks and vulnerabilities posed by personnel with trusted access to government information, facilities, systems, and other personnel. In support of USAID's efforts to protect its personnel and facilities, safeguard national security information, and promote and preserve personal integrity, USAID appointed its first Senior Agency Official for Insider Threat and created the Insider Threat Implementation Plan in November 2014 to achieve Initial Operating Capability. As required, activities are underway to achieve full operating capability by December 2016.

To improve oversight and the quality of background investigations and adjudications, the Agency developed interim policies and procedures for credentialed investigators. USAID scheduled training and certification for investigators and adjudicators to begin before the end of FY 2015, and were all certified by quarter two of FY 2016.

To support implementation of the Federal Investigative Standards for security clearances, USAID completed a gap analysis and system requirements for its Personnel Security IT system. Actions are underway to increase capacity for automated records checks to meet Full Operating Capabilities for Tiers 1 to 5 by September 2017. The Agency completed several enhancements to improve: (1) the counter intelligence and information security data tracking, (2) automated security and suitability summary generation, (3) ad hoc reporting, (4) reduction of PII collection, and (5) data exchange with other systems and user-interfaces.

FEDERAL REAL PROPERTY INITIATIVE

In accordance with Executive Order 13327, *Federal Real Property Asset Management*, USAID seeks to maintain the real property portfolio at the right size, in the right condition, and at the right cost. This Executive Order requires agencies to report all owned, leased, and otherwise managed federal real property assets within and outside the United States, including improvements on federal land. Under the oversight of OMB, USAID was one of the first agencies to earn recognition under the Asset Management Initiative and continues to strive for a high quality standard for managing the real property portfolio and achieving the highest utilization rates in the Federal government in the recent President's Management Agenda Benchmarking Initiative.

The Agency's real property inventory holdings consist of both overseas and domestic assets. For overseas, this includes 1,524 total assets as of December 31, 2015, the latest reporting period for the Federal Real Property Profile. Of this total count of real property assets located overseas[5], there are 167 owned assets of which 47 assets have reversionary interests as trust-funded properties. The total plant replacement value for owned assets is $164 million[6]. There are also 1,352 leases with rent payments totaling $61 million in 2015. These leases include facilities such as office buildings, warehouses, housing units, guard booths, and secure parking areas. The portfolio is managed by the Overseas Management Division, with oversight from USAID's Senior Real Property Officer and in collaboration with State's Bureau of Overseas Buildings Operations.

Domestically, USAID maintains six occupancy agreements with the General Services Administration and one direct lease with a private landlord. Domestic office and warehouse space is included in the baseline measurements for the Freeze the Footprint initiative. Under the baseline reporting requirements, USAID reports on usable square feet for office and warehouse space in the Washington, D.C. area. The administration of Occupancy Agreements and leases, as well as the management of the space is the responsibility of USAID's Headquarters Management Division under the oversight of the Senior Real Property Officer.

Real property also plays a major role in federal sustainability goals, such as those outlined in Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*; as well as via objectives from the Energy Independence and Security Act of 2007 (EISA2007), Energy Policy Act of 2005 (EPAct2005), and the Telework Enhancement Act of 2010. USAID is an active participant in realizing the goals of sustainable real property both domestically and overseas. The recent workplace transformation pilot at the Washington headquarters building earned LEED® Silver certification for a space that is more open and collaborative, and boasts a higher utilization rate, thus promoting healthy, safe, and quality workspaces as the Agency positions to roll out this new workplace template in future modernization efforts. As a global agency, USAID supports many

[5] This figure includes land parcels.

[6] This figure does not include real property leases and Is not used for financial reporting purposes.

recognized sustainability standards. In Pretoria, South Africa, the recently constructed office building achieved a four-star Greenstar rating from the Green Building Council of South Africa, one of the first such project ratings in the South African region. USAID also commits to the long-term implementation of sustainable goals across the real property portfolio with a core team of real property professionals holding credentials from the U.S. Green Building Council and Green Globes.

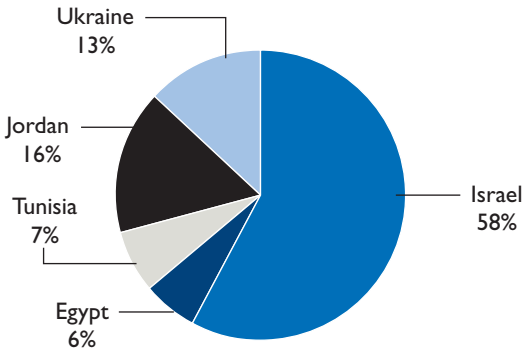
USAID consistently demonstrates a strong commitment to the Federal Real Property Initiative. Its real property leadership actively participates in the Federal Real Property Council, and works closely with counterparts at State and OMB to effectively plan and administer the real property portfolio. Global real property management is a constantly evolving challenge to keep personnel safe and secure, while supporting expanded development and diplomatic missions and mandates. USAID continues to meet these challenges in an uncertain budget environment and manage the real property portfolio in a cost effective and operationally efficient manner.

SOVEREIGN BOND GUARANTEE PROGRAM

The United States has provided 12 sovereign bond guarantees to five different countries since 1993 (Israel, Egypt, Tunisia, Jordan, and Ukraine). Sovereign guarantees are specifically authorized by Congress and administered by USAID. Sovereign guarantees are authorized to support economic reform initiatives in the target countries. Once Congress authorizes the use of a sovereign guarantee, an interagency committee meets to structure the guarantee and agree on terms and conditions. The interagency group is coordinated by State with active participation of USAID, Treasury, and OMB.

Between 1993 and 2016, the U.S. Government guaranteed 12 sovereign bond issuances covering a total of $22.8 billion. The total outstanding principal exposure on all guarantees issued is $17.3 billion, of which $8.2 billion covers bonds issued by three non-investment grade issuers (Tunisia, Jordan, and Ukraine). All of this coverage entered into the portfolio within the past few years.

SOVEREIGN BOND GUARANTEE PROGRAM (1993–2016)



SOVEREIGN BOND GUARANTEE PORTFOLIO
(Dollars in Millions)

Country	Year	Amount
Israel	1993	$ 9,199
Israel	2003	$ 4,100
Egypt	2005	$ 1,250
Tunisia	2012	$ 485
Tunisia	2014	$ 500
Jordan	2014	$ 1,250
Jordan	2014	$ 1,000
Ukraine	2014	$ 1,000
Ukraine	2015	$ 1,000
Jordan	2015	$ 1,500
Tunisia	2016	$ 500
Ukraine	2016	$ 1,000
Total		$ 22,784

The guaranteed bond issued by Egypt in 2005 for $1.25 billion is the only one thus far that has been fully repaid. In September 2015, Egypt made its final coupon and bullet principal payment under the guarantee. In addition, Israel has paid down $4.2 billion from its 1993 bond.

See Note 6, Direct Loans and Loan Guarantees, Net in the Financial Section for additional information on loan guarantees for Egypt, Israel, Ukraine, Tunisia, and Jordan (Middle East Northern Africa—MENA).

AUDIT FOLLOW UP

USAID's M/CFO and the OIG staff work in partnership to ensure timely and appropriate responses to OIG audit recommendations. The OIG uses the audit process to help Agency managers improve the effectiveness and efficiency of operations and programs. The OIG staff conducts audits of USAID programs and operations, including the Agency's financial statements; related systems and procedures; and Agency performance in implementing programs, activities, or functions. They contract with the Defense Contract Audit Agency (DCAA) to audit U.S.-based contractors and rely on non-federal auditors to audit U.S.-based grant recipients. Overseas, local auditing firms or the Supreme Audit Institutions of host countries audit foreign-based organizations.

During the fiscal year, the OIG issued a total of 987 audit recommendations. The Agency closed 1,076 recommendations and 927 audit recommendations remain open. Of the number closed, 775 were procedural or non-monetary; 299 were questioned costs, representing $8.9 million in disallowed costs that were recovered; and two were recommendations with management efficiencies[7], representing $13.7 million in funds that were put to better use.

USAID managers were mindful of the statutory requirements included in the Inspector General Act, as amended, and OMB Circular A-50, *Audit Follow-up*. Management has a responsibility to complete action, in a timely manner, on audit recommendations on which agreement with the OIG has been reached. Management must make a decision regarding audit recommendations within a six-month period after issuance of the audit report and implement management's decision[8] within one year to the extent practicable.

As of September 30, 2016, 12 audit recommendations were over six months old with no management decision. Significant effort was made to complete corrective action on audit recommendations within one year of a management decision. There were 149 open recommendations over one year old at the end of the year. Of these, 75 were at the mission or bureau/independent office level for closure, while the remaining were under a repayment plan, transferred to Treasury for debt collection, or under formal administrative or judicial appeal with USAID's Senior Procurement Executive or the Civilian Board of Contracts Appeals.

The following tables show that USAID made management decisions to act on 635 audit recommendations with management efficiencies and planned recoveries[9] totaling more than $25.3 million. Final actions were completed for two "better use" and 299 questioned costs audit recommendations, representing a total of $22.6 million in cost savings.

[7] "Management efficiencies" relate to monetary recommendations that could result in funds being used more efficiently. The recommendation may include (a) savings from such Items as reprogramming or recapture of unliquidated obligations; (b) more efficient contract negotiations; (c) reduction or elimination of payments, costs, or expenses that would be incurred by the Agency. This term has the same meaning as "funds be put to better use."

[8] A "management decision" is the evaluation of a recommendation by management and a decision upon an appropriate course of action.

[9] "Planned recoveries" relate to collections of disallowed costs.

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Recommendations	Dollar Value ($000)
Management decisions:		
Beginning balance 10/1/2015	1	$ 3,899
Management decisions during the fiscal year	2	9,946
Total management decisions made	3	13,845
Final actions:		
Recommendations implemented	2	13,730
Recommendations not implemented	–	–
Total final actions	2	13,730
Ending Balance 9/30/2016[10]	1	$ 115

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS

	Recommendations	Dollar Value ($000)
Management decisions:		
Beginning balance 10/1/2015	351	$ 96,529
Management decisions during the fiscal year	635	25,284
Total management decisions made	986	121,813
Final actions:		
Collections/Offsets/Other	285	8,694
Write-offs	14	215
Total final actions	299	8,909
Ending Balance 9/30/2016[10]	687	$112,904

Note: The data in these tables do not include procedural (non-monetary) audit recommendations.

[10] "Ending Balance 9/30/2016" equals "Total management decisions made" minus "Total final actions."

FINANCIAL SECTION

(Preceding page) **Meet David, a dad and entrepreneur who is finding honest work despite a checkered past. Discover "Redemption for David" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

(Above) **In El Salvador, USAID supports programs that give youth opportunities to succeed despite the violence around them. Discover "Finding Peace in Ilobasco" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

It is my privilege to present the U.S. Agency for International Development (USAID) Fiscal Year (FY) 2016 Agency Financial Report (AFR). The AFR provides us an opportunity to share with the American public our commitment to sound financial stewardship over the funds entrusted to the Agency to carry out its mission. It is our goal to present the Agency's use of resources, operating performance, financial stewardship, and internal controls in a clear and effective manner. By doing so, we hope to build upon the recognition of the Agency's FY 2015 AFR by the Association of Government Accountants' *Certificate of Excellence in Accountability Reporting*.

We are pleased that in FY 2016 USAID sustained an unmodified audit opinion, as determined by our Office of Inspector General (OIG). Our Agency continues to work diligently to eliminate our material weakness finding related to Fund Balance with the U.S. Department of the Treasury (Treasury). Specifically, this year we completed a comprehensive reconciliation and data cleanup effort and instituted a monthly reconciliation process to effectively identify and address any new discrepancies. All cash functions have been incorporated into our worldwide Web-based cash reconciliation tool which allows the Agency to detect and promptly address discrepancies between USAID and Treasury. Finally, we have developed a plan of action for consultation with our stakeholders to make a one-time adjustment to eliminate the remainder of the difference with Treasury. We anticipate that we will be able to close out this weakness in FY 2017.

In addition, USAID implemented improved processes to account for reimbursable agreements, including planning for a modification to our core financial accounting system to better track these agreements. The Agency also dedicated resources toward continuing efforts to build and maintain a strong and sustainable internal control posture. Through teamwork and focusing our efforts to address the root causes as well as the specifics of each identified issue, we were able to close three financial deficiencies: (1) Certain Account Balances in USAID's General Ledger did not Agree in Corresponding Accounts in the Subsidiary Ledger; (2) USAID did not Provide Support in a Timely Manner for Funds Obligated and Expenses Accrued; and (3) Controls to Record Estimated Accrued Expenses and Accounts Payable. Additionally, we continued our due diligence working with our trading partners to address the deficiency related to intragovernmental transactions. Regarding the new significant deficiencies on property, plant, and equipment, and potential funds control violations, we will take steps to improve record keeping at overseas locations and enhance policies and procedures to streamline the funds control violation process.

The Agency remains vigilant in its efforts to reduce payment errors by focusing on identifying, reporting, and recovering overpayments. In March 2015, the Office of Management and Budget (OMB) granted improper payment reporting relief to USAID based on having a minimum of two consecutive years of improper payments below the thresholds set by the Improper Payments Elimination and Recovery Act (IPERA) of 2010. This relief places USAID's programs on a three-year cycle of risk assessment. The next planned reporting will be in the FY 2018 AFR. Nonetheless, the Agency will continue performing risk assessments annually to identify programs susceptible to significant improper payments by monitoring and testing controls.

Also during FY 2016, USAID conducted Federal Managers' Financial Integrity Act (FMFIA) compliance reviews and a financial management

Reginald W. Mitchell

systems review, in accordance with Appendix D to OMB Circular A-123, *Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)*. Based on reviews conducted by the Agency, it has been able to determine that its financial management systems conform to financial systems requirements except for accounting for reimbursable agreements.

The Agency implemented a major upgrade to its core financial system, Phoenix, and changed its Standardized Program Structure and Definitions (SPSD) data structure in support of new foreign assistance reporting requirements. In addition, we submitted our Digital Accountability and Transparency Act of 2014 (DATA Act) implementation plan to OMB in September 2016. When this plan is fully implemented in 2017, we will be able to provide our stakeholders and the American public increased transparency into federal spending.

The Office of the Chief Financial Officer continues to play a strong supporting role in the Agency's Local Solutions initiative, which seeks to strengthen partner country public financial management capacity and improve aid effectiveness and sustainability. Most notably, we have established a memoranda of understanding with the Government Accountability Office and the International Monetary Fund organizations to provide expertise, collaboration, and training to assist recipient nations in developing their financial and auditing capabilities.

Finally, I want to thank our staff for the diligent work performed in FY 2016, especially in the continued effort to reconcile the legacy cash differences with Treasury. In FY 2017, we will work closely with our auditors and remain dedicated to holding ourselves and the Agency to the highest financial management standards. The Agency affirms its commitment to promoting effective internal controls and resolving any impediments to producing fairly represented financial statements today and in the future.

Reginald W. Mitchell
Chief Financial Officer
November 15, 2016

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

(Preceding page) **Meet Maha, an educator who gives refugee girls from Syria seats at her school in Jordan. Discover "Jordan's Principal Hero" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

(Above) **Girls have the chance to excel and become the women leaders of tomorrow at a STEM school in Egypt. Discover "Today's Students, Tomorrow's Leaders" at *stories.usaid.gov*.**

PHOTO: DAVE COOPER FOR USAID

Office of Inspector General

November 15, 2016

MEMORANDUM

TO: Reginald W. Mitchell, Chief Financial Officer

FROM: Thomas E. Yatsco, Assistant Inspector General for Audit

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015 (Report No. 0-000-17-001-C)

The Office of Inspector General (OIG) is transmitting this report on its *Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015*. The Government Management Reform Act of 1994, Public Law 103–356, requires USAID to prepare consolidated financial statements for each fiscal year. Office of Management and Budget (OMB) Circular A–136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report or an Agency Financial Report, including audited financial statements, to OMB, Congress, and the Government Accountability Office by November 15, 2016. USAID has elected to prepare an Agency Financial Report with an agency head message, management's discussion and analysis, and a financial section. OIG is responsible for auditing the Agency's financial statements and preparing the independent auditor's report, which appears in the financial section.

OIG has issued unmodified opinions on each of USAID's principal financial statements for fiscal years 2016 and 2015.

With respect to internal control, we identified one deficiency that we consider a material weakness and four deficiencies that we consider significant deficiencies. The material weakness pertains to USAID's process for reconciling its Fund Balance With Treasury account with the Department of the Treasury. The significant deficiencies pertain to USAID's processes for (1) reconciling intragovernmental transactions, (2) complying with Federal accounting standards for reimbursable agreements, (3) maintaining adequate records of property, plant, and equipment, and (4) promptly investigating and resolving potential funds control violations.

Regarding compliance, in doing tests required under section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, we found no instances of substantial noncompliance with Federal financial management system requirements, but one each with Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
http://oig.usaid.gov

This report contains four recommendations to improve USAID's internal control over financial reporting. The Agency has developed and is currently implementing new procedures to remediate the findings reported in previous audits.

We have considered your responses to the draft report. Your comments appear in their entirety in appendix II. Your responses to the material weakness and significant deficiencies we identified were not subjected to the auditing procedures applied in the audit of the consolidated financial statements; accordingly, we express no opinion on them. We acknowledge your management decisions on all four recommendations. Please forward all information to your Office of Audit Performance and Compliance for final action.

We appreciate the cooperation and courtesies extended to us during the audit and look forward to working with you on next year's audit.

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 15-02, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USAID as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted to form an opinion on the basic consolidated financial statements as a whole. The information in the Message from the Administrator, the Message from the Chief Financial Officer, the Other Information section, and the appendixes are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information was not subjected to the auditing procedures applied in the audit of the basic consolidated financial statements; accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards," we have also issued reports dated November 15, 2016, on our consideration of USAID's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. These reports are an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report.

USAID Office of Inspector General
November 15, 2016

REPORT ON INTERNAL CONTROL

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated November 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of USAID's financial statements for the fiscal years ended September 30, 2016 and 2015, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's system of internal control, determining whether internal controls had been placed in operation, assessing control risk, and testing controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Public Law 97-225, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses and significant deficiencies may exist that were not identified.

A material weakness is a deficiency or a combination of deficiencies in internal control that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified one deficiency in internal control that we consider a material weakness, as defined above, relating to USAID's reconciliation of its Fund Balance With Treasury account.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified significant deficiencies in internal control related to four of USAID's financial management processes:

- Reconciling intragovernmental transactions.
- Complying with Federal accounting standards for reimbursable agreements.
- Maintaining adequate records of property, plant, and equipment.
- Promptly investigating and resolving potential funds control violations.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated November 15, 2016.

Material Weakness

USAID Did Not Reconcile Its Fund Balance With Treasury Account With the Department of the Treasury and Resolve Unreconciled Items in a Timely Manner (Repeat Finding)

Although USAID has made progress reconciling its Fund Balance With Treasury account (FBWT) with the fund balance reported by the Department of the Treasury (Treasury), the Agency continues to have large differences. As of September 30, 2016, these differences totaled approximately $195 million. Table 1 illustrates the differences for the past 6 fiscal years.

Table 1. USAID's FBWT Differences (millions)

Fiscal Year	Net Difference	Absolute Value
2011	$96	$2,100
2012	114	127
2013	121	1,915
2014	154	2,011
2015	198[a]	528
2016	195	356

[a] The amount reported on the FY 2015 USAID Agency Financial Report finding was understated by $26 million and has been updated.

These differences persist because, in the past, USAID did not reconcile the FBWT account with Treasury's fund balance each month and research and resolve those differences in a timely manner. Instead, USAID adjusted its FBWT account to agree with Treasury's fund balance.

Recognizing the importance of maintaining account balances consistent with Treasury's, USAID's management started a comprehensive review of its FBWT records in FY 2014 to ascertain the reasons for the differences and take corrective action. USAID determined that the account balances in the subsidiary ledger were more accurate than those in the general ledger and undertook a reconciliation of the two records. In February 2015, the overall difference between the subsidiary and general ledgers was approximately $445 million. In FY 2016, USAID continued the reconciliation. As of September 30, 2016, a difference of approximately $750,000 between the subsidiary and general ledgers remained. Management has a plan to continue reconciling the FBWT to correct differences as they occur.

In addition, USAID developed and implemented eCART, an electronic cash reconciliation tool that captures cash transactions from systems operated by the National Finance Center, Treasury, the Department of State's Bureau of the Comptroller and Global Financial Services, and the Department of Health and Human Services and reconciles them with transactions recorded in USAID's financial management system. The tool automatically generates a report of any unreconciled items.

Despite the reconciliation efforts, the difference between USAID's general ledger and the amount in Treasury's records was $195 million as of September 30, 2016, of which $141 million was unexplained. In FY 2014, management stated that USAID planned to coordinate with Treasury and OMB to resolve these unexplained differences. However, as of September 30, 2016, this process had not been completed; the Agency anticipated completing it by the first quarter of FY 2017. We will continue to monitor USAID's progress in resolving these differences.

A supplement to Treasury's financial manual states, "Federal agencies must reconcile their USSGL [U.S. Government Standard General Ledger] account 1010 and any related subaccounts with the GWA [Governmentwide Accounting] Account Statement on a monthly basis (at minimum)."[2] The supplement goes on to state, "An agency may not arbitrarily adjust its FBWT account. Only after clearly establishing the causes of errors and properly documenting those errors should an agency adjust its FBWT account balance."

We reported a similar finding last year. Because the problem has still not been resolved, we make the following recommendation.

> ***Recommendation 1.*** *We recommend that the Office of the Chief Financial Officer resolve all unexplained differences between USAID's Fund Balance With Treasury account and the Department of the Treasury by December 31, 2016, and institutionalize the monthly reconciliation of the Fund Balance With Treasury account.*

Significant Deficiencies

Intragovernmental Transactions Remained Unreconciled (Repeat Finding)

As of September 30, 2016, USAID had $3.06 billion in unreconciled intragovernmental transactions, according to Treasury. Of that amount, USAID was required to reconcile and confirm $596 million in accordance with OMB Circular A-136, "Financial Reporting Requirements," and Treasury's "Federal Intragovernmental Transactions Accounting Policies Guide," section 17.1. Although USAID has increased its efforts to resolve unreconciled amounts, it has made little progress, and the remaining differences are still significant.

USAID continually researches intragovernmental transactions to improve its reconciliation process and eliminate the differences. Timing differences, created when agencies record transactions in different periods, are likely to be resolved through current efforts. However, other differences, such as those caused by accounting errors, will require a special effort and commitment of resources by USAID and its trading partners to resolve. Treasury's guide suggests that agencies work together to estimate accruals and record corresponding entries to ensure that they agree and that long-term accounting policy differences can be eliminated.

Given the magnitude of the problem for all agencies, in FY 2013 Treasury developed scorecards to track and correct these differences. The scorecards rank each agency by its contribution to Government-wide differences. At the end of the fourth quarter of FY 2014, USAID had differences amounting to approximately $3.60 billion. During FY 2015, USAID's

[2] "Fund Balance With Treasury, Reconciliation Procedures," "A Supplement to Volume 1 Treasury Financial Manual," part 2, chapter 5100, section IV.A, March 2012.

differences had declined to approximately $2.95 billion. At the end of the fourth quarter of FY 2016, USAID's differences had increased, to $3.06 billion.

We reported a similar finding in previous audits, last year's being the most recent, and recognize that resolution of these differences requires continuing coordination with other Federal agencies.[3] Therefore, we are not making a recommendation, but we will continue to monitor USAID's progress in FY 2017.

USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements (Repeat Finding)

USAID continues to have difficulty accounting for reimbursable agreements in accordance with Statements of Federal Financial Accounting Standards (Federal Generally Accepted Accounting Principles, known as FedGAAP).[4] In prior years OIG reported that the way USAID accounted for transactions under reimbursable agreements did not comply with FedGAAP in three respects:

1. USAID received cash advances from agencies with which it has reimbursable agreements ("trading partners") and recorded them as receipts of cash and earned revenue although the revenue had not yet been earned. FedGAAP requires that a liability (deferred revenue) be recorded until the services required by the agreement have been rendered.

2. USAID recorded all reimbursable agreements as unfilled customer orders without advances even though it received cash advances for most agreements. This approach deviated from the United States Standard General Ledger (USSGL), which provides a uniform chart of accounts and technical guidance for standardizing Federal agency accounting.

3. USAID could not track incurred expenses to specific reimbursable agreements because it recorded all expense incurred in one account and allocated them to agreements at the end of the year based on the amount of each agreement.

These types of noncompliance recurred in FY 2016 because USAID did not complete the reconfiguration of its financial management system to account for reimbursable agreements in accordance with FedGAAP. As a result, USAID recorded an adjustment of approximately $489 million to reflect the financial status and results of its reimbursable agreements accurately.

USAID intends to activate the project cost accounting system (PCAS), a subsystem of its financial accounting system. When fully utilized, PCAS will allow USAID to track reimbursable agreements with greater detail and flexibility by the terms of the agreements and the types of services being rendered. PCAS will track the status of agreements including amounts available, collected, and expended, allowing USAID to recognize revenue and receivables under the agreements. However, this action will not be completed until December 2017.

Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," paragraph 85, states:

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[3] "Audit of USAID's Financial Statements for Fiscal Years 2015 and 2014" (0-000-16-001-C), November 16, 2015.

[4] Reimbursable agreements are contracts between two agencies that allow one to do work for the other and be reimbursed. For example, the State Department might contract with USAID to implement a vaccination campaign. USAID would run the campaign, and the State Department would reimburse USAID for the drugs and the costs of administering them.

> Federal entities may receive advances and prepayments from other entities for goods to be delivered or services to be performed. Before revenues are earned, the current portion of the advances and prepayments should be recorded as other current liabilities. After the revenue is earned . . . the entity should record the appropriate amount as a revenue or financing source and should reduce the liability accordingly.

As a result of the FY 2014 GMRA audit, we recommended that USAID's Office of the Chief Financial Officer reconfigure its financial management system to account for reimbursable agreements in accordance with FedGAAP, and in consultation with appropriate stakeholders, develop and implement improved processes to account for reimbursable agreements.[5] At that time management agreed to implement the recommendation in 2016. However, to date this has not been accomplished.

According to the Chief Financial Officer, USAID will implement PCAS to track and account for reimbursable agreements in accordance with FedGAAP by December 2017. Therefore, we will not make any recommendation but will monitor the implementation during FY 2017.

USAID Did Not Maintain Adequate Records of Property, Plant, and Equipment

USAID's controls to ensure correct and on-time recording of the acquisition and disposal of depreciable assets—property, plant, and equipment (PP&E)—were not effective. Specifically, missions bypassed controls over vehicle disposals, building purchases, and capital leases.

USAID's overseas missions are expected to use the Vehicle Management Information System (VMIS) to record vehicle transactions. When an overseas mission acquires or disposes of a vehicle, the mission must make an entry in VMIS within 5 days and in the same period send supporting documentation to the Overseas Management Division (OMD) of the Bureau for Management's Office of Management Services in Washington.[6] The Office of the Chief Financial Officer (CFO) further requires missions to certify and send it quarterly PP&E data.

However, the OMD and CFO records we reviewed showed that missions did not comply with requirements. Missions made no entries in VMIS for 29 of 48 vehicles disposed of in FY 2016 and did not send documentation to OMD for 46 of the 48 vehicles disposed of.

Moreover, reviews of data provided to the CFO's office and of inventory and records at 10 selected missions showed that missions sent inaccurate PP&E data not limited to vehicles:

- One mission disposed of four vehicles in FY 2015 but did not report doing so until FY 2016.
- One mission disposed of a vehicle in the third quarter of FY 2016 but did not report it until the fourth quarter of FY 2016.

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[5] "Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013" (0-000-15-001-C), November 17, 2014.

[6] Department of State, "Foreign Affairs Manual," 14FAM347.1b, "Accountability, Use, and Maintenance Records," August 3, 2015.

- One mission acquired a vehicle in the first quarter of FY 2016 but did not report it until the second quarter.

- One mission purchased two residential buildings for $560,000 in the third quarter of FY 2015 but did not report the purchases until the fourth quarter of FY 2016.

- One mission entered into a capital lease in the fourth quarter of FY 2010 but did not report the lease until fourth quarter FY 2016.

Mission personnel are neglecting to adhere to guidance. They are not verifying information before approving and reporting it to the CFO. Reasons for noncompliance include a misunderstanding of the State Department's role—it runs motor pools and manages the vehicles for selected missions, but they remain on USAID's books—and mission-specific (sometimes outdated) ways of recording transactions for assets other than vehicles. Making mission controllers responsible for verifying quarterly information would improve the likelihood of compliance and increase accuracy.

"Standards for Internal Control in the Federal Government" states that management should design control activities so that all transactions are completely and accurately recorded.[7] Not verifying the accuracy of information on assets increases the risk that account misstatements will not be detected. In the above cases, not verifying data caused the vehicle inventory report and the capitalized asset depreciation report to be inaccurate. Therefore, we make the following recommendation.

> ***Recommendation 2.*** *We recommend that the Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit.*

USAID Did Not Promptly Investigate and Resolve Potential Funds Control Violations

As of September 30, 2016, USAID had not investigated 74 potential funds control violations amounting to approximately $587 million (dating back to 2012) that had been referred to the CFO's office. According to the procedures USAID implemented for funds control, the Agency should evaluate—initiate research and review of—potential funds control violations within 10 business days of referral.[8] Furthermore, the Agency's procedures specify that USAID should establish "appropriate systems to ensure continuous and timely review of circumstances pertaining to potential statutory or administrative funds control violations." During FY 2016, the CFO's Financial Policy and Support Division—responsible for investigating potential violations—received 52 cases, closed 7, and nearly closed 2. In addition, the division closed 34 cases from the 4 previous years, leaving 31 cases from FYs 2012 to 2015 to be investigated and resolved.

This backlog of potential violations occurred because management did not consider resolving them a high priority. According to management, the backlog of potential violations occurred because (1) the Agency's formal process for investigating cases (established in FY 2012) heightened awareness among staff and thus increased the volume of reported cases and (2) the CFO put highest priority on resolving longstanding material weaknesses and significant deficiencies. In early FY 2016, the CFO dedicated an employee to investigate cases full-time.

[7] U.S. Government Accountability Office (GAO-14-704G), September 2014.
[8] Office of the Chief Financial Officer, "Funds Control Violation Review Procedures," July 2015.

However, the procedures state that the Financial Policy and Support Division should assign individuals as warranted to research and report on all potential funds control violations.

The CFO's office is responsible for investigating and determining if the potential violations were indeed violations and, if so, for classifying them as either administrative funds control violations or Antideficiency Act violations. Violation of the act requires the CFO to immediately inform the Office of the Inspector General and the Congress.

The lack of prompt review of potential funds control violations increases the risk that Antideficiency Act violations will go undetected and unreported. Therefore, we make the following recommendations.

> ***Recommendation 3.*** *We recommend that the Office of the Chief Financial Officer implement a plan to immediately investigate all potential funds control violations reported as of September 30, 2016, and resolve them by June 30, 2017.*
>
> ***Recommendation 4.*** *We recommend that the Office of the Chief Financial Officer enhance its policies and procedures to evaluate potential funds control violations so that they are investigated and resolved promptly.*

The Agency's Responses to Findings

The Agency's responses to our findings and recommendations appear in appendix II. The Agency's responses were not subjected to the procedures applied in the audit of the consolidated financial statements; accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of USAID's internal control over financial reporting. Accordingly, this report is not suitable for any other purpose.

USAID Office of Inspector General
November 15, 2016

REPORT ON COMPLIANCE WITH APPLICABLE PROVISIONS OF LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated November 15, 2016.

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and with certain other laws and regulations specified in OMB Bulletin 15-02, including the requirements referred to in section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Our tests did not disclose instances of noncompliance that were reportable under "Government Auditing Standards." Our objective was not to provide an opinion on overall compliance with laws and regulations; accordingly, we do not express such an opinion.

Federal Financial Management Improvement Act of 1996

Under FFMIA, we are required to report on whether USAID's financial management systems substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the USSGL at the transaction level. To meet this requirement, we performed tests of compliance with each of the three FFMIA section 803(a) requirements. We observed two exceptions that we considered substantial noncompliance with FFMIA. Specifically, we noted noncompliance in accounting for reimbursable agreements, which deviated from the Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," and the USSGL at the transaction level.

The CFO's office, which is responsible for the noncompliance, plans to remediate this condition by activating the Project Cost Accounting System (PCAS), a subsystem of its financial accounting system. When fully utilized, PCAS will allow USAID to track reimbursable

agreements with greater detail and flexibility based on the terms of the agreements and the types of services being rendered. PCAS will track the status of agreements including amounts available, collected, and expended, and USAID will be able to recognize revenue and receivables based on the collections and expenditures under the agreements. However, this action will not be completed until December 2017.

In our report on internal control, we identified the following areas for improvement in several financial system processes, not affecting substantial compliance:

- Reconciling its fund balance with the U.S. Treasury.
- Reconciling intragovernmental transactions.
- Complying with Federal accounting standards for reimbursable agreements.
- Maintaining adequate records of property, plant, and equipment.
- Promptly investigating and resolving potential funds control violations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with applicable provisions of laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on the effectiveness of USAID's compliance with applicable provisions of laws, regulations, contracts, and grant agreements. Accordingly, this communication is not suitable for any other purpose.

Office of Inspector General

USAID Office of Inspector General
November 15, 2016

Appendix II

MANAGEMENT COMMENTS

USAID
FROM THE AMERICAN PEOPLE

November 14, 2016

MEMORANDUM

TO: Thomas E. Yatsco, Assistant Inspector General for Audit

FROM: Reginald W. Mitchell

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2016 and 2015

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015* and for the professionalism exhibited by your staff throughout this process.

Fiscal Year (FY) 2016 was a significant year for federal financial management at USAID. We are pleased that the USAID Inspector General will issue an unmodified opinion on the Agency's principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are appreciated.

The following are management's comments regarding the audit findings:

Material Weakness: USAID Did Not Reconcile Its Fund Balance With Treasury Account With the Department of the Treasury and Resolve Unreconciled Items in a Timely Manner (Repeat Finding)

Recommendation 1: We recommend that the Office of the Chief Financial Officer resolve all unexplained differences between USAID's Fund Balance With Treasury account and the Department of the Treasury by December 31, 2016, and institutionalize the monthly reconciliation of the Funds Balance With Treasury account.

Management Decision: Management agrees to maintain this material weakness until the unexplained difference is fully addressed. Management also appreciates the Office of the Inspector General (OIG)'s recognition of the significant progress made in strengthening its Fund Balance with Treasury (FBWT) reconciliation process.

As indicated in the finding, USAID's unexplained difference existed because, in the past, the Agency did not reconcile its FBWT accounts accurately and timely. In FY 2016, USAID continued to enhance its cash reconciliation processes by expanding the capability of the electronic cash reconciliation (eCART) system to automate all cash reconciliation functions. In addition, USAID has completed the general ledger to subsidiary ledger reconciliation and made the necessary corrective actions. Management also implemented measures to detect and prevent any future discrepancies and believes that the Agency currently reconciles FBWT accounts in a timely and accurate manner.

The Agency has developed a plan to address the FBWT issue and coordinate with the Department of the Treasury and the Office of Management and Budget to resolve the unexplained differences in cash balances. During FY 2016, M/CFO finalized the plan in coordination with internal and external stakeholders and anticipates resolving the Agency's cash difference in December 2016.

Target Completion Date: December 31, 2016

Significant Deficiency: Intragovernmental Transactions Remained Unreconciled (Repeat Finding)

Management acknowledges this finding. To address the Intragovernmental differences in FY 2017, the Agency is planning to expand and refine its existing Intragovernmental procedures. M/CFO will update the existing Intragovernmental quarterly checklist and incorporate this checklist into the Intragovernmental project plan. The Agency will continue to focus on reconciling with its largest trading partner, the Department of State, and the Treasury General Fund. We will expand our reconciliation efforts to include the smaller variances with other agencies. As of the third quarter FY 2016, the Agency's trend for its IGT reconciliation performance continued to show progress.

Significant Deficiency: USAID Did Not Comply with Federal Standards in Accounting for Reimbursable Agreements (Repeat Finding)

Management agrees with this finding. This finding will be resolved in FY 2017. The Agency plans to address this condition by configuring and implementing the Project Cost Accounting System (PCAS) module in Agency's accounting system (Phoenix) and working with other USAID business system owners and users that integrate data with Phoenix to update systems and processes so that an agreement number is included at the point of obligation. When fully utilized, PCAS will allow USAID to track reimbursable agreements with greater detail and flexibility based on the terms of the agreements. Going forward, PCAS will provide Phoenix the capability to track the status of agreements including amounts available, collected, and expended. Additionally, the Agency will be able to recognize revenue and receivables based upon the collections and expenditures against the agreements.

Significant Deficiency: USAID Did Not Maintain Adequate Records of Property, Plant and Equipment

Recommendation 2: We recommend that the Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit.

Management Decision: Management agrees with this finding. The Agency will review the underlying causes for the reporting errors identified in the audit report and make necessary adjustments to the Agency's policies and procedures that will increase timeliness and accuracy of Property, Plant and Equipment financial reporting.

Target Completion Date: September 30, 2017

Significant Deficiency: USAID Did Not Promptly Investigate and Resolve Potential Funds Control Violations

Recommendation 3: We recommend that the Office of the Chief Financial Officer implement a plan to immediately investigate all potential funds control violations reported as of September 30, 2016, and resolve them by June 30, 2017.

Management Decision: Management agrees with this finding. The Agency will continue its commitment to manage the potential funds control violations backlog. In FY 2016, M/CFO streamlined the process and increased the number of cases investigated and closed. This positive trend is expected to continue, allowing M/CFO to eliminate the backlog as of September 30, 2016 by June 30, 2017.

Target Completion Date: June 30, 2017

Recommendation 4: We recommend that the Office of the Chief Financial Officer enhance its policies and procedures to evaluate potential funds control violations so that they are investigated and resolved promptly.

Management Decision: Management agrees with this finding. The M/CFO will enhance policies and procedures to reflect the streamlined process put in place to allow timely review and disposition of potential funds control violations.

Target Completion Date: September 30, 2017

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

OMB Circular A–50, "Audit Follow-up," states that a management decision on audit recommendations shall be made within 6 months after a final report is issued. Corrective action should proceed as rapidly as possible.

Status of 2015 Findings and Recommendations

No recommendations.

Status of 2014 Findings and Recommendations

Recommendation 1. We recommend that USAID's Office of the Chief Financial Officer continue the reconciliation effort to investigate and resolve unreconciled differences and monitor and report the results to ensure that the balances in the general ledger and subsidiary ledger are consistently in agreement.

Status: This recommendation was closed on December 31, 2015.

Recommendation 2. We recommend that USAID's Office of the Chief Financial Officer consult with the U.S. Treasury to obtain advice and approval for resolving unreconciled funds.

Status: The target completion date is December 31, 2016.

Recommendation 7. We recommend that USAID's Office of the Chief Financial Officer reconfigure its financial management system to account for reimbursable agreements in accordance with Federal Generally Accepted Accounting Principles, and in consultation with appropriate stakeholders, develop and implement improved processes to account for reimbursable agreements.

Status: The target completion date is December 31, 2017.

Status of 2013 Findings and Recommendations

Recommendation 1. We recommend that USAID intensify its effort to expedite the completion of the reconciliation and make results available for periodic review.

Status: This recommendation was closed on December 31, 2015.

Status of 2012 Findings and Recommendations

Recommendation 1. We recommend that the Chief Financial Officer verify that all differences between USAID and the Department of the Treasury are researched and resolved in a timely manner in accordance with Treasury financial manual reconciliation procedures.

Status: The target completion date is December 31, 2016.

Status of 2010 Findings and Recommendations

Recommendation 1. We recommend that the Chief Financial Officer (a) provide changes in its crosswalk to the Department of Health and Human Services in a timely manner to ensure that the Department of Health and Human Services charges all third-party transactions to appropriate appropriations; and (b) research and resolve all suspense items within the time stipulated by the Department of the Treasury.

Status: This recommendation was closed on December 31, 2015.

Status of 2004 Findings and Recommendations

In the FY 2004 audit report, OIG recommended that USAID's Chief Financial Officer direct the Financial Management Office to conduct quarterly intragovernmental reconciliations of activity and balances with its trading partners in accordance with the requirements of the "Federal Intragovernmental Transactions Accounting Policies Guide," issued by the Department of the Treasury's Financial Management Service.

Status: OIG has made no subsequent recommendations because USAID is continuously researching intragovernmental activity and developing new tools to improve its reconciliation process to eliminate the differences.

FINANCIAL SECTION

FINANCIAL STATEMENTS AND NOTES

(Preceding page) **Meet Amani, a Palestinian inventor who is transforming lives with her big ideas for solving problems. Discover "Amani's Big Idea" at *stories.usaid.gov*.**

PHOTO: BOBBY NEPTUNE FOR USAID

(Above) **Meet Tania, a trans activist who is advocating for the rights of LGBTI individuals in Colombia. Discover "My Name is Tania" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

The **Principal Financial Statements** have been prepared to report the financial position and results of USAID's operations. The statements have been prepared from the books and records of the Agency in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*. The statements are produced in addition to other financial reports prepared by the Agency, in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. Subject to Appropriation Law, the Agency has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of a corresponding appropriation. The principal financial statements include comparative data for FY 2015 has been included. USAID's principal financial statements, footnotes, and other information for FY 2016 and FY 2015 consist of the following:

The **Consolidated Balance Sheet** presents those resources owned or managed by USAID that are available to provide current and future economic benefits (assets); amounts owed by USAID that will require payments from those resources or future resources (liabilities); and residual amounts retained by USAID, comprising the difference between future economic benefits and future payments (net position).

The **Consolidated Statement of Net Cost** presents the net cost of USAID operations, which are comprised of the gross costs incurred by USAID less any exchange revenue earned from USAID activities. Due to the geographic and organizational complexity of USAID's operations, the classification of gross cost and exchange revenues by major program and sub-organization is presented in Note 16, *Suborganization Program Costs/Program Cost by Program Area*.

The **Consolidated Statement of Changes in Net Position** presents the change in USAID's net position resulting from the net cost of USAID operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2016 and 2015. The components are separately displayed in two sections, namely Cumulative Results of Operations and Unexpended Appropriations.

The **Combined Statement of Budgetary Resources**, which presents the spending authority or budgetary resources available to USAID, the use or status of these resources at year-end, the change in obligated balance, and outlays of budgetary resources for the years ended September 30, 2016 and 2015. Information in this statement is reported on the budgetary basis of accounting.

The **Notes to Principal Financial Statements** are an integral part of the financial statements. They provide explanatory information or additional detail to help readers understand, interpret, and use the data presented. Comparative FY 2015 note data has been included.

HISTORY OF USAID'S FINANCIAL STATEMENTS

In accordance with the Government Management Reform Act (GMRA) of 1994, USAID has prepared consolidated fiscal year-end financial statements since FY 1996. The USAID Office of Inspector General (OIG) is required to audit these statements, related internal controls, and Agency compliance with applicable laws and regulations. From FY 1996 through FY 2000, the OIG was unable to express an opinion on USAID's financial

statements because the Agency's financial management systems could not produce complete, reliable, timely, and consistent financial information.

In FY 2001, the OIG was able to express qualified opinions on three of the then five principal financial statements of the Agency, while continuing to issue a disclaimer of opinion on the remaining two statements. In FY 2002, the OIG expressed unqualified opinions on four of the then five principal financial statements and a qualified opinion on the fifth. This marked the first time since enactment of the GMRA that USAID received an opinion on all of its financial statements. The Agency continued to receive unqualified opinions on its principal financial statements until FY 2012, when an accounting error resulted in the first qualified opinion in nine years. USAID successfully executed corrective measures and regained an unmodified audit opinion on both the FY 2013 and FY 2012 principal financial statements. The OIG did not express an opinion on the FY 2014 financial statements, but rendered an unmodified opinion on the comparative FY 2015 and FY 2014 (Restated) principal financial statements. The OIG rendered an unmodified opinion on the FY 2016 principal financial statements. The Agency remains committed to employing the systems, resources, and strategies necessary to ensure production of timely and accurate financial reports.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2016 and 2015

(In Thousands)

	2016	2015
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 32,637,640	$ 32,344,408
Accounts Receivable (Note 3)	111	48
Other Assets (Note 4)	26,242	20,968
Total Intragovernmental	32,663,993	32,365,424
Cash and Other Monetary Assets (Note 5)	332,673	370,613
Accounts Receivable, Net (Note 3)	57,454	120,521
Direct Loans and Loan Guarantees, Net (Note 6)	1,622,046	2,013,413
Inventory and Related Property, Net (Note 7)	47,770	62,224
General Property, Plant, and Equipment, Net (Note 8)	74,334	64,857
Other Assets (Note 4)	666,844	641,833
Total Assets	**$ 35,465,114**	**$ 35,638,885**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Note 10)	$ 33,018	$ 39,934
Debt (Note 11)	412,920	481,283
Liability for Capital Transfers to the General Fund of the Treasury (Notes 10 and 11)	1,636,238	1,834,738
Other Liabilities (Notes 10, 12 and 13)	1,056,347	1,087,750
Total Intragovernmental	3,138,523	3,443,705
Accounts Payable (Note 10)	1,670,342	1,810,849
Loan Guarantee Liability (Notes 6 and 10)	3,145,753	2,866,890
Federal Employee and Veteran's Benefits (Note 13)	22,543	24,731
Other Liabilities (Notes 10, 12 and 13)	545,918	596,508
Total Liabilities	**8,523,079**	**8,742,683**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations	26,603,696	26,339,211
Cumulative Results of Operations	338,339	556,991
Total Net Position	**26,942,035**	**26,896,202**
Total Liabilities and Net Position	**$ 35,465,114**	**$ 35,638,885**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2016 and 2015

(In Thousands)

Objectives	2016	2015
Peace and Security:		
Gross Costs	$ 633,205	$ 719,808
Less: Earned Revenue	(2,994)	(1,397)
Net Program Costs	630,211	718,411
Governing Justly and Democratically:		
Gross Costs	1,356,389	1,415,613
Less: Earned Revenue	(152,747)	(15,336)
Net Program Costs	1,203,642	1,400,277
Investing in People:		
Gross Costs	3,300,572	2,902,619
Less: Earned Revenue	(26,128)	(41,612)
Net Program Costs	3,274,444	2,861,007
Economic Growth:		
Gross Costs	4,604,585	4,801,565
Less: Earned Revenue	(490,683)	(825,255)
Net Program Costs	4,113,902	3,976,310
Humanitarian Assistance:		
Gross Costs	2,452,244	2,785,529
Less: Earned Revenue	(8,787)	(1,775)
Net Program Costs	2,443,457	2,783,754
Operating Unit Management:		
Gross Costs	903,801	791,213
Less: Earned Revenue	(78,924)	(2,378)
Net Program Costs	824,877	788,835
Net Cost of Operations (Notes 15 and 16)	**$ 12,490,533**	**$ 12,528,594**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2016 and 2015

(In Thousands)

	2016	2015
Cumulative Results of Operations:		
Beginning Balance	$ 556,991	$ 557,222
Adjustments – Correction of Errors	–	37,042
Beginning Balance, as Adjusted	556,991	594,264
Budgetary Financing Sources:		
Appropriations Used	12,243,944	12,288,421
Nonexchange Revenue	(114)	354
Donations and Forfeitures of Cash and Cash Equivalents	98,169	120,034
Transfers-in/out Without Reimbursement	–	–
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	32,143	22,871
Transfers-in/out Without Reimbursement	(14)	–
Imputed Financing	35,020	30,637
Other	(137,267)	29,004
Total Financing Sources	12,271,881	12,491,321
Net Cost of Operations (Notes 15 and 16)	(12,490,533)	(12,528,594)
Net Change	(218,652)	(37,273)
Cumulative Results of Operations	338,339	556,991
Unexpended Appropriations:		
Beginning Balance	26,339,211	25,595,626
Adjustments – Correction of Errors	–	13,364
Beginning Balance, as Adjusted	26,339,211	25,608,990
Budgetary Financing Sources:		
Appropriations Received	12,536,874	13,089,344
Appropriations Transferred in/out	66,982	202,172
Other Adjustments	(95,427)	(272,874)
Appropriations Used	(12,243,944)	(12,288,421)
Total Budgetary Financing Sources	264,485	730,221
Total Unexpended Appropriations	26,603,696	26,339,211
Net Position	**$ 26,942,035**	**$ 26,896,202**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2016 and 2015

(In Thousands)

	2016		2015	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 9,752,931	$ 3,074,660	$ 8,201,447	$ 2,186,956
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(2,076)	–	4,107	–
Unobligated Balance Brought Forward, October 1, as Adjusted	9,750,855	3,074,660	8,205,554	2,186,956
Recoveries of Unpaid Prior Year Obligations	720,899	140	1,229,327	429
Other Changes in Unobligated Balance (+ or -)	(179,768)	(71,262)	279,146	(13)
Unobligated Balance from Prior Year Budget Authority, Net	10,291,986	3,003,538	9,714,027	2,187,372
Appropriations (Discretionary and Mandatory)	12,235,537	(29)	12,898,707	–
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	2,899	–	23
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,131,949	564,962	1,355,835	993,469
Total Budgetary Resources	**$ 23,659,472**	**$ 3,571,370**	**$ 23,968,569**	**$ 3,180,864**
Status of Budgetary Resources:				
Obligations Incurred (Note 17)	$ 13,563,043	$ 274,218	$ 14,217,714	$ 106,204
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts (Note 2)	9,127,119	253,826	8,395,024	248,463
Exempt from Apportionment, Unexpired Accounts (Note 2)	(4)	–	(4)	–
Unapportioned, Unexpired Accounts (Note 2)	969,314	3,043,326	1,355,835	2,826,197
Unobligated Balance, End of Year (Total)	10,096,429	3,297,152	9,750,855	3,074,660
Total Budgetary Resources	**$ 23,659,472**	**$ 3,571,370**	**$ 23,968,569**	**$ 3,180,864**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2016 and 2015

(In Thousands)

	2016		2015	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 20,034,409	$ 4,317	$ 20,555,551	$ 4,062
Adjustment to Unpaid Obligations, Start of Year (+ or -)	–	–	18,333	–
Obligations Incurred	13,563,043	274,218	14,217,714	106,204
Outlays (Gross) (-)	(13,649,365)	(260,573)	(13,527,862)	(105,520)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–
Recoveries of Prior Year Unpaid Obligations (-)	(720,899)	(140)	(1,229,327)	(429)
Unpaid Obligations, End of Year	19,227,188	17,822	20,034,409	4,317
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(502,070)	17	(38,410)	35
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	–	–	–	–
Change in Uncollected Payments, Federal Sources (+ or -)	484,642	(18)	(463,660)	(18)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or -)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(17,428)	(1)	(502,070)	17
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	$ 13,367,486	$ 567,832	$ 14,254,542	$ 993,492
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,472,773)	(564,945)	(965,935)	(993,452)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	484,642	(18)	463,660	(18)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Total) (Discretionary and Mandatory)	$ 12,379,355	$ 2,869	$ 12,824,947	$ 22
Outlays, Gross (Discretionary and Mandatory)	$ 13,649,365	$ 260,573	$ 13,527,862	$ 105,520
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,472,773)	(564,945)	(965,935)	(993,452)
Outlays, Net (Total) (Discretionary and Mandatory)	12,176,592	(304,372)	12,561,927	(887,932)
Distributed Offsetting Receipts (-)	(795,234)	–	(193,254)	–
Agency Outlays, Net (Discretionary and Mandatory)	**$ 11,381,358**	**$ (304,372)**	**$ 12,368,673**	**$ (887,932)**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements report USAID's financial position and results of operations. The statements have been prepared using USAID's books and records in accordance with Agency accounting policies, the most significant of which are summarized in this note. The statements are presented in accordance with the guidance and requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

USAID accounting policies follow generally accepted accounting principles for the Federal government, as established by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These standards have been agreed to, and published by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General.

B. REPORTING ENTITY

Established in 1961 by President John F. Kennedy, USAID is the independent U.S. Government agency that provides economic development and humanitarian assistance to advance United States economic and political interests overseas.

PROGRAM FUNDS

The principal statements present the financial activity of various programs and accounts managed by USAID. The programs include Assistance for Europe, Eurasia, and Central Asia; Civilian Stabilization Initiative; Capital Investment Fund; Economic Support Fund; Development Assistance; International Disaster Assistance; Global Health and Child Survival; Complex Crisis Fund; Transition Initiatives; and Direct and Guaranteed Loan Programs. This classification is consistent with the budget of the United States.

Assistance for Europe, Eurasia, and Central Asia

Funds appropriated under this heading are considered to be economic assistance under the Foreign Assistance Act of 1961.

This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support the U.S. foreign policy goals of consolidating improved U.S. security; building a lasting partnership with the new independent states; and providing mutual access to markets, resources, and expertise.

Civilian Stabilization Initiative

This fund provides support for the necessary expenses needed to establish, support, maintain, mobilize, and deploy a civilian response corps in coordination with the USAID. This fund is also used for related reconstruction and stabilization assistance to prevent or respond to conflict or civil strife in foreign countries or regions, or to enable transition from such unstable conditions.

Capital Investment Fund

This fund provides for the necessary expenses of overseas construction and related costs, and for procurement and enhancement of information technology and related capital investments. Specifically, this fund provides

assistance in supporting the Global Acquisition and Assistance System (GLAAS).

Economic Support Fund

The Economic Support Fund supports U.S. foreign policy objectives by providing economic assistance to allies and countries in transition to democracy. Programs funded through this account promote stability and U.S. security interests in strategic regions of the world.

Development Assistance

This program provides economic resources to developing countries with the aim of bringing the benefits of development to the poor. The program promotes broad-based, self-sustaining economic growth and opportunity, and supports initiatives intended to stabilize population growth, protect the environment and foster increased democratic participation in developing countries. The program is concentrated in those areas in which the United States has special expertise and which promise the greatest opportunity for the poor to better their lives.

International Disaster Assistance

Funds for the International Disaster Assistance Program provide relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes and earthquakes. The program also provides assistance in disaster preparedness, prevention and mitigation; and providing emergency commodities and services for immediate healthcare and nutrition. Additionally, this fund supports the capability to provide timely emergency response to disasters worldwide.

Global Health and Child Survival

This fund provides economic resources to developing countries in support of programs to improve infant and child nutrition, with the aim of reducing infant and child mortality rates; to reduce HIV transmission and the impact of the HIV/AIDS pandemic in developing countries; to reduce the threat of infectious diseases of major public health importance such as polio, malaria or tuberculosis; and to expand access to quality basic education for girls and women.

Complex Crisis Fund

This fund provides for necessary expenses under of the Foreign Assistance Act of 1961 to support programs and activities around prevention of, or response to emerging or unforeseen complex crises overseas.

Transition Initiatives

This fund provides for humanitarian programs that provide post conflict assistance to victims of both natural and man-made disasters. The program supports U.S. foreign policy objectives by helping local partners advance peace and democracy in priority countries in crisis. Seizing critical windows of opportunity, the Office of Transition Initiatives works on the ground to provide fast, flexible, short-term assistance targeted at key political transition and stabilization needs.

Direct and Guaranteed Loans

- *Direct Loan Program*

  These loans are authorized under the Foreign Assistance Act, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made "with maintenance of value" places the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made "without maintenance of value" place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- *Urban and Environmental Program*

  The Urban and Environmental (UE) Program extends guaranties to U.S. private investors who make loans to developing countries, to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

- *Micro and Small Enterprise Development Program*

  The Micro and Small Enterprise Development (MSED) Program was established to support private sector activities in developing countries

by providing direct loans and loan guarantees to local micro and small enterprises. Although the MSED program is still active, most of USAID's new loan guarantee activity is managed through the Development Credit Authority (DCA) Program.

- *Development Credit Authority*

  The first obligations for USAID's DCA were made in FY 1999. The DCA allows missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that (1) the project generates enough revenue to cover the debt service including USAID fees, (2) there is at least 50 percent risk-sharing with a private-sector institution, and (3) the DCA guarantee addresses a financial market failure in-country and does not "crowd-out" private sector lending. The DCA can be used in any sector and by any USAID operating unit whose project meets the DCA criteria. DCA projects are approved by the Agency Credit Review Board and the Chief Financial Officer.

- *Israel Loan Guarantee Program*

  Congress authorized the Israel Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under the program, the U.S. Government guaranteed the repayment of up to $9.1 billion in loans from commercial sources. Borrowing was completed under the program during FY 2005.

- *Loan Guarantees to Middle East Northern Africa (MENA) Program*

  The Loan Guarantee authority for the MENA Program was initially established under Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Division I of Pub. L. No. 112-74, earmarked to provide support for the Republic of Tunisia. In FY 2014, this program was expanded to include Jordan and renamed the MENA Loan Guarantee Program. Under this program, the U. S. Government issues guarantees with respect to the payment obligations of MENA for notes. The budget cost associated with these notes, calculated in accordance with the Federal Credit Reform Act of 1990, is $553 million. Using this budget cost as a basis for determining the loan guarantee, MENA issued notes totaling $5.24 billion as of FY 2016.

- *Ukraine Loan Guarantee Program*

  The Loan Guarantee Program for Ukraine was established in accordance with Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014 (division K of Public Law 113-76). In FY 2016, a new $1.0 billion note with a $290 million subsidy cost was issued under the Ukraine program resulting in an overall total of $3 billion in notes issued. The Ukraine Loan Program is intended to help Ukraine meet its near-term social spending needs and insulate vulnerable Ukrainians from the impact of necessary economic adjustments.

FUND TYPES

The principal statements include the accounts of all funds under USAID's control. Most of the fund accounts relate to general fund appropriations. USAID also has special funds, revolving funds, trust funds, deposit funds, a capital investment fund, receipt accounts, and budget clearing accounts.

General fund appropriations and the special funds are used to record financial transactions under Congressional appropriations or other authorization to spend general revenue.

Revolving funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.

Trust funds are credited with receipts generated by the terms of the underlying trust agreement or statute. At the point of collection, these receipts may be available or unavailable, depending upon statutory spending authority.

Deposit funds are established for (1) amounts received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held awaiting distribution on the basis of legal determination.

The capital investment fund contains no-year (non-expiring) funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction that's allowed under the annual appropriation for operating expenses.

C. BASIS OF ACCOUNTING

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints on, and controls of, the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

D. BUDGETS AND BUDGETARY ACCOUNTING

The components of USAID's budgetary resources include current budgetary authority (that is, appropriations and borrowing authority) and unobligated balances remaining from multiyear and no-year budget authority received in prior years. Budget authority is the authorization provided by law to enter into financial obligations that result in immediate or future outlays of federal funds. Budgetary resources also include reimbursement and other income (that is, spending authority from offsetting collections credited to an appropriation or fund account) and adjustments (that is, recoveries of prior year obligations).

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, for five years until that account is canceled. When accounts are canceled amounts are not available for obligations or expenditure for any purpose and are returned to Treasury.

The "Consolidated Appropriations Act" signed into law as Pub. L. No.112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011". Under this authority, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

USAID receives the majority of its funding through congressional appropriations—annual, multiyear, and no-year (non-expiring) appropriations—that may be used within statutory limits. Appropriations are recognized as a financing source (i.e., Appropriations Used) on the Statement of Changes in Net Position at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are not recognized as expenses. In addition to funds warranted directly to USAID, the agency also receives allocation transfers from the Department of Agriculture Commodity Credit Corporation, the Executive Office of the President, the Department of State, and Millennium Challenge Corporation.

Additional financing sources for USAID's various credit programs and trust funds include amounts obtained through collection of guaranty fees, interest income on rescheduled loans, penalty interest on delinquent balances, permanent indefinite borrowing authority from the U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

Revenues are recognized as financing sources to the extent that they are received by USAID from other agencies, other governments and the public. Imputed revenues are reported in the financial statements to offset imputed costs. Amounts received from other Federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred.

F. FUND BALANCE WITH TREASURY

Cash receipts and disbursements are processed by the U.S. Treasury. The fund balances with Treasury are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but they also include revolving, deposit, and trust funds.

G. FOREIGN CURRENCY

The Direct Loan Program maintains foreign currency funds, which are used to disburse loans in certain countries. Those balances are reported at the U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on currency conversion is recognized for any change in valuation of foreign currencies at year-end. Additionally, some USAID host countries contribute funds for the overhead operation of the host mission and the execution of USAID programs. These funds are held in trust and reported in U.S. dollar equivalents on the Balance Sheet and Statement of Net Costs.

H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable from the public for non-loan or revenue generating sources based on a historical analysis of collectability.

I. DIRECT LOANS AND LOAN GUARANTEES

Loans are accounted for as receivables after funds have been disbursed. For loans obligated before October 1, 1991 (the pre-credit reform period), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on a net present value method prescribed by OMB that takes into account country risk and projected cash flows.

For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the net present value of the cost to the United States Government of making the loan. This cost, known as "subsidy", takes into account all cash inflows and outflows associated with the loan, including the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, and offsets from fees and other estimated cash flows. This allowance is re-estimated when necessary and changes reflected in the operating statement.

Loans have been made in both U.S. dollars and foreign currencies. Loans extended in foreign currencies can be with or without "Maintenance of Value" (MOV). Foreign currency exchange gain or loss is recognized on those loans extended without MOV, and reflected in the net credit programs receivable balance.

Credit program receivables also include origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivables (subrogated and rescheduled) are due from foreign governments as a result of defaults for pre-1992 guaranteed loans. Receivables are stated net of an allowance for uncollectible accounts that is determined using an OMB approved net present value default methodology.

While estimates of uncollectible loans and interest are made using methods prescribed by OMB, the final determination as to whether a loan is collectible is also affected by actions of other federal government agencies.

J. ADVANCES

Funds disbursed before expenditures are incurred are recorded as advances. Most advances consist of funds disbursed under letters of credit to contractors and grantees. The advances are liquidated and recorded as expenses upon receipt of expenditure reports from the recipients.

K. INVENTORY AND RELATED PROPERTY

USAID's inventory and related property are comprised of life essential materials and supplies. The Agency has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These include tents, disaster kits, field packs, and water purification units.

Agency supplies held in reserve for future use are items not readily available in the market, or for which there is more than a remote chance that the supplies will be needed, but not in the normal course of operations. Their valuation is based on cost and they are not considered "held for sale." USAID has no supplies categorizable as excess, obsolete, or unserviceable operating materials and supplies.

L. PROPERTY, PLANT AND EQUIPMENT

USAID capitalizes all property, plant and equipment that have an acquisition cost of $25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost, depending on when the asset was put into production and depreciated using the straight-line method (mid-year and mid-quarter). Real property is depreciated over 20 years, nonexpendable personal property is depreciated over three to five years, and capital leases are depreciated according to the terms of the lease. The Agency uses land, buildings, and equipment that are provided by the General Services Administration. Internal use software that has development costs of $300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements. In addition, certain USAID assets are held by government contractors. Under provisions of the Federal Acquisition Regulation (FAR), the contractors are responsible for the control and accountability of the assets in their possession, which are immaterial in nature. These government-owned, contractor-held assets are included within the balances reported in USAID's financial statements.

M. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as Liabilities Not Covered by Budgetary Resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be nullified by the U.S. Government, acting in its sovereign capacity.

N. LIABILITIES FOR LOAN GUARANTEES

The Credit Reform Act (CRA) of 1990, which became effective on October 1, 1991, significantly changed the manner in which USAID finances the activities of loan programs. The main purpose of the CRA was to more accurately measure the cost of Federal credit programs and to place the cost of such programs on a budgetary basis equivalent to other Federal spending. Consequently, commencing in FY 1992, USAID can only make new loans or guarantees with an appropriation available to fund the cost of making the loan or guarantee. This cost is known as "subsidy."

For USAID's loan guarantee programs, when guarantee commitments are made, an obligation for subsidy cost is recorded in the program account. This cost is based on the net present value of the estimated net cash outflows to be paid by the program as a result of the loan guarantees, except for administrative costs, less the net present value of all cash inflows to be generated from those guarantees. When the loans are disbursed, the subsidy cost is disbursed from the program account to a financing account.

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to the OMB- prescribed method for post-1991 loan guarantees.

O. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time the employees provide the related services. The pension expense recognized in the financial statements equals the current service cost for USAID employees for the accounting period less the amount contributed by the employees. The measurement of the service cost requires the use of an actuarial cost method and assumptions. The Office of Personnel Management (OPM) administers these benefits and provides the factors that USAID applies to calculate the cost. The excess of the pension expense over the amount contributed by USAID and employees represents the amount being financed directly through the Civil Service Retirement System and the Federal Employees Retirement System administered by OPM. This cost is considered imputed cost to USAID.

USAID recognizes a current period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. USAID accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USAID do not make contributions to fund these future benefits.

Q. COMMITMENTS AND CONTINGENCIES

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to USAID. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable. For other litigations, a contingent liability is recognized when similar events occur except that the future outflow or other sacrifice of resources is more likely than not.

R. NET POSITION

Net position is the residual difference between assets and liabilities. It is composed of unexpended appropriations and cumulative results of operations.

- Unexpended appropriations are the portion of the appropriations represented by undelivered orders and unobligated balances.
- Cumulative results of operations are also part of net position. This account reflects the net difference between expenses and losses and financing sources, including appropriations, revenues and gains, since the inception of the activity.

S. NON-ENTITY ASSETS

Non-entity fund balances are amounts in deposit fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount, and are composed solely of accounts receivable, net of allowances.

T. AGENCY COSTS

USAID costs of operations are comprised of program and operating expenses. USAID/Washington program and Mission related expenses by objective are obtained directly from Phoenix, the Agency general ledger. A cost allocation model is used to distribute operating expenses, including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

U. PARENT/CHILD REPORTING

USAID is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one department of its ability to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are also charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances. Exceptions to this general rule affecting USAID include the Executive Office of the President, for whom USAID is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in USAID's financial statements. In addition to these funds, USAID allocates funds as the parent to:

- Department of Agriculture, Forest Service
- Department of State

USAID receives allocation transfers as the child from:

- Department of State
- Executive Office of the President
- Millennium Challenge Corporation
- Department of Agriculture, Commodity Credit Corporation

V. CLOSING PACKAGE CHANGES AS OF FY 2016

The prior year balances are presented for purposes of additional analysis and are not a required part of the closing package financial statements, and are therefore not audited.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2016 and 2015 consisted of the following *(in thousands)*:

Fund Balance	2016	2015
Trust Funds	$ 253,271	$ 268,465
Revolving Funds	3,370,319	3,689,091
General Funds	28,847,233	28,339,476
Other Funds	166,817	47,376
Total	$ 32,637,640	$ 32,344,408

Status of Fund Balance with Treasury	2016	2015
Unobligated Balance		
Available	$ 9,380,941	$ 8,643,483
Unavailable	4,012,640	4,182,032
Obligated and Other Balances Not Yet Disbursed (Net)	19,244,059	19,518,893
Total	$ 32,637,640	$ 32,344,408

Fund Balance with Treasury is the aggregate amount of USAID's accounts with Treasury for which the agency is authorized to make payments. Other Funds include credit program and operating funds which are established to record amounts held for the loan guarantee and other operating funds.

As of September 30, 2016, the agency's records reflect a historical difference of approximately $140 million in its Fund Balance with Treasury (FBWT), which is unexsplained by normal timing reconciling items. USAID management has developed a plan to coordinate with Treasury and OMB to resolve the above difference, and anticapates to finalize the process in FY 2017.

Unobligated balances become available when apportioned by OMB for obligation in the current fiscal year. Obligated and other balances not yet disbursed (net) include balances for non-budgetary funds and unfilled customer orders without advances. The unobligated and obligated balances are reflected on the Combined Statement of Budgetary Resources. The total available unobligated balance includes expired funds which are available for upward adjustments, however they are not available to incur new obligations. In the Combined Statement of Budgetary Resources the expired fund balance is included in Unobligated Balance, Unapportioned. The obligated and other balances not yet disbursed include other liabilities without related budgetary obligations.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's Accounts Receivable, Net as of September 30, 2016 and 2015 are as follows *(in thousands)*:

	Receivable Gross	Allowance Accounts	Receivable Net 2016	Receivable Net 2015
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ –	N/A	$ –	$ 10
Accounts Receivable from Federal Agencies	370,864	N/A	370,864	93,328
Less: Intra-Agency Receivables	(370,753)	N/A	(370,753)	(93,290)
Total Intragovernmental Accounts Receivable	111	N/A	111	48
Accounts Receivable from the Public	63,748	(6,294)	57,454	120,521
Total Receivables	$ 63,859	$ (6,294)	$ 57,565	$ 120,569

Entity intragovernmental accounts receivable consist of amounts due from other U.S. Government agencies. No allowance accounts have been established for the intragovernmental accounts receivable, which are considered to be 100 percent collectible.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of overdue advances, unrecovered advances, and audit findings. The allowance for uncollectable accounts related to these receivables is calculated based on a historical analysis of collectability. Accounts receivable from missions are collected and recorded to the respective appropriation.

Interest receivable is calculated separately, and there is no interest included in the accounts receivable listed above.

NOTE 4. OTHER ASSETS

Other Assets as of September 30, 2016 and 2015 consisted of Advances, as follows *(in thousands)*:

	2016	2015
Intragovernmental		
Advances to Federal Agencies	$ 26,242	$ 20,968
Total Intragovernmental	26,242	20,968
With the Public		
Advances to Contractors/Grantees	421,942	367,260
Advances to Host Country Governments and Institutions	276,641	242,041
Advances, Other	(31,739)	32,532
Total with the Public	666,844	641,833
Total Other Assets	$ 693,086	$ 662,801

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received.

Advances to Contractors/Grantees are amounts that USAID pays to cover immediate cash needs related to program implementation until Contractors/Grantees submit expense reports to USAID and USAID records those expenses. Advances to Host Country Governments and Institutions represent amounts advanced by USAID missions to host country governments and other in-country organizations, such as educational institutions and volunteer organizations. Advances, Other consist primarily of amounts advanced for living quarters, travel, and home service. Advances, Other is abnormal due to the liquidating of advances at the missions. The advances were issued under Advances, Contractors and were liquidated under Advances, Other.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2016 and 2015 are as follows *(in thousands)*:

	2016	2015
Other Cash	$ (593)	$ (342)
Foreign Currencies	333,266	370,955
Total Cash and Other Monetary Assets	$ 332,673	$ 370,613

Foreign Currencies are related to Foreign Currency Trust Funds which totaled $333 million in FY 2016 and $371 million in FY 2015, as disclosed in Note 12. USAID does not have any non-entity cash or other monetary assets.

The abnormal occurred in Other Cash due to the posting model used by the missions for recording transfers with the local banks. The posting model has been revised and the missions have been advised to reconcile with their local national banks.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

USAID operates the following loan and/or loan guarantee programs:

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Middle East North Africa (MENA) Loan Guarantee Program (formerly known as the Tunisia and Jordan Loan Guarantee Programs)
- Ukraine Loan Guarantee Program

Direct loans resulting from obligations made prior to 1992 are reported net of allowance for estimated uncollectible loans. Estimated losses from defaults on loan guarantees resulting from obligations made prior to 1992 are reported as a liability.

The Credit Reform Act of 1990 prescribes an alternative method of accounting for direct loans and guarantees resulting from obligations made after 1991. Subsidy cost, which is the net present value of the cash flows (i.e. interest rates, interest supplements, estimated defaults, fees, and other cash flows) associated with direct loans and guarantees, is required by the Act to be recognized as an expense in the year in which the direct loan or guarantee is disbursed. Subsidy cost is calculated by agency program offices prior to obligation using a model prescribed by OMB. Subsidy relating to existing loans and guarantees is generally required to be reestimated on an annual basis to adjust for changes in risk and interest rate assumptions. Direct loans are reported net of an allowance for this subsidy cost (allowance for subsidy). The subsidy costs associated with loan guarantees are reported as loan guarantee liability.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees are provided in the following sections.

The following net loan receivable amounts are not the same as the proceeds that USAID would expect to receive from selling its loans. Actual proceeds may be higher or lower depending on the borrower and the status of the loan.

Summary of Loans Receivables, Net as of September 30, 2016 and 2015 are as follows *(in thousands)*:

	2016	2015
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 1,402,239	$ 1,678,138
Net Direct Loans Obligated After 1991 (Present Value Method)	28,624	83,194
Defaulted Guaranteed Loans from Pre-1992 (Allowance for Loss Method)	94,460	160,313
Defaulted Guaranteed Loans After 1991 (Present Value)	96,723	91,768
Total Loans Receivable, Net as reported on the Balance Sheet	$ 1,622,046	$ 2,013,413

DIRECT LOANS

Direct Loan amounts for loans obligated prior to 1992 and after 1991 as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2016:				
Direct Loans	$ 1,573,227	$ 323,148	$ (494,136)	$ 1,402,239
MSED	29	5	(34)	–
Total	$ 1,573,256	$ 323,153	$ (494,170)	$ 1,402,239
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2015:				
Direct Loans	$ 1,850,035	$ 336,817	$ (508,714)	$ 1,678,138
MSED	29	5	(34)	–
Total	$ 1,850,064	$ 336,822	$ (508,748)	$ 1,678,138

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991 as of September 30, 2016:				
Direct Loans	$ 763,462	$ 7,050	$ (741,888)	$ 28,624
Total	$ 763,462	$ 7,050	$ (741,888)	$ 28,624
Direct Loans Obligated After 1991 as of September 30, 2015:				
Direct Loans	$ 764,619	$ 9,818	$ (691,243)	$ 83,194
Total	$ 764,619	$ 9,818	$ (691,243)	$ 83,194

Total Amount of Direct Loans Disbursed as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Direct Loan Programs	2016	2015
Direct Loans	$ 2,336,689	$ 2,614,654
MSED	29	29
Total	$ 2,336,718	$ 2,614,683

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2016 and 2015 are as follows *(in thousands)*:

	2016				2015			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance of the Subsidy Cost Allowance	$ 691,243	$ (1,895)	$ –	$ 689,348	$ 621,783	$ 1,640	$ 357	$ 623,780
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:								
(A) Interest Rate Differential Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	–	–	–	–	–	–	–	–
Adjustments:								
(A) Loan Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–	–
(C) Foreclosed Property Acquired	–	–	–	–	–	–	–	–
(D) Loans Written Off	(1,467)	–	–	(1,467)	–	–	–	–
(E) Subsidy Allowance Amortization	21,051	–	–	21,051	–	–	–	–
(F) Other	31,061	1,901	–	32,962	69,460	(3,535)	(357)	65,568
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 741,888	$ 6	$ –	$ 741,894	$ 691,243	$ (1,895)	$ –	$ 689,348
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	–	–	–	–	–	–
Total of the Above Reestimate Components	–	–	–	–	–	–	–	–
Ending Balance of the Subsidy Cost Allowance	$ 741,888	$ 6	$ –	$ 741,894	$ 691,243	$ (1,895)	$ –	$ 689,348

DEFAULTED GUARANTEED LOANS FROM PRE-1992 GUARANTEES

Defaulted Guaranteed Loans from pre-1992 as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2016				
UE	$ 131,457	$ 8,292	$ (45,289)	$ 94,460
Total	$ 131,457	$ 8,292	$ (45,289)	$ 94,460
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2015				
UE	$ 150,572	$ 9,741	$ –	$ 160,313
Total	$ 150,572	$ 9,741	$ –	$ 160,313

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

Defaulted Guaranteed Loans from post-1991 as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Post-1991 Guarantees: 2016				
DCA	$ (236)	$ –	$ (6)	$ (242)
UE - Subrogated Claims	62,933	34,032	–	96,965
Total	$ 62,697	$ 34,032	$ (6)	$ 96,723
Defaulted Guaranteed Loans from Post-1991 Guarantees: 2015				
DCA	$ –	$ –	$ –	$ –
UE - Subrogated Claims	59,889	29,984	1,895	91,768
Total	$ 59,889	$ 29,984	$ 1,895	$ 91,768

GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2016):		
UE	$ 478,103	$ 478,103
MSED	–	–
Israel	9,098,880	9,098,880
DCA	1,509,797	754,899
Ukraine	3,000,000	3,000,000
MENA	5,235,000	5,235,000
Total	$ 19,321,780	$ 18,566,882
Guaranteed Loans Outstanding (2015):		
UE	$ 503,298	$ 503,298
MSED	14,760	7,380
Israel	10,478,474	10,478,474
DCA	1,677,759	838,880
Ukraine	2,000,000	2,000,000
MENA	4,730,911	4,730,911
Total	$ 19,405,202	$ 18,558,943
New Guaranteed Loans Disbursed (2016):		
DCA	$ 85,937	$ 42,968
Ukraine	1,000,000	1,000,000
MENA	500,000	500,000
Total	$ 1,585,937	$ 1,542,968
New Guaranteed Loans Disbursed (2015):		
DCA	$ 17	$ 9
Ukraine	1,000,000	1,000,000
MENA	1,500,000	1,500,000
Total	$ 2,500,017	$ 2,500,009

Liability for Loan Guarantees as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for Pre-1992 guarantees) as of September 30, 2016:			
UE	$ 176	$ 150,444	$ 150,620
MSED	–	1	1
Israel	–	1,210,343	1,210,343
DCA	–	91,175	91,175
Ukraine	–	1,141,061	1,141,061
Egypt	–	–	–
MENA	–	552,553	552,553
Total	$ 176	$ 3,145,577	$ 3,145,753
Liability for Loan Guarantees (Estimated Future Default Claims for Pre-1992 guarantees) as of September 30, 2015:			
UE	$ 176	$ 122,278	$ 122,454
MSED	–	(668)	(668)
Israel	–	1,004,642	1,004,642
DCA	–	70,963	70,963
Ukraine	–	686,614	686,614
Egypt	–	555,004	555,004
MENA	–	427,881	427,881
Total	$ 176	$ 2,866,714	$ 2,866,890

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2016):					
DCA	$ –	$ 10,199	$ –	$ –	$ 10,199
Ukraine	–	289,959	–	–	289,959
MENA	–	28,354	–	–	28,354
Total	$ –	$ 328,512	$ –	$ –	$ 328,512
Subsidy Expense for New Loan Guarantees (2015):					
DCA	$ –	$ 7,753	$ –	$ –	$ 7,753
Ukraine	–	446,506	–	–	446,506
MENA	–	185,604	–	–	185,604
Total	$ –	$ 639,863	$ –	$ –	$ 639,863

(continued on next page)

(continued)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2016):				
UE	$ –	$ 6,774	$ 2,393	$ 9,167
Israel	–	–	–	–
DCA	–	541	4,638	5,179
Ukraine	–	6,577	144,462	151,039
MENA	–	4,134	63,967	68,101
Total	$ –	$ 18,026	$ 215,460	$ 233,486
Modifications and Reestimates (2015):				
UE	$ –	$ –	$ (1,588)	$ (1,588)
Israel	–	–	(18,144)	(18,144)
DCA	–	–	15,843	15,843
Ukraine	–	–	(84,233)	(84,233)
MENA	–	–	24,221	24,221
Total	$ –	$ –	$ (63,901)	$ (63,901)

Total Loan Guarantee Subsidy Expense as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	2016	2015
UE	$ 9,167	$ (1,588)
Israel	–	(18,144)
DCA	15,378	23,596
Ukraine	440,998	362,273
MENA	96,455	209,825
Total	$ 561,998	$ 575,962

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts are as follows *(percent)*:

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
UE	–	0.00%	0.00%	–	0.00%
Israel	–	0.00%	0.00%	–	0.00%
DCA	–	4.53%	0.00%	–	4.53%
Ukraine	–	26.07%	0.00%	–	26.07%
MENA	–	0.00%	0.00%	–	0.00%

Schedule for Reconciling Loan Guarantee Liability Balances as of September 30, 2016 and 2015 are as follows *(in thousands)*:

2016: Post-1991 Loan Guarantees	DCA	MSED	UE	Israel	Egypt	Ukraine	MENA	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	$ 70,963	$ (668)	$ 122,278	$ 1,004,642	$ 555,004	$ 686,614	$427,881	$2,866,714
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:								
(A) Interest Supplement Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Adjustments:								
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	3,148	–	1,621	–	–	–	–	4,769
(C) Interest Supplements Paid	–	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(1,835)	(10)	(7,816)	–	–	–	(28,399)	(38,060)
(F) Interest Accumulation on the Liability Balance	2,831	–	3,338	82,095	–	13,449	11,356	113,069
(G) Other	12,101	679	27,872	–	(555,004)	289,959	73,614	(150,779)
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 87,208	$ 1	$ 147,293	$ 1,086,737	$ –	$ 990,022	$484,452	$2,795,713
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	3,967	–	3,151	123,606	–	151,039	68,101	349,864
Total of the Above Reestimate Components	3,967	–	3,151	123,606	–	151,039	68,101	349,864
Ending Balance of the Loan Guarantee Liability	$ 91,175	$ 1	$ 150,444	$ 1,210,343	$ –	$1,141,061	$552,553	$3,145,577

2015: Post-1991 Loan Guarantees	DCA	MSED	UE	Israel	Egypt	Ukraine	MENA	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	$ 71,850	$ (3,797)	$ 148,243	$ 1,019,745	$ 534,385	$314,874	$266,770	$2,352,070
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:								
(A) Interest Supplement Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Adjustments:								
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	1,271	–	1,847	–	–	–	–	3,118
(C) Interest Supplements Paid	–	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(20,849)	–	(12,104)	(20,742)	–	–	(26,977)	(80,672)
(F) Interest Accumulation on the Liability Balance	3,330	–	3,513	76,533	20,618	11,812	5,574	121,380
(G) Other	(482)	3,129	(17,633)	(52,750)	1	444,161	158,293	534,719
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 55,120	$ (668)	$ 123,866	$ 1,022,786	$ 555,004	$770,847	$403,660	$2,930,615
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	15,843	–	(1,588)	(18,144)	–	(84,233)	24,221	(63,901)
Total of the Above Reestimate Components	15,843	–	(1,588)	(18,144)	–	(84,233)	24,221	(63,901)
Ending Balance of the Loan Guarantee Liability	$ 70,963	$ (668)	$ 122,278	$ 1,004,642	$ 555,004	$686,614	$427,881	$2,866,714

Administrative Expense as of September 30, 2016 and 2015 are as follows *(in thousands)*:

Loan Guarantee Programs	2016	2015
DCA	$ 26,499	$ 10,156
Total	$ 26,499	$ 10,156

Administrative expense of $7.9 million on direct loans is non appropriated and the balance is amortized in the capital transfer account at year end.

OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. No country is in violation of Section 620q of the Foreign Assistance Act (FAA), that is more than six months delinquent. Four countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $477 million that is more than one year delinquent.

2. Reestimate amounts are subject to approval by OMB, and any adjustments, if necessary, will be made in FY 2017.

3. The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

4. USAID's Loan Guarantee Programs include: Israel Loan Guarantee, $9.1 billion, Ukraine Loan $3 billion and MENA (Tunisia and Jordan) $5.2 billion. The Israel Loan guarantees the repayment of loans made from commercial sources that cover the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. The program also guarantees the repayment of loans that support Israel's comprehensive economic plan to overcome economic difficulties and create conditions for higher and sustainable growth. Government of Israel and the lender agreed on an early redemption of some loans on October 23, 2014, for $585.9 million debt reduction. This was done through the securities market. The Ukraine Loan Guarantee is intended to help Ukraine meet its near-term social spending needs and insulate vulnerable Ukrainians from the impact of necessary economic adjustments. The Jordan Loan Guarantee will help to ensure that Jordan can continue to provide critical services to its citizens as it hosts the nearly 630,000 refugees registered by the United Nations High Commissioner for Refugees who have fled the violence in Syria. The U.S. loan guarantee agreement is designed to support specific economic reforms that the Government of Jordan has been pursuing in order to promote economic stability, growth and prosperity for the Jordanian people. The Tunisia loan guarantee will help the Government of Tunisia access international private capital and strengthen its capacity to manage the transition to an economically sound and prosperous democracy. As of September 30, 2016, $19.3 billion in loan guarantees remain outstanding.

5. Loan Guarantee Repayment – Egypt repaid its loan commitment of $1.25 billion in September 2015, and relieved USAID of $555 million liability on the account. USAID closed all balances pertaining to the Egypt loan guarantee in FY 2016.

6. The MENA outstanding loan guarantee balance disclosed in FY 2015 statements of $4.24 billion should have been $4.7 billion instead, due to omission of prior year's $485 million loan guarantee to Tunisia. New guaranteed loans disbursed under the DCA loan program is maintained in the agency's Central Management System.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property, Net is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2016 and 2015 are as follows *(in thousands)*:

	2016	2015
Items Held for Use		
Office Supplies	$ 3,634	$ 3,899
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	12,896	11,978
Birth Control Supplies	31,239	46,347
Total Inventory and Related Property	$ 47,770	$ 62,224

Operating Materials and Supplies are considered tangible properties that are consumed in the normal course of business and not held for sale. The valuation is based on historical acquisition costs. There are no obsolete or unserviceable items, and no restrictions on their use. Items costing less than $25,000 are expensed as incurred.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant and Equipment (PP&E), Net as of September 30, 2016 and 2015 are as follows *(in thousands)*:

	Useful Life	Cost	Accumulated Depreciation/ Amortization	Net Book Value 2016	Net Book Value 2015
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 63,215	$ (52,442)	$ 10,773	$ 15,136
Buildings, Improvements, and Renovations	5 to 20 years	95,241	(47,694)	47,547	34,963
Land and Land Rights	N/A	7,203	N/A	7,203	7,203
Assets Under Capital Lease (Note 9)		–	–	–	–
Construction in Progress	N/A	3	–	3	–
Internal Use Software	3 to 5 years	123,460	(114,652)	8,808	7,555
Total PP&E		$ 289,122	$ (214,788)	$ 74,334	$ 64,857

The threshold for capitalizing assets is $25,000 except for Internal Use Software which is capitalized and amortized at $300,000. Assets are depreciated using the straight line depreciation method. USAID uses the mid-year convention for assets purchased prior to FY 2003 and the mid-quarter convention for assets purchased during FY 2003 and beyond. Depreciable assets are assumed to have no remaining salvage value. There are currently no restrictions on PP&E assets.

USAID PP&E includes assets located in Washington, D.C. offices and overseas field missions.

Equipment consists primarily of electric generators, Automatic Data Processing (ADP) hardware, vehicles and copiers located at the overseas field missions. Note 9 discusses USAID leases.

Buildings, Improvements, and Renovations, in addition to Land and Land Rights include USAID owned office buildings and residences at foreign missions, including the land on which these structures reside. These structures are used and maintained by the field missions. USAID generally does not separately report the cost of the building and the land on which the building resides.

Land consists of property owned by USAID in foreign countries. Land is generally procured with the intent of constructing buildings.

NOTE 9. LEASES

As of September 30, 2016 and 2015 Leases consisted of the following *(in thousands)*:

Entity as Lessee	2016	2015
Capital Leases:		
Summary of Assets Under Capital Lease:		
Buildings	$ –	$ –
Accumulated Depreciation	–	–
Net Assets under Capital Leases	$ –	$ –

Description of Lease Arrangements. Capital leases consist of rental agreements entered into by missions for warehouses, parking lots, residential space, and office buildings. These leases are one year or more in duration.

Operating Leases:

Future Payments Due:	**2016**
Fiscal Year	**Future Costs**
2017	$ 120,264
2018	102,291
2019	89,933
2020	80,768
2021	12,943
2022 and Beyond	12,930
Total Future Lease Payments	$ 419,129

Future operating lease payments total $419 million in future lease payments, of which $264 million is for the USAID headquarters in Washington, D.C. and the remainder is for the missions. The current lease agreements are for approximately 893,888 sq. feet for the headquarters. The expiration dates for headquarters leases are from FY 2018 through FY 2021 and the expiration dates for the missions' leases are from FY 2017 through FY 2027. All the leases are non-cancelable and the lessor for headquarters is General Services Administration (GSA), which charges commercial rates for USAID's occupancy.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

USAID records liabilities for amounts that are likely to be paid as the direct result of events that have already occurred. USAID considers the Intragovernmental accounts payable as liabilities covered under budgetary resources. These accounts payable are those payable to other federal agencies and consist mainly of unliquidated obligation balances related to interagency agreements between USAID and other federal agencies. The accounts payable with the public represent liabilities to non-federal entities.

Liabilities not covered by budgetary resources include accrued unfunded annual leave and separation pay. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided. Accrued unfunded annual leave, workers' compensation benefits, and separation pay represent future liabilities not currently funded by budgetary resources, but will be funded as it becomes due with future resources. The Contingent Liabilities for Loan Guarantees is in the pre-Credit Reform Urban and Environmental (UE) Housing Loan Guarantee liquidating fund. As such, it represents the estimated liability to lenders for future loan guarantee defaults in that program.

As of September 30, 2016 and 2015 Liabilities Covered and Not Covered by Budgetary Resources were as follows *(in thousands)*:

	2016	2015
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	$ 33,018	$ 39,934
Debt (Note 11)	412,920	481,283
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	1,636,238	1,834,738
Other Liabilities (Note 12)	1,055,916	540,634
IPAC Suspense (Note 12)	(9,563)	20,510
Total Intragovernmental	3,128,529	2,917,099
Accounts Payable	1,647,717	1,807,267
Disbursements in Transit	22,625	3,582
Total Accounts Payable with Public	1,670,342	1,810,849
Loan Guarantee Liability (Note 6)	3,145,577	2,866,714
Other Liabilities with Public	485,191	542,064
Total Liabilities Covered by Budgetary Resources	$ 8,429,639	$ 8,136,726
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
Unfunded FECA Liability (Note 13)	$ 8,214	$ 7,589
Other Unfunded Employment Related Liability	58	92
Other Liabilities (Note 12)	1,722	518,925
Total Intragovernmental (Note 12)	$ 9,994	$ 526,606
Accrued Annual Leave	60,727	54,444
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	60,727	54,444
Future Workers' Compensation Benefits (Note 13)	22,543	24,731
Debt – Contingent Liabilities for Loan Guarantees (Note 6)	176	176
Total Liabilities Not Covered by Budgetary Resources	93,440	605,957
Total Liabilities	$ 8,523,079	$ 8,742,683

NOTE 11. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2016 and 2015 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt *(in thousands)*:

Debt Due to Treasury	2015 Beginning Balance	Net Borrowing	2015 Ending Balance	Net Borrowing	2016 Ending Balance
Direct Loans	$ 478,291	$ –	$ 478,291	$ (68,466)	$ 409,825
DCA	2,981	11	2,992	103	3,095
Total Treasury Debt	$ 481,272	$ 11	$ 481,283	$ (68,363)	$ 412,920

Pursuant to the Federal Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from Treasury. These funds are used to disburse new direct loans to the public and, in certain situations, to cover credit reform program costs. Liquidating (pre-1992) accounts have permanent indefinite borrowing authority to be used to cover program costs when they exceed account resources.

In FY 2016, no interest was accrued for Development Credit Authority (DCA) and Direct Loans.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from Treasury under the Federal Credit Reform Act and net liquidating account equity in the amount of $1.6 billion, which under the Act is required to be recorded as Liability for Capital Transfers to the General Fund of the Treasury. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2016 and 2015 Other Liabilities consisted of the following *(in thousands)*:

	2016	2015
Intragovernmental		
IPAC Suspense	$ (9,563)	$ 20,510
Unfunded FECA Liability (Note 13)	8,214	7,589
Custodial Liability	4,665	6,323
Employer Contributions & Payroll Taxes Payable	4,988	6,957
Other Unfunded Employment Related Liability	58	92
Liability for Advances and Prepayments	1,046,263	527,354
Other Liabilities (Note 10)	1,722	518,925
Total Intragovernmental	$ 1,056,347	$ 1,087,750
With the Public		
Accrued Funded Payroll and Leave	(3,951)	31,259
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	60,727	54,444
Advances From Others	41,882	6,035
Deferred Credits	–	–
Foreign Currency Trust Fund	333,266	370,988
Capital Lease Liability (Note 9)	–	–
Other Liabilities	113,994	133,782
Total Liabilities With the Public	$ 545,918	$ 596,508
Total Other Liabilities	$ 1,602,265	$ 1,684,258

Intragovernmental Liabilities represent amounts due to other federal agencies. All remaining Other Liabilities are liabilities to non-federal entities. The abnormal amount for Accrued Funded Payroll and Leave is attributed to 2015 documents modified in 2016.

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2016 and 2015 are indicated in the table below *(in thousands)*:

Accrued Unfunded Workers' Compensation Benefits	2016	2015
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 22,543	$ 24,731
Unfunded FECA Liability	8,214	7,589
Total Accrued Unfunded Workers' Compensation Benefits	$ 30,757	$ 32,320

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor (DOL). DOL initially pays valid FECA claims for all Federal Government agencies and seeks reimbursement two fiscal years later from the federal agencies employing the claimants.

For FY 2016, USAID total FECA liability was $30.8 million, comprised of unpaid FECA billings for $8.2 million and estimated future FECA costs of $22.5 million.

The actuarial estimate for the FECA unfunded liability is determined by the DOL using a method that utilizes historical benefit payment patterns. The projected annual benefit payments are discounted to present value using economic assumption for 10-year Treasury notes and bonds and the amount is further adjusted for inflation.

NOTE 14. COMMITMENTS AND CONTINGENCIES

USAID is involved in certain claims, suits, and complaints that have been filed or are pending. These matters are in the ordinary course of the Agency's operations and are not expected to have a material adverse effect on the Agency's financial operations.

As of September 30, 2016, there is one case pending with no change in status between FY 2015 fourth quarter ending September 30, 2015 and FY 2016 fourth quarter ending September 30, 2016. There are five new cases pending in FY 2016. The following are the details regarding the pending cases:

- The first case arises from a fatal automobile collision. The consolidated action asserts negligence against the United States (USAID and State). The court has dismissed the tort claims. The Agency denied reconsideration. An estimate of the amount or range of potential loss is $48 million. However, the possibility of an unfavorable outcome is remote.
- The second case is an employment discrimination, non-selection, and retaliations claim. USAID is involved in settlement negotiations at this time. An estimate of the amount or range of potential loss is $1 million. The possibility of an unfavorable outcome is reasonably possible.
- The third case is an employment discrimination, non-selection, and Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is $1 million. The possibility of an unfavorable outcome is remote.

- The fourth case is a grievance before the Foreign Service Grievance Board alleging a "pattern of assignments" claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is $1 million. The possibility of an unfavorable outcome is reasonably possible.
- The fifth case is a Title VII discrimination and retaliation claim, as well as claims under the Federal Tort Claims Act (FTCA), Privacy Act, Constitution, and Whistleblower Protection Act. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is unknown. The possibility of an unfavorable outcome is remote.
- The sixth case is a discrimination and retaliation claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is unknown. The possibility of an unfavorable outcome is remote.

USAID's normal course of business involves the execution of project agreements with foreign governments that are a type of treaty. All of these agreements give rise to obligations that are fully reported on USAID's financial statements, and none of which are contingent. It is not USAID's normal business practice to enter into other types of agreements or treaties with foreign governments that create contingent liabilities.

NOTE 15. SCHEDULE OF COSTS AND EARNED REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by Objective and Responsibility Segments, as of September 30, 2016. These objectives are consistent with the State-USAID Strategic Planning Framework.

The format of the Consolidated Statement of Net Cost is also consistent with OMB Circular A-136 guidance.

Note 15 shows the value of exchange transactions between USAID and other federal entities as well as non-federal entities. These are also categorized within the Agency by Objectives, Responsibility Segments and Program Areas. Program Areas are defined in Note 16.

Intragovernmental Costs and Earned Revenue sources relate to transactions between USAID and other federal entities. Public costs and earned revenues on the other hand relate to transactions between USAID and non-federal entities. Program Costs and Earned Revenue by Responsibility Segment for the years ended September 30, 2016 and 2015 are indicated in the table on the following pages *(in thousands)*:

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Total	2015 Total
Peace and Security												
Intragovernmental Costs	$ 4,239	$ 771	$ 4,942	$ 3,240	$ 4,051	$ –	$ –	$ 7,520	$ 4,359	$ 6,948	$ 36,070	$ 29,472
Public Costs	87,099	13,808	126,897	10,372	44,254	–	–	118,656	70,796	125,253	597,135	690,336
Total Program Costs	91,338	14,579	131,839	13,612	48,305	–	–	126,176	75,155	132,201	633,205	719,808
Intragovernmental Earned Revenue	(293)	(68)	(408)	(246)	(360)	–	–	(591)	(190)	(386)	(2,542)	(1,250)
Public Earned Revenue	(42)	(15)	(65)	(56)	(81)	–	–	(133)	(43)	(17)	(452)	(147)
Total Earned Revenue	(335)	(83)	(473)	(302)	(441)	–	–	(724)	(233)	(403)	(2,994)	(1,397)
Net Program Costs	**91,003**	**14,496**	**131,366**	**13,310**	**47,864**	**–**	**–**	**125,452**	**74,922**	**131,798**	**630,211**	**718,411**
Governing Justly and Democratically												
Intragovernmental Costs	6,570	5,668	3,504	623	9,331	–	1,351	10,239	5,487	24,905	67,678	46,152
Public Costs	190,083	102,934	44,851	13,049	131,464	–	6,238	229,145	117,137	453,810	1,288,711	1,369,461
Total Program Costs	196,653	108,602	48,355	13,672	140,795	–	7,589	239,384	122,624	478,715	1,356,389	1,415,613
Intragovernmental Earned Revenue	(570)	(147,253)	(278)	(55)	(721)	–	(120)	(835)	(471)	(1,606)	(151,909)	(4,657)
Public Earned Revenue	(104)	(105)	(63)	(13)	(163)	–	(27)	(181)	(106)	(76)	(838)	(10,679)
Total Earned Revenue	(674)	(147,358)	(341)	(68)	(884)	–	(147)	(1,016)	(577)	(1,682)	(152,747)	(15,336)
Net Program Costs	**195,979**	**(38,756)**	**48,014**	**13,604**	**139,911**	**–**	**7,442**	**238,368**	**122,047**	**477,033**	**1,203,642**	**1,400,277**
Investing in People												
Intragovernmental Costs	100,704	25,843	2,554	12,043	2,515	37,347	2,099	12,009	29,562	14,630	239,306	155,546
Public Costs	789,305	225,548	60,049	181,275	22,083	721,988	20,353	185,693	413,120	441,852	3,061,266	2,747,073
Total Program Costs	890,009	251,391	62,603	193,318	24,598	759,335	22,452	197,702	442,682	456,482	3,300,572	2,902,619
Intragovernmental Earned Revenue	(8,816)	(2,240)	(227)	(4,345)	(225)	(1,924)	(186)	(1,048)	(1,673)	(1,254)	(21,938)	(21,672)
Public Earned Revenue	(1,982)	(506)	(51)	(228)	(51)	(435)	(42)	(237)	(378)	(280)	(4,190)	(19,940)
Total Earned Revenue	(10,798)	(2,746)	(278)	(4,573)	(276)	(2,359)	(228)	(1,285)	(2,051)	(1,534)	(26,128)	(41,612)
Net Program Costs	**879,211**	**248,645**	**62,325**	**188,745**	**24,322**	**756,976**	**22,224**	**196,417**	**440,631**	**454,948**	**3,274,444**	**2,861,007**

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Total	2015 Total
Economic Growth												
Intragovernmental Costs	55,613	34,382	664	117,669	10,012	–	30,438	36,273	33,378	27,492	345,921	325,175
Public Costs	809,641	427,946	8,577	759,523	570,750	–	189,293	260,843	628,901	603,190	4,258,664	4,476,390
Total Program Costs	865,254	462,328	9,241	877,192	580,762	–	219,731	297,116	662,279	630,682	4,604,585	4,801,565
Intragovernmental Earned Revenue	(2,460)	(310,302)	(19)	(140,712)	(686)	–	(2,669)	(1,226)	(2,825)	(1,569)	(462,468)	(698,443)
Public Earned Revenue	–	(398)	(4)	(26,139)	(155)	–	(603)	(277)	(639)	–	(28,215)	(126,812)
Total Earned Revenue	(2,460)	(310,700)	(23)	(166,851)	(841)	–	(3,272)	(1,503)	(3,464)	(1,569)	(490,683)	(825,255)
Net Program Costs	**862,794**	**151,628**	**9,218**	**710,341**	**579,921**	**–**	**216,459**	**295,613**	**658,815**	**629,113**	**4,113,902**	**3,976,310**
Humanitarian Assistance												
Intragovernmental Costs	204	9,248	108,437		968	–	–	1,717	1,089	–	121,663	92,402
Public Costs	144	33,431	2,234,086	–	4,638	–	–	29,390	28,266	626	2,330,581	2,693,127
Total Program Costs	348	42,679	2,342,523	–	5,606	–	–	31,107	29,355	626	2,452,244	2,785,529
Intragovernmental Earned Revenue	(1)	(154)	(6,682)		(86)	–	–	(153)	(97)	–	(7,173)	(1,577)
Public Earned Revenue	–	(28)	(1,511)		(19)	–	–	(34)	(22)	–	(1,614)	(198)
Total Earned Revenue	(1)	(182)	(8,193)	–	(105)	–	–	(187)	(119)	–	(8,787)	(1,775)
Net Program Costs	**347**	**42,497**	**2,334,330**	**–**	**5,501**	**–**	**–**	**30,920**	**29,236**	626	**2,443,457**	**2,783,754**
Operating Unit Management												
Intragovernmental Costs	30,473	13,481	32,398	44,047	6,708	–	9,824	12,540	6,698	36,615	192,784	141,208
Public Costs	149,617	58,039	122,544	107,478	24,869	–	45,741	72,366	42,585	87,778	711,017	650,005
Total Program Costs	180,090	71,520	154,942	151,525	31,577	–	55,565	84,906	49,283	124,393	903,801	791,213
Intragovernmental Earned Revenue	(747)	(74,499)	(369)	(1,067)	(159)	–	(436)	(363)	(162)	(260)	(78,062)	(2,261)
Public Earned Revenue	(169)	(86)	(56)	(239)	(36)	–	(99)	(81)	(37)	(59)	(862)	(117)
Total Earned Revenue	(916)	(74,585)	(425)	(1,306)	(195)	–	(535)	(444)	(199)	(319)	(78,924)	(2,378)
Net Program Costs	**179,174**	**(3,065)**	**154,517**	**150,219**	**31,382**	**–**	**55,030**	**84,462**	**49,084**	**124,074**	**824,877**	**788,835**
Net Cost of Operations	**$ 2,208,508**	**$ 415,445**	**$ 2,739,770**	**$1,076,219**	**$ 828,901**	**$ 756,976**	**$301,155**	**$ 971,232**	**$ 1,374,735**	**$1,817,592**	**$ 12,490,533**	**$ 12,528,594**

NOTE 16. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY PROGRAM AREA

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by Objectives, Program Areas and Responsibility Segment.

A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. The geographic and technical bureaus of USAID (below) meet the criteria for responsibility segments. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to Program Areas to reflect total costs.

In the FY 2016 fourth quarter Consolidated Statement of Net Cost, major responsibility segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The six Geographic Bureaus are: Africa; Asia; Europe and Eurasia; Latin America and the Caribbean; the Middle East; and the Office of Afghanistan and Pakistan Affairs (OAPA). The four Technical Bureaus are Democracy, Conflict and Humanitarian Assistance (DCHA); Economic Growth, Education and the Environment (E3); Global Health; and Innovation and Development Alliances (IDEA) & U.S. Global Development Lab (LAB). Note that receiving organizations IDEA and LAB has been merged as IDEA & LAB for Statement of Net Cost reporting purposes.

Schedule of Costs by Program Area as of September 30, 2016 and 2015 are indicated in the table on the following pages *(in thousands)*:

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Consolidated Total	2015 Consolidated Total
Peace and Security:												
Counterterrorism												
Gross Costs	$ 28,719	$ 49	$ 7,562	$ –	$ –	$ –	$ –	$ –	$ 5,812	$ –	$ 42,142	$ 44,932
Less: Earned Revenue	(122)	–	(14)	–	–	–	–	–	(25)	–	(161)	(65)
Net Program Costs	28,597	49	7,548	–	–	–	–	–	5,787	–	41,981	44,867
Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	–	–	35,440	–	–	–	–	–	35,440	55,568
Less: Earned Revenue	–	–	–	–	(365)	–	–	–	–	–	(365)	(205)
Net Program Costs	–	–	–	–	35,075	–	–	–	–	–	35,075	55,363
Stabilization Operations and Security Sector Reform												
Gross Costs	1	2,479	–	–	1,342	–	–	16,060	679	840	21,401	30,565
Less: Earned Revenue	–	(6)	–	–	(8)	–	–	(83)	(1)	(20)	(118)	(59)
Net Program Costs	1	2,473	–	–	1,334	–	–	15,977	678	820	21,283	30,506
Counternarcotics												
Gross Costs	1	–	–	–	–	–	–	108,770	–	36,956	145,727	159,700
Less: Earned Revenue	–	–	–	–	–	–	–	(634)	–	(103)	(737)	(333)
Net Program Costs	1	–	–	–	–	–	–	108,136	–	36,853	144,990	159,367
Transnational Crime												
Gross Costs	687	8,880	900	4	2,061	–	–	1,248	–	833	14,613	11,222
Less: Earned Revenue	(1)	(42)	(1)	–	(11)	–	–	(7)	–	(1)	(63)	(25)
Net Program Costs	686	8,838	899	4	2,050	–	–	1,241	–	832	14,550	11,197
Conflict Mitigation and Reconciliation												
Gross Costs	61,930	3,171	123,376	13,608	9,463	–	–	98	68,664	93,572	373,882	417,821
Less: Earned Revenue	(212)	(35)	(457)	(302)	(58)	–	–	–	(207)	(279)	(1,550)	(710)
Net Program Costs	61,718	3,136	122,919	13,306	9,405	–	–	98	68,457	93,293	372,332	417,111
Total Peace and Security	**91,003**	**14,496**	**131,366**	**13,310**	**47,864**	**–**	**–**	**125,452**	**74,922**	**131,798**	**630,211**	**718,411**
Governing Justly and Democratically:												
Rule of Law and Human Rights												
Gross Costs	30,435	28,628	2,874	824	28,055	–	7,181	49,993	18,085	6,985	173,060	165,075
Less: Earned Revenue	(75)	(40,358)	(31)		(189)	–	(137)	(240)	(88)	(17)	(41,135)	(677)
Net Program Costs	30,360	(11,730)	2,843	824	27,866	–	7,044	49,753	17,997	6,968	131,925	164,398
Good Governance												
Gross Costs	68,664	41,521	26,365	3,492	37,160	–	–	135,336	48,116	422,223	782,877	796,584
Less: Earned Revenue	(246)	(106,784)	(109)	(68)	(226)	–	–	(529)	(203)	(1,494)	(109,659)	(3,861)
Net Program Costs	68,418	(65,263)	26,256	3,424	36,934	–	–	134,807	47,913	420,729	673,218	792,723
Political Competition and Consensus-Building												
Gross Costs	51,521	8,683	13,994	642	17,781	–	–	24,366	18,087	24,109	159,183	182,147
Less: Earned Revenue	(179)	(60)	(138)		(119)	–	–	(90)	(92)	(98)	(776)	(8,013)
Net Program Costs	51,342	8,623	13,856	642	17,662	–	–	24,276	17,995	24,011	158,407	174,134
Civil Society												
Gross Costs	46,032	29,770	5,122	8,714	57,798	–	408	29,688	38,336	25,399	241,267	271,807
Less: Earned Revenue	(173)	(156)	(63)	–	(349)	–	(10)	(156)	(194)	(74)	(1,175)	(2,785)
Net Program Costs	45,859	29,614	5,059	8,714	57,449	–	398	29,532	38,142	25,325	240,092	269,022
Total Governing Justly and Democratically	**195,979**	**(38,756)**	**48,014**	**13,604**	**139,911**	**–**	**7,442**	**238,368**	**122,047**	**477,033**	**1,203,642**	**1,400,277**

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Consolidated Total	2015 Consolidated Total
Investing in People:												
Health												
Gross Costs	510,580	102,227	16,077	5,368	11,301	759,273	9,640	67,159	132,271	206,547	1,820,443	1,660,666
Less: Earned Revenue	(9,486)	(1,999)	(66)	–	(197)	(2,358)	(193)	(678)	(615)	(757)	(16,349)	(15,754)
Net Program Costs	501,094	100,228	16,011	5,368	11,104	756,915	9,447	66,481	131,656	205,790	1,804,094	1,644,912
Education												
Gross Costs	374,658	127,655	18,125	187,951	10,776	–	12,811	83,439	148,013	230,388	1,193,816	923,721
Less: Earned Revenue	(1,290)	(661)	(69)	(1,238)	(63)	–	(34)	(383)	(588)	(713)	(5,039)	(3,871)
Net Program Costs	373,368	126,994	18,056	186,713	10,713	–	12,777	83,056	147,425	229,675	1,188,777	919,850
Social and Economic Services and Protection for Vulnerable Populations												
Gross Costs	4,770	21,510	28,401	–	2,521	62	–	47,104	162,398	19,547	286,313	318,232
Less: Earned Revenue	(21)	(87)	(143)	(3,336)	(16)	(1)	–	(224)	(848)	(64)	(4,740)	(21,987)
Net Program Costs	4,749	21,423	28,258	(3,336)	2,505	61	–	46,880	161,550	19,483	281,573	296,245
Total Investing in People	**879,211**	**248,645**	**62,325**	**188,745**	**24,322**	**756,976**	**22,224**	**196,417**	**440,631**	**454,948**	**3,274,444**	**2,861,007**
Economic Growth:												
Macroeconomic Foundation for Growth												
Gross Costs	748	4,405	20	94,946	442,323	–	–	9,939	451,698	16,015	1,020,094	1,365,558
Less: Earned Revenue	(3)	(22)	–	(77,942)	(4)	–	–	(43)	(2,547)	(35)	(80,596)	(83,012)
Net Program Costs	745	4,383	20	17,004	442,319	–	–	9,896	449,151	15,980	939,498	1,282,546
Trade and Investment												
Gross Costs	39,834	27,399	–	27,705	9,279	–	3,313	8,625	4,063	43,809	164,027	144,380
Less: Earned Revenue	(135)	(157,040)	–	(450)	(46)	–	(67)	(64)	(21)	–	(157,823)	(1,480)
Net Program Costs	39,699	(129,641)	–	27,255	9,233	–	3,246	8,561	4,042	43,809	6,204	142,900
Financial Sector												
Gross Costs	2,112	1,785	–	83,205	15,426	–	3,764	117	82,383	9,487	198,279	202,693
Less: Earned Revenue	(12)	(6)	–	(82,059)	(80)	–	(75)	–	(309)	(18)	(82,559)	(151,897)
Net Program Costs	2,100	1,779	–	1,146	15,346	–	3,689	117	82,074	9,469	115,720	50,796
Infrastructure												
Gross Costs	94,244	22,913	–	4,859	19,322	–	2,998	19,604	24,679	342,124	530,743	657,053
Less: Earned Revenue	(330)	(105)	–	(83)	(154)	–	–	(101)	(143)	–	(916)	(563,555)
Net Program Costs	93,914	22,808	–	4,776	19,168	–	2,998	19,503	24,536	342,124	529,827	93,498
Agriculture												
Gross Costs	549,196	127,705	–	336,762	8,203	–	1,273	67,212	7,257	157,713	1,255,321	1,166,087
Less: Earned Revenue	(1,391)	(5,022)	–	(240)	(47)	–	(14)	(334)	(36)	(1,303)	(8,387)	(13,904)
Net Program Costs	547,805	122,683	–	336,522	8,156	–	1,259	66,878	7,221	156,410	1,246,934	1,152,183
Private Sector Competitiveness												
Gross Costs	17,550	44,095	–	27,676	71,288	–	29,349	30,196	72,980	49,607	342,741	343,487
Less: Earned Revenue	(81)	(102,208)	–	(550)	(410)	–	(289)	(171)	(310)	(169)	(104,188)	(1,931)
Net Program Costs	17,469	(58,113)	–	27,126	70,878	–	29,060	30,025	72,670	49,438	238,553	341,556

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2016 Consolidated Total	2015 Consolidated Total
Economic Opportunity												
Gross Costs	9,073	8,959	–	39,610	3,905	–	179,034	7,110	17,791	11,780	277,262	197,463
Less: Earned Revenue	(41)	(36)	–	(718)	(36)	–	(2,827)	(36)	(91)	(41)	(3,826)	(3,131)
Net Program Costs	9,032	8,923	–	38,892	3,869	–	176,207	7,074	17,700	11,739	273,436	194,332
Environment												
Gross Costs	152,498	225,065	9,221	262,430	11,016	–	–	154,313	1,428	147	816,118	724,844
Less: Earned Revenue	(468)	(46,259)	(23)	(4,810)	(64)	–	–	(754)	(7)	(3)	(52,388)	(6,345)
Net Program Costs	152,030	178,806	9,198	257,620	10,952	–	–	153,559	1,421	144	763,730	718,499
Total Economic Growth	**862,794**	**151,628**	**9,218**	**710,341**	**579,921**	**–**	**216,459**	**295,613**	**658,815**	**629,113**	**4,113,902**	**3,976,310**
Humanitarian Assistance:												
Protection, Assistance and Solutions												
Gross Costs	6	31,714	2,324,044	–	5,606	–	–	27,595	29,355	500	2,418,820	2,625,779
Less: Earned Revenue	–	(132)	(7,734)	–	(105)	–	–	(118)	(119)	–	(8,208)	(1,667)
Net Program Costs	6	31,582	2,316,310	–	5,501	–	–	27,477	29,236	500	2,410,612	2,624,112
Disaster Readiness												
Gross Costs	342	10,965	18,479	–	–	–	–	602	–	–	30,388	148,620
Less: Earned Revenue	(1)	(50)	(459)		–	–	–	(1)	–	–	(511)	(87)
Net Program Costs	341	10,915	18,020	–	–	–	–	601	–	–	29,877	148,533
Migration Management												
Gross Costs	–	–	–	–	–	–	–	2,910	–	126	3,036	11,130
Less: Earned Revenue	–	–	–	–	–	–	–	(68)	–	–	(68)	(21)
Net Program Costs	–	–	–	–	–	–	–	2,842	–	126	2,968	11,109
Total Humanitarian Assistance	**347**	**42,497**	**2,334,330**	**–**	**5,501**	**–**	**–**	**30,920**	**29,236**	**626**	**2,443,457**	**2,783,754**
Operating Unit Management:												
Crosscutting Management and Staffing												
Gross Costs	373	–	–	–	6	–	–	2	37	309	727	3,503
Less: Earned Revenue	(9)	(1)	–	–	–	–	–	–	–	(1)	(11)	(13)
Net Program Costs	364	(1)	–	–	6	–	–	2	37	308	716	3,491
Program Design and Learning												
Gross Costs	67,991	15,378	16,317	81,075	6,222	–	14,159	25,626	17,366	39,459	283,593	239,560
Less: Earned Revenue	(305)	(37,994)	(49)	(918)	(47)	–	(165)	(111)	(73)	(126)	(39,788)	(713)
Net Program Costs	67,686	(22,616)	16,268	80,157	6,175	–	13,994	25,515	17,293	39,333	243,805	238,846
Administration and Oversight												
Gross Costs	111,725	56,142	138,625	70,451	25,349	–	41,406	59,279	31,879	84,625	619,481	548,150
Less: Earned Revenue	(601)	(36,590)	(376)	(389)	(148)	–	(370)	(334)	(125)	(192)	(39,125)	(1,652)
Net Program Costs	111,124	19,552	138,249	70,062	25,201	–	41,036	58,945	31,754	84,433	580,356	546,498
Total Operating Unit Management	**179,174**	**(3,065)**	**154,517**	**150,219**	**31,382**	**–**	**55,030**	**84,462**	**49,084**	**124,074**	**824,877**	**788,835**
Net Cost of Operations	**$2,208,508**	**$415,445**	**$2,739,770**	**$1,076,219**	**$828,901**	**$756,976**	**$301,155**	**$971,232**	**$1,374,735**	**$1,817,592**	**$12,490,533**	**$12,528,594**

NOTE 17. COMBINED STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2016 and 2015. USAID's total budgetary resources were $27.2 billion and $27.1 billion for the years ended September 30, 2016 and 2015, respectively.

The following schedule details the amount of the direct and reimbursable new obligations and upward adjustments against the apportionment categories.

A. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED *(in thousands)*:

	2016	2015
Category A, Direct	$ 1,494,580	$ 1,505,553
Category B, Direct	12,244,590	11,738,822
Category A, Reimbursable	46,362	33,925
Category B, Reimbursable	51,729	1,045,618
Total	$ 13,837,261	$ 14,323,918

B. BORROWING AUTHORITY, END OF PERIOD AND TERMS OF BORROWING AUTHORITY USED:

The Agency had $2.9 million and $0.2 million in borrowing authority in FY 2016 and FY 2015, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, Pub. L. 101-508), and is used to finance obligations during the current year, as needed.

C. PERMANENT INDEFINITE APPROPRIATIONS:

USAID has permanent indefinite appropriations relating to specific Federal Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2016, there is $3.3 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES:

The "Consolidated Appropriations Act" signed into law as Pub. L. 112-74 provides USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, known as "7011" authority. Under this authority funds shall remain available for obligation for an extended period if such funds are obligated within their initial period of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reprogramming by USAID (subject to OMB approval through the apportionment process).

E. UNPAID OBLIGATIONS:

Unpaid Obligations for the periods ended September 30, 2016 and 2015 were $19.2 billion and $20.0 billion, respectively.

F. DIFFERENCE BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT *(in thousands)*:

The reconciliation between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government (Budget) is presented below. This reconciliation is as of September 30, 2015 because submission of the Budget for FY 2017, which presents the execution of the FY 2016 Budget, occurs after publication of these financial statements. The USAID Budget Appendix can be found on the OMB website (*http://www.whitehouse.gov/omb/budget*) and will be available in early February 2017.

Differences between the SBR and Budget of the U.S. Government are caused mainly by the fact that certain funds are reported in the SBR but not included in the USAID section of the "Department of State and Other International Programs" Appendix of the Budget of the U.S. Government. This is largely reflected in the Economic Support Fund, which is approximately $11 billion. This fact is corroborated by the State Department Budget Office, which confirms the aforementioned funds being warranted/allocated to State, and included in State's section of the President's budget as a transfer of funds to USAID.

The amounts in the line "Other Differences" in the table below cannot be further defined because appropriation level detail is not provided in the Budget of the U.S. Government.

2015	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 27,149,433	$ 14,323,918	$ (795,234)	$ 11,480,741
Funds Reported in SBR, Not Attributed to USAID in the President's Budget	(10,794,000)	(5,686,000)	–	(5,571,000)
Other Differences	228,567	5,380,820	795,234	536,259
Budget of the U.S. Government	$ 16,584,000	$ 7,380,000	$ –	$ 6,446,000

NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

USAID presents the Consolidated Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Combined Statement of Budgetary Resources. The Federal Financial Accounting Standard No. 7 requires "a reconciliation of proprietary and budgetary information in a way that helps users relate the two." The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting. Reconciliation of Obligations Incurred to Net Cost of Operations for the years ended September 30, 2016 and 2015 are indicated in the table below *(in thousands)*:

	2016	2015
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 13,837,261	$ 14,323,918
Spending Authority From Offsetting Collections	(1,696,911)	(2,349,304)
Downward Adjustments of Obligations	(721,039)	(1,229,756)
Offsetting Receipts	(795,234)	(193,254)
Net Obligations	10,624,077	10,551,604
Other Resources Used to Finance Activities	502,053	38,375
Resources Used to Finance Activities	11,126,130	10,589,979
Resources Used to Finance Items Not Part of Net Cost of Operations	1,896,825	2,240,228
Total Resources Used to Finance Net Cost of Operations	13,022,955	12,830,207
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(317,634)	(85,102)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(214,788)	(216,511)
Net Cost of Operations (Notes 15 and 16)	$ 12,490,533	$ 12,528,594

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

***(Preceding page)* Meet Shahara, a garment worker in Bangladesh who unionized with support from USAID and is learning to lead. Discover "Shahara Knows Her Rights" at *stories.usaid.gov*.**

PHOTO: JOSH ESTEY FOR USAID

***(Above)* Meet Aissatou, the journalist who is empowering women to use their voices in Senegal. Discover "Media Mama" at *stories.usaid.gov*.**

PHOTO: DAVE COOPER FOR USAID

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2016

(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	**305**	**306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources:													
Unobligated Balance, Brought Forward, October 1	$ 231,809	$ 4,311	$ 17,964	$ 5,452	$ 2,119,892	$ 662,189	$ 4,644,002	$ 7,449	$ 40,986	$ 3,074,660	$ 1,567,143	$ 451,734	$ 12,827,591
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(2,076)	–	–	–	–	–	–	–	–	–	–	–	(2,076)
Unobligated Balance Brought Forward, October 1, as Adjusted	229,733	4,311	17,964	5,452	2,119,892	662,189	4,644,002	7,449	40,986	3,074,660	1,567,143	451,734	12,825,515
Recoveries of Prior Year Unpaid Obligations	168,432	240	10,683	11,330	112,867	128,297	183,272	22,297	990	140	33,025	49,466	721,039
Other Changes in Unobligated Balance (+ or -)	(8,671)	–	1,517	(2,214)	(41,420)	3,060	(392,810)	(2,062)	(6,821)	(71,262)	3,237	266,416	(251,030)
Unobligated Balance from Prior Year Budget Authority, Net	389,494	4,551	30,164	14,568	2,191,339	793,546	4,434,464	27,684	35,155	3,003,538	1,603,405	767,616	13,295,524
Appropriations (Discretionary and Mandatory)	1,285,354	–	929,688	–	2,780,971	2,725,140	4,307,596	–	–	(29)	206,788	–	12,235,508
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	2,899	–	–	2,899
Contract Authority (Discretionary and Mandatory)	–	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	43,283	–	(395,750)	–	467	31,071	(712,883)	–	–	564,962	1,250,793	914,968	1,696,911
Total Budgetary Resources	**$ 1,718,131**	**$ 4,551**	**$ 564,102**	**$ 14,568**	**$ 4,972,777**	**$ 3,549,757**	**$ 8,029,177**	**$ 27,684**	**$ 35,155**	**$3,571,370**	**$3,060,986**	**$1,682,584**	**$ 27,230,842**
Status of Budgetary Resources:													
Obligations Incurred:	1,468,386	1,980	104,271	9,976	2,254,538	2,413,655	4,121,620	19,277	(1,198)	274,218	1,887,885	1,282,653	$13,837,261
Unobligated Balance, End of Year:	–	–	–	–	–	–	–	–	–	–	–	–	–
Apportioned	102,456	2,592	459,774	3,554	2,668,160	1,134,930	3,884,815	5,803	29,142	253,826	552,157	283,736	9,380,945
Exempt from Apportionment	–	–	–	–	(3)	–	(1)	–	–	–	–	–	(4)
Unapportioned	147,289	(21)	57	1,038	50,082	1,172	22,743	2,604	7,211	3,043,326	620,944	116,195	4,012,640
Total Unobligated Balance, End of Year	**249,745**	**2,571**	**459,831**	**4,592**	**2,718,239**	**1,136,102**	**3,907,557**	**8,407**	**36,353**	**3,297,152**	**1,173,101**	**399,931**	**13,393,581**
Total Budgetary Resources	**1,718,131**	**4,551**	**564,102**	**14,568**	**4,972,777**	**3,549,757**	**8,029,177**	**27,684**	**35,155**	**3,571,370**	**3,060,986**	**1,682,584**	**27,230,842**

(continued on next page)

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES *(continued)*

For the Year Ended September 30, 2016

(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	305	306	1010	1021	1035	1037	1093	1095				
Change in Obligated Balance:													
Unpaid Obligations, Brought Forward, October 1 (Gross)	707,355	874	66,760	4,538	4,401,732	2,189,658	10,823,849	10,071	8,894	4,317	973,766	846,912	$20,038,726
Adjustment to Unpaid Obligations, Start of Year (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Obligations Incurred	1,468,386	1,980	104,271	9,976	2,254,538	2,413,655	4,121,620	19,277	(1,198)	274,218	1,887,885	1,282,653	13,837,261
Outlays (Gross) (-)	(1,338,334)	(1,351)	(43,276)	(1,381)	(2,579,599)	(2,220,460)	(4,221,764)	(655)	891	(260,573)	(2,013,958)	(1,229,478)	(13,909,938)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Recoveries of Prior Year Unpaid Obligations (-)	(168,432)	(240)	(10,683)	(11,330)	(112,867)	(128,297)	(183,272)	(22,297)	(990)	(140)	(33,025)	(49,466)	(721,039)
Unpaid Obligations, End of Year	668,975	1,263	117,072	1,803	3,963,804	2,254,556	10,540,433	6,396	7,597	17,822	814,668	850,621	19,245,010
Uncollected Payments:					–	–	–	–	–	–	–	–	–
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(2,847)	–	–	–	71	(331)	–	(1)	(4,958)	17	(494,004)	–	(502,053)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in Uncollected Payments from Federal Sources (+ or -)	2,817	–	–	–	(70)	332	–	–	–	(18)	481,563	–	484,624
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	–	–	–	–	–	–	–	–	–	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(30)	–	–	–	1	1	–	(1)	(4,958)	(1)	(12,441)	–	(17,429)
Budget Authority and Outlays, Net:													
Budget Authority, Gross (Discretionary and Mandatory)	1,328,637	–	533,938	–	2,781,438	2,756,211	3,594,713	–	–	567,832	1,457,581	914,968	13,935,318
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(46,100)	–	–	–	(1,235)	146	(17,707)	–	–	(564,945)	(1,408,269)	392	(2,037,718)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	2,817	–	–	–	(70)	332	–	–	–	(18)	481,563	–	484,624
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget Authority, Net (Total) (Discretionary and Mandatory)	1,285,354	–	533,938	–	2,780,133	2,756,689	3,577,006	–	–	2,869	530,875	915,360	12,382,224
Outlays, Gross (Discretionary and Mandatory)	1,338,334	1,351	43,276	1,381	2,579,599	2,220,460	4,221,764	655	(891)	260,573	2,013,958	1,229,478	13,909,938
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(46,100)	–	–	–	(1,235)	146	(17,707)	–	–	(564,945)	(1,408,269)	392	(2,037,718)
Outlays, Net (Total) (Discretionary and Mandatory)	1,292,234	1,351	43,276	1,381	2,578,364	2,220,606	4,204,057	655	(891)	(304,372)	605,689	1,229,870	11,872,220
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	(795,234)	–	(795,234)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,292,234**	**$ 1,351**	**$ 43,276**	**$ 1,381**	**$ 2,578,364**	**$ 2,220,606**	**$ 4,204,057**	**$ 655**	**$ (891)**	**$ (304,372)**	**$ (189,545)**	**$1,229,870**	**$11,076,986**

MAJOR FUNDS

Operating Funds

1000 Operating Expenses of USAID

Program Funds

1010 Assistance for Eastern Europe
1021 Development Assistance
1035 International Disaster Assistance
1037 Economic Support Fund
1093 Assistance for the N.I.S. of the Former Soviet Union
1095 Child Survival and Disease Programs Funds

CREDIT FINANCING FUNDS

4119 Israel Guarantee Financing Fund
4137 Direct Loan Financing Fund
4266 DCA Financing Fund
4343 MSED Guarantee Financing Fund
4344 UE Financing Fund
4345 Ukraine Guarantees Financing Fund
4491 Egypt Guarantee Financing Fund
4493 Loan Guarantees to Middle East Northern Africa (MENA) – Financing Account

CREDIT PROGRAM FUNDS

0301 Israel Program Fund
0304 Egypt Program Fund
0401 UE Program Fund
0402 Ukraine Program Fund
0409 Loan Guarantees to Middle East Northern Africa (MENA) – Program Account
1264 DCA Program Fund

CREDIT LIQUIDATING FUNDS

4103 Economic Assistance Loans – Liquidating Fund
4340 UE Guarantee Liquidating Fund
4341 MSED Direct Loan Liquidating Fund

OTHER FUNDS

Operating Funds

0300 Capital Investment Fund (CIF)
0306 Assistance for Europe, Eurasia, and Central Asia
0535 Acquisition and Maintenance of Buildings Abroad
1007 Operating Expenses of USAID Inspector General
1036 Foreign Service Retirement and Disability Fund
1099 Fines, Penalties and Forfeitures – N.O.E.
1435 Miscellaneous Interest Collections
3220 Miscellaneous Recoveries

OTHER FUNDS *(continued)*

Program Funds

0305 Civilian Stabilization Initiative
1012 Sahel Development Program
1014 Development Fund for Africa
1015 Complex Crisis Fund
1023 Food and Nutrition Development Assistance
1024 Population and Planning & Health, Development Assistance
1025 Education and Human Resources, Development Assistance
1027 Transition Initiatives
1028 Global Fund to Fight HIV/AIDS
1029 Tsunami Relief and Reconstruction Fund
1033 HIV/AIDS Working Capital
1038 Central American Reconciliation Assistance
1040 Sub-Saharan Africa Disaster Assistance
1096 Iraq Relief Fund
1500 Demobilization and Transition Fund

Trust Funds

8342 Foreign National Employees Separation Liability Fund
8502 Technical Assistance – U.S. Dollars Advance from Foreign Governments
8824 Gifts and Donations

Revolving Funds

4175 Property Management Fund
4513 Working Capital Fund
4590 Acquisition of Property, Revolving Fund

ALLOCATIONS TO OTHER AGENCIES

1010 Assistance for Eastern Europe
1021 Development Assistance
1035 International Disaster Assistance
1037 Economic Support Fund
1093 Assistance for the N.I.S. of the Former Soviet Union
1095 Child Survival and Disease Program Funds

ALLOCATIONS FROM OTHER AGENCIES

0113 Diplomatic and Consular Programs, State
1030 Global HIV/AIDS Initiative – Carryover
1031 Global Health/Child Survival and HIV/AIDS
1121 Democracy Fund
1154 Andean Counterdrug Initiative (ACI)
2278 Commodity Credit Corporation
2750 Millennium Challenge Corporation
4336 Commodity Credit Corporation

OTHER INFORMATION

***(Preceding page)* Meet Madame Kaire, a leader helping rural women rise to the top as elected leaders in Senegal. Discover "A Voice for Senegal's Women" at *stories.usaid.gov*.**

PHOTO: DAVE COOPER FOR USAID

***(Above)* Meet Ako, a young African leader amplifying voices of peace to promote violence-free elections. Discover "Ako's Radio" at *stories.usaid.gov*.**

PHOTO: KENDRA HELMER FOR USAID

COMBINED SCHEDULE OF SPENDING

The **Combined Schedule of Spending** (SOS) is an annual statement designed to present an overview of Agency spending and to satisfy the public's desire for a transparent view of how federal monies are spent. Specifically, it outlines the total amount of federal monies available to spend by the Agency and how those monies were spent. The SOS enables the reader to clearly review USAID's spending and provides the public with a high level view of who benefits from federal spending. The spending referred to in this report represents money disbursed on legally binding obligations. The SOS presents a detailed view of the underlying data used to populate the Statement of Budgetary Resources (SBR). The SOS and SBR are required to be in agreement.

The public can access USASpending.gov to obtain a more detailed view of USAID's partners and obtain some general information about individual awards. The SOS and USASpending.gov will not be in agreement due to different reporting requirements. All information entered in the SOS is not necessarily a requirement for the website. For instance, obligations under $3.5 thousand are not required to be reported in USASpending.gov however, there are no monetary limitations placed on obligations for SOS and SBR reporting. Consequently, a percentage of USAID obligations will not be reported on the USASpending.gov website.

COMBINED SCHEDULE OF SPENDING

For the Years Ended September 30, 2016 and 2015

(in thousands)

	2016	2015
What Money is Available to Spend?		
Total Resources	$ 27,230,842	$ 27,149,433
Less Amount Available but Not Agreed to be Spent	(9,380,941)	(8,643,483)
Less Amount Not Available to be Spent	(4,012,640)	(4,182,032)
Total Amounts Agreed to be Spent	**$ 13,837,261**	**$ 14,323,918**
How was the Money Spent/Issued?		
Category:		
Personnel Compensation and Benefits		
Benefits for Former Personnel	$ 7,183	$ 7,315
Other Personnel Compensation	69,387	73,148
Personnel Benefits	240,136	239,933
Personnel Compensation, Full-Time Permanent	414,637	395,545
Personnel Compensation, Other Than Full-Time Permanent	187,392	192,241
Special Personal Services Payments	17,240	26,462
Total Personnel Compensation and Benefits	**$ 935,975**	**$ 934,644**
Contractual Services and Supplies		
Advisory and Assistance Services	$ 320,204	$ 396,042
Communication, Utilities, and Miscellaneous Charges	17,930	31,242
Medical Care	912	184
Operation and Maintenance of Equipment and Storage of Goods	56,855	18,444
Operation and Maintenance of Facilities	8,368	10,273
Other Services	94,309	71,938
Printing and Reproduction	386	1,985
Purchase of Goods and Services from Government Accounts	249,401	283,927
Rental Payments to GSA	50,950	54,528
Rental Payments to Others	55,138	58,961
Research and Development Contracts	25,267	38,567
Subsistence and Support of Persons	3	–
Supplies and Materials	6,992	11,080
Transportation of Things	19,530	18,750
Travel and Transportation of Persons	96,929	109,210
Total Contractual Services and Supplies	**$ 1,003,174**	**$ 1,105,131**
Acquisition of Assets		
Equipment	$ 55,647	$ 56,828
Investments and Loans	(3)	(6)
Land and Structures	164,438	116,439
Total Acquisition of Assets	**$ 220,082**	**$ 173,261**
Grants and Fixed Charges		
Claims and Indemnities	$ 713	$ 3,605
Grants, Subsidies, and Contributions	10,178,779	10,145,461
Interest and Dividends	24,829	7
Refunds	5	416
Total Grants and Fixed Charges	**$ 10,204,326**	**$ 10,149,489**
Other Funds	1,473,704	1,961,393
Total Other Funds	**$ 1,473,704**	**$ 1,961,393**
Total Amounts Agreed to be Spent	**$ 13,837,261**	**$ 14,323,918**
Who did the Money go to?		
Category:		
Educational Institutions	$ 167,429	$ 262,267
For Profit	3,242,139	2,913,636
Government	1,999,749	1,471,119
Individuals	792,930	841,718
Not-For-Profit	5,598,367	6,530,546
Other	2,036,647	2,304,632
Total Amounts Agreed to be Spent	**$ 13,837,261**	**$ 14,323,918**

OFFICE OF INSPECTOR GENERAL'S STATEMENT OF MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FOR USAID

According to USAID's Inspector General, the top management challenges facing the Agency are in the following five areas:

- Developing Strategies to Work Effectively in Nonpermissive and Contingency Environments
- Strengthening Local Capacity and Sustainability While Ensuring Adequate Oversight of USAID Funds
- Reconciling Interagency Priorities to Advance International Development
- Improving Program Design and Contractor and Grantee Monitoring
- Meeting Governmentwide Financial and Information Management Requirements

USAID aggressively pursues corrective actions for all significant challenges, whether identified by the Office of Inspector General (OIG), Government Accountability Office (GAO), or other sources.

The following pages addressing top management challenges for USAID are from the entire Top Management Challenges Fiscal Year 2017 report, which is available on the OIG USAID website (*oig.usaid.gov*) at *https://oig.usaid.gov/otherplansandreports?field_report_type_value=Major+Management+Challenges&field_organization_value=All.*

Message From the Inspector General

Ann Calvaresi Barr
Inspector General

The U.S. Agency for International Development (USAID) supports the United States' commitment to help developing countries tackle problems such as child and maternal mortality, hunger, education, and gender inequality, while providing humanitarian assistance to populations besieged by natural disasters, epidemics, and conflicts. The Millennium Challenge Corporation (MCC) complements USAID's mission by combating global poverty through investments in select countries. USAID and MCC—along with the United States African Development Foundation (USADF), the Inter-American Foundation (IAF), and the Overseas Private Investment Corporation (OPIC)—together spend up to $15 billion annually to advance economic growth and democracy, which promote U.S. national security interests around the world.

To help provide maximum return on these investments, OIG provides independent oversight of USAID, MCC, OPIC, USADF, and IAF.[1] As part of this oversight, the Reports Consolidation Act of 2000 (Public Law 106–531) requires each applicable Federal agency to include in its performance and accountability report a statement by its inspector general summarizing the most serious challenges facing the agency and the progress it has made in addressing them.

From our recent audits and investigations, we identified five top management challenges for USAID and one for MCC for fiscal year 2017:[2]

- ***Developing strategies to work effectively in nonpermissive and contingency environments.***[3] Working in regions characterized by conflict, political instability, or

1 OIG also provides oversight of overseas contingency operations as part of lead inspector general initiatives (described in section 8L of the Inspector General Act, as amended).

2 In reviewing our recent work for USADF and the IAF, we did not identify any serious management and performance challenges for them for fiscal year 2017.

3 Work in nonpermissive and contingency environments includes overseas contingency operations, which integrate the efforts of the Departments of Defense and State, USAID, and other partners to respond to conflicts and emergencies.

cataclysmic natural events creates significant barriers to finding qualified contractors and grantees and monitoring programs and projects.

- ***Strengthening local capacity and sustainability while ensuring adequate oversight of USAID funds.*** USAID invests in development projects that it expects can be supported locally and have a lasting impact, but OIG continues to report concerns about USAID's level of assurance that partner countries can sustain these projects.

- ***Reconciling interagency priorities to advance international development.*** In carrying out operations that require coordination with other U.S. Government agencies, USAID employees are at times unclear as to how to manage additional layers of review and balance competing objectives.

- ***Improving program design and contractor and grantee monitoring.*** Shortcomings in program design and monitoring have weakened USAID's ability to ensure programs have the resources needed to achieve objectives and identify and address fraud and other program risks.

- ***Meeting governmentwide financial and information management requirements.*** USAID continues to work to meet critical financial and information management requirements to better ensure it is an effective steward of U.S. Government resources.

- ***Achieving effective development and implementation of MCC programs and proper stewardship of corporation resources and information.*** MCC does not always accurately assess country capacity and develop sound compacts to help ensure project sustainability. Further, it lacks sufficient internal controls to ensure compliance with some U.S. Government financial and information management requirements.

In addition to meeting the requirements of the Reports Consolidation Act, this document will help inform our work and frame our dialogues with the current and next Congress and Administration to pursue stakeholder priorities for effective stewardship of U.S. funds dedicated to foreign aid and development.

OIG remains committed to conducting thorough and timely audits and investigations of USAID and MCC programs and, when appropriate, recommending actions to help the USAID Administrator and MCC Chief Executive Officer address the significant challenges they face.

If you would like to discuss or have any questions about these challenges, please contact me at 202-712-1150.

USAID's acting Administrator Alfonso E. Lenhardt (right) visits Sindhupalchowk District in central Nepal, 10 days after the devastating 7.8 magnitude earthquake on April 25, 2015. Photo: USAID/ Kashish Das Shrestha (May 5, 2015)

Chapter 1.

Developing Strategies to Work Effectively In Nonpermissive and Contingency Environments

Working in environments characterized by conflict and hostility, government instability, or cataclysmic natural events including disease is intrinsic to providing foreign assistance. Major challenges include finding qualified contractors and grantees willing to work in these risky environments, providing security for and periodically evacuating overseas agency personnel, and gaining access to project locales for appropriate monitoring. Meeting regularly with partner government and civil society representatives to formulate suitable projects is also a challenge given constraints on movement that many U.S. Embassies impose on U.S. Government employees for security purposes. The Agency recognizes that its limited ability to work in these nonpermissive and overseas contingency environments is one of its longest-standing operational challenges.

USAID works in places it designates as nonpermissive—areas beset by armed conflict, natural or man-made disasters, political repression, or widespread corruption—Afghanistan, Bangladesh, Burkina, Burundi, Democratic Republic of the Congo, Egypt, Haiti, El Salvador, Honduras, Iraq, Jordan, Kenya, Lebanon, Libya, Mali, Mexico, Niger, Nigeria, Pakistan, South Sudan, Sudan, Uganda, Ukraine, West Bank/Gaza, and Yemen.

Congress authorizes funding for overseas contingency operations to integrate the efforts of USAID and the Departments of Defense and State to respond to conflicts and emergencies. To oversee these operations, the chair of the Council of Inspectors General on Integrity and Efficiency designates a lead inspector general and appoints an associate inspector general from among the permanent IGs of USAID and the Departments of Defense and State. In fiscal year 2016, contingency operations were ongoing in Afghanistan (Operation Freedom's Sentinel) and in Syria and Iraq (Operation Inherent Resolve). USAID also continued to support activities initially associated with Operation United Assistance—the U.S. contingency operation that responded to the Ebola outbreak in West Africa—when the focus shifted in June 2015 from combating the disease to mitigating its effects on food security and health systems.

According to USAID's Office of Transition Initiatives, which has worked in complex, high-threat environments for the past 15 years, "The very nature of these environments requires flexible responses and iterative processes adapted to specific country contexts and the constantly changing local, regional, and national dynamics."[1] However, these flexibilities can add another layer of complexity in designing, implementing, and monitoring foreign assistance.

Syria and Iraq

As of July 2016, the complex crises in Syria and Iraq had displaced millions of people. According to the United Nations, 13.5 million people in Syria and 10 million in Iraq were in need of assistance. USAID's Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace coordinate humanitarian assistance—OFDA through staff in the field and at headquarters, and Food for Peace in partnership with the World Food Programme. While USAID supports relief efforts to those in Iraq through its OFDA partners in Iraq, it channels U.S.-funded humanitarian assistance to Syrians through cross-border efforts led by the United Nations.

Our work has highlighted the challenges OFDA and implementers faced in responding to the humanitarian crisis in Iraq, which was caused by armed conflict and the fight against the Islamic State of Iraq and the Levant (ISIL). OFDA's primary concerns were security and its inability to reach people in need because of local government restrictions on access. To mitigate these challenges, OFDA partners relied on external security (for example, the Kurdish military in northern Iraq), improved partners' internal security procedures, and expanded partner registration with the central Government.

Our fraud investigations exposed weaknesses in humanitarian assistance programs for Syria. Investigators identified fraud schemes involving collusion between vendors and implementers' procurement and logistics staff. We also identified product substitution schemes (food and nonfood items), inflated billing, and false claims. As a result of our ongoing investigations, USAID suspended several implementing partner programs, vendors, and individuals. USAID noted that it continues to work with the United Nations and other nongovernmental organization partners to identify ways to close assistance gaps.

However, underlying weaknesses that make programs vulnerable to exploitation likely remain. Our investigative work raised serious concerns about implementers' contracting processes, including using less than full and open competition; the rigor and timeliness of their responses to allegations of fraud; and their logistics, quality control, and monitoring procedures. Our investigations also raised concerns about USAID's oversight of implementers.

1 USAID Office of Transition Initiatives, "Lessons Learned: Monitoring and Evaluation in Complex, High-Threat Environments," April 2010.

Egypt, Libya, Tunisia, and Yemen

The Arab Spring uprising, which began in late 2010, brought about abrupt changes in national governments and led to a period of transition and uncertainty. USAID officials working in Egypt, Libya, Tunisia, and Yemen said conditions in these countries required mission staff to adapt plans to the new environments, causing project delays, and restricted travel, making monitoring more difficult. Evacuations also disrupted USAID's operations in Egypt and Yemen, with staff evacuated twice in 3 years for periods up to 6 months.

Afghanistan

The drawdown in U.S. Armed Forces and scheduled reduction in USAID staff in Afghanistan restricted the Agency's ability to travel to project sites to monitor activities. To compensate, USAID intended to use multitiered monitoring, which draws on data and observations from United States and Afghan Government sources, other donors, USAID partners, beneficiaries, and contractors hired to monitor activities. However, as we reported in December 2015, the mission could only demonstrate that 1 out of 127 awards used multitiered monitoring.

Our investigators received multiple allegations of fraud related to USAID/Afghanistan programs, many from a contractor that suspected its subcontractor. We discovered that the subcontractor had steered contracts to family members and overbilled for vehicle leases. In another case, we found evidence of a subcontractor overcharging a contractor for armored vehicles. OIG investigators also responded to allegations and opened cases on bribe solicitation, fraudulent hiring practices by contractors, and embezzlement by a contractor employee.

Guinea, Liberia, and Sierra Leone

As part of the response effort in Guinea, Liberia, and Sierra Leone—the countries most affected by the Ebola outbreak in West Africa—USAID sought to address food shortages caused by a depleted farm workforce, quarantines, and border closures. However, a lengthy award approval process and difficulties in recruiting staff to implement emergency food programs funded by Food for Peace delayed USAID's response. Coordination hurdles with local governments and organizations that had little or no experience handling cash transfers and food vouchers further exacerbated delays in efforts to provide emergency food assistance in the region.

To overcome the challenges to working effectively in restrictive and highly fluid nonpermissive and contingency environments, USAID has taken several actions.

The Agency has developed training, including a 3-day workshop, for employees assigned to nonpermissive countries to prepare them to work in restricted environments. The Agency intends to make the training mandatory for employees assigned to nonpermissive countries beginning in 2017. USAID also requires employees assigned to select countries to take a weeklong counter threat training class. Additionally, the Office of Security offers training to help employees prepare, prevent, and respond to isolating events stemming from conflict or disasters.

- The Agency surveyed the support services provided to staff before, during, and after assignments to nonpermissive environment countries.

- USAID issued revised program cycle guidance in September 2016 to allow customizable processes, increase flexibility, and promote organizational learning to help missions adapt to changing circumstances.

- The Agency also uses independent contractors to monitor programs in high-threat environments, where USAID personnel cannot access program sites because of security restrictions.

While these actions, if implemented effectively, should better prepare Agency staff and implementers to work in rapidly and unexpectedly changing environments, they may not be enough to mitigate risks. To look at how the Agency is addressing this challenge, we have two audits underway to assess its development activities in Afghanistan—specifically, whether USAID/Afghanistan's practices provide reasonable assurance that the Afghanistan Reconstruction Trust Fund is being used to achieve development objectives, and whether USAID/Afghanistan adopted policies and procedures to adequately verify gains reported under the New Development Partnership. In addition, as part of our ongoing oversight of USAID's activities under Operation Inherent Resolve, we are strategically targeting audits to see how USAID monitors implementers' internal controls and procurement systems and how it coordinates with public international organizations that deliver USAID-funded assistance programs.

Related OIG Products

- "Operation Inherent Resolve, Report to the United States Congress, April 1 – June 30, 2016," Lead Inspector General for Overseas Contingency Operations, August 5, 2016
- "Fraud Investigations Expose Weaknesses in Syria Humanitarian Aid Programs," Statement of the Honorable Ann Calvaresi Barr, Inspector General, U.S. Agency for International Development, Before the Committee on Foreign Affairs, Subcommittee on the Middle East and North Africa, U.S. House of Representatives, July 14, 2016
- "Semiannual Report to the Congress, October 1, 2015 – March 31, 2016"
- "Audit of Select Activities From the USAID/Food for Peace Response to the Ebola Crisis in West Africa" (7-962-16-003-P), March 16, 2016
- "Survey of Selected USAID/Office of Foreign Disaster Assistance Programs in Iraq" (8-267-16-001-S), February 10, 2016
- "Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Programs Throughout Afghanistan" (F-306-16-001-P), December 10, 2015
- "Survey of USAID's Arab Spring Challenges in Egypt, Tunisia, Libya, and Yemen" (8-000-15-001-S), April 30, 2015

In Addis Ababa, President Obama tours Faffa Food Factory, which received USAID and Feed the Future funding to provide low-cost nutritionally fortified foods to Ethiopians. Photo: USAID (July 27, 2015)

Chapter 2.

Strengthening Local Capacity and Sustainability While Ensuring Adequate Oversight of USAID Funds

USAID's development policy promotes the achievement of sustainable results. To help sustain development after the Agency's involvement ends, USAID's program development guidance calls for investing in communities that have a stake in continuing activities and services, building the skills of local stakeholders, and ensuring public- or private-sector participation and financial backing. However, we continue to report concerns about the level of assurance USAID has in achieving sustainability in its programs.

- A health services project in Haiti lacked a plan to transfer responsibility for paying the salaries of health workers at 80 health-care facilities from USAID to other sources after the project ends. According to the contract, the mission expected Haiti's health ministry to assume some costs. It did not, project officials assumed because the Haitian Government could not take them on. In that case the project would need other donors to be viable.

- Five of 19 USAID-funded road construction projects in the West Bank showed signs of deterioration, raising questions about their sustainability. A mission-commissioned study found that because of competing budget priorities, the Palestinian Authority did not allocate funds from fuel-tax revenue to support road maintenance.

- A biodiversity project in Cambodia lacked Government commitment to continue some activities to sustain and protect forests. While the project gave Forestry Administration officials the skills to support and legalize community forests and helped several indigenous communities sustain and protect their forest boundaries, the project could not create a new protected forest—one of its most important tasks—because obtaining Government approval for the protected status was beyond the Forestry Administration's control.

Efforts under USAID's Local Solutions initiative, a reform strategy under USAID Forward, have similarly fallen short of expectations.[1] The Local Solutions initiative aims to promote country ownership and sustainability of development outcomes by providing program funding directly to partner governments and local organizations. However, our reports have identified challenges in missions' implementation of the initiative.

- The Enhanced Partnership with Pakistan Act (EPPA) of 2009 authorized $7.5 billion over 5 years for civilian assistance.[2] USAID/Pakistan's annual budget almost tripled between fiscal years 2008 and 2009, from $407 million to $1.1 billion—supplemented in large part through EPPA. This surge of funding outpaced USAID/Pakistan's ability to design and award projects effectively. As of September 30, 2015, USAID/Pakistan had awarded 50 percent of its portfolio to local institutions, in part through government–to-government assistance, but had not completed a rapid appraisal of the Government of Pakistan's country systems—an examination of political and security factors and country commitment to transparency and accountability—the first step in determining eligibility for government-to-government assistance. After starting the appraisal, the mission obtained a waiver to not finish it. Because the mission did not complete the appraisal, mission staff had to perform more rigorous reporting on fiduciary risks in its assessment of partner organization systems.

- USAID/Paraguay implemented a $24.4 million program through a local organization to strengthen the internal management and government systems of select public institutions. However, the mission failed to determine in its preaward survey of the organization that it did not have sufficient financial and managerial capacity to manage USAID funds, assess results, or track program progress. Critically, the mission did not evaluate the organization's policies, procedures, and capabilities in (1) complying with laws and regulations, (2) managing its bank account, (3) exercising internal controls over direct and indirect costs, (4) ensuring price reasonableness of procurement actions, (5) maintaining financial records, and (6) managing projects—ultimately putting $24.4 million at risk.

In addition, the Government Accountability Office (GAO) reported in April 2014 that USAID relied primarily on an indicator that tracked mission funding to local entities, rather than what the entities did with the funding, to measure the progress of its Local Solutions initiative.[3] This indicator was of limited value in assessing the Agency's progress on its Local Solutions targets.

We are currently auditing USAID's Local Solutions initiative to assess its efforts to strengthen local capacity, enhance and promote country ownership, and increase sustainability. We are also assessing how USAID vets and selects government ministries, local NGOs, and local for-profit firms to implement USAID-funded programs.

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1 In 2010, USAID launched USAID Forward, a series of reforms to improve how the Agency does business.
2 Public Law 111-73, 2009, Title 1.
3 GAO-14-355, "USAID Has Increased Funding to Partner-Country Organizations but Could Better Track Progress," April 16, 2014.

USAID reported that it has taken a number of steps to address the challenges of sustainability and build local capacity. The Bureau for Policy, Planning and Learning (PPL) revised its program development guidance to incorporate practices that promote sustainability in projects and activities.[4] PPL is concurrently collaborating with the Local Solutions team to develop indicators to track local ownership good practices for sustainable results throughout USAID's development program cycle. The Agency is also addressing management and performance challenges by enhancing tools and processes to assess, reassess, and monitor fiduciary risk in Local Solutions activities. Finally, USAID is working through external partnerships with the International Organization for Supreme Audit Institutions and GAO to improve oversight by enhancing the capabilities of audit organizations in developing countries.

Until the Agency successfully implements its revised guidance, monitoring strategy, and enhanced tools and processes and assesses their impact, promoting local solutions and achieving sustainability while ensuring adequate oversight of USAID funds will remain a top management challenge for the Agency.

Related OIG Products

- "USAID/Haiti Needs to Improve Oversight of the Quality Health Services for Haiti Central and South Project to Better Ensure Sustainability" (1-521-16006-P), July 6, 2016
- "Audit of USAID/West Bank and Gaza Construction Programs" (8-294-16-001-P), February 22, 2016
- "Audit of USAID/Cambodia's Supporting Forests and Biodiversity Project" (5-442-16-002-P), April 15, 2016
- "Competing Priorities Have Complicated USAID/Pakistan's Efforts to Achieve Long-Term Development Under EPPA" (G-391-16-003-P), September 8, 2016
- "Audit of USAID/Paraguay's Democracy and Governance Program" (1-526-16-004-P), January 21, 2016

4 ADS 200, "Development Policy," and ADS 201, "Program Cycle Operational Policy," were issued on September 7, 2016.

Medical workers in Liberia gather in a treatment unit provided by USAID as part of the interagency U.S. Government Ebola response. Photo: USAID/Neil Brandvold (January 31, 2015)

Chapter 3.

Reconciling Interagency Priorities To Advance International Development

Contingency operations and other efforts require coordination with multiple U.S. Government agencies, yet USAID's development priorities do not always align with other agencies' priorities, making it difficult for USAID to achieve its core development mission. In particular, coordination with the State Department, which leads multiagency operations that respond to political and security crises, has presented challenges to USAID's project planning and execution. Despite broad interagency guidance on State's role in politically sensitive environments, USAID employees are sometimes unclear as to how to manage additional layers of review, respond to changing priorities, and balance short-term and long-term priorities. Lack of knowledge about other agencies' processes exacerbates these challenges.

Arab Spring

To identify the challenges USAID faced during the early part of the protest movement that came to be known as the Arab Spring (December 2010-June 2014), we surveyed 70 USAID employees working on programs for Egypt, Tunisia, Libya, and Yemen.[1] According to USAID staff, the State Department's influence over USAID programs increased after the Arab Spring began, creating additional challenges. For example,

1 For the survey, OIG interviewed 31 USAID officials who worked on activities in these countries, and administered a questionnaire. In all, 70 employees from USAID either had interviews or responded to the questionnaire.

a USAID employee in Egypt noted that State's control "severely constrains USAID's ability to design and execute technically sound development projects," stating that agreed-upon steps to design activities and select implementation mechanisms abruptly change. USAID staff pointed out that State's added layer of review slowed operations, and USAID employees had to dedicate additional time to building consensus and gaining external parties' approval. USAID employees also said State officials, unfamiliar with the Agency and its different types of procurement, made requests that were difficult to accommodate under USAID procedures.

In a more recent audit in Pakistan, we also found challenges in reconciling short-term political goals with long-term development goals.

Pakistan

Our audit of the $7.5 billion aid package authorized under the Enhanced Partnership for Pakistan Act (EPPA) found that USAID's programs there have not achieved intended development objectives, in part because of competing priorities between State and USAID. The State Department has the lead role for assistance activities in Pakistan, making it responsible for budget and project decisions.[2] At the outset, USAID/Pakistan followed State's initial strategy, which lacked long-term development outcomes and goals. In 2013, USAID/Pakistan implemented a formal strategy that linked activities to a long-term development goal but lacked indicators to measure progress. The strategy also focused on repairing and upgrading Pakistan's energy infrastructure—mirroring State's focus on energy as key to long-term growth—but not on other priority areas, such as health, education, and economic growth. According to USAID staff, implementing a development strategy under State Department control was challenging.

As a result of our EPPA audit, we made recommendations to improve USAID's development implementation in an interagency environment, including that USAID revise its policies to (1) clearly define USAID's roles and responsibilities for designing and implementing development when it is subject to State Department control and (2) provide alternate development strategies when a country development cooperation strategy[3] or a transitional country strategy is not an option. We also recommended that the Agency institute an interagency forum where USAID can better present its development perspective in countries where the State Department takes the lead. In response, USAID's Administrator has engaged the State Department leadership to discuss solutions, including better reconciling interests at the beginning of planning and programming, so that USAID and State leadership can help staff pursue both agencies' objectives simultaneously.

USAID has begun actions to address OIG's recommendations to address this challenge. However, until corrective actions are fully implemented and realized, reconciling interagency priorities to advance international development will remain a top management challenge.

Related OIG Products

- "Competing Priorities Have Complicated USAID/Pakistan's Efforts to Achieve Long-Term Development Under EPPA" (G-391-16-003-P), September 8, 2016
- "Most Serious Management and Performance Challenges for the U.S. Agency for International Development," October 15, 2015
- "Survey of USAID's Arab Spring Challenges in Egypt, Tunisia, Libya, and Yemen" (8-000-15-001-S), April 30, 2015

2 Department of State, "2010 Quadrennial Diplomacy and Development Review: Leading Through Civilian Power."
3 A country development cooperation strategy helps missions determine the kinds of activities they will conduct and the amount of money they will need from Congress to do so.

Mando Zayi District Development Assembly leaders from Logar Province, Afghanistan, conduct a monitoring visit of a USAID-funded project to build a wall to shield farmland from flash floods. Photo: USAID/Ahmad Salarzai (November 12, 2013)

Chapter 4.

Improving Program Design and Contractor and Grantee Monitoring

Successful foreign assistance programs rely on sound design, implementation, monitoring, and evaluation. Effective design helps ensure programs have the resources needed to achieve objectives, while program monitoring and evaluation help implementers and missions identify and address fraud and other program risks that prevent programs from achieving desired results. The adequacy of oversight of contractors and grantees is essential to effective execution of development programs and the delivery of humanitarian assistance.

Problems with design can derail a project before it begins or limit its impact, as the following examples illustrate.

- USAID/Egypt's design process for economic growth projects lacked an established country development cooperation strategy, which ran counter to USAID policy. Such a strategy would lay out development objectives and provide the basis for coordinating USAID's efforts with those of the partner-country government and other U.S. Government agencies. The lack of a strategy complicated USAID/Egypt's efforts to design its economic growth project.

- For an $88 million agricultural program in Haiti, USAID assigned contract design and administration to inexperienced staff. Contract flaws including a lack of clear deliverables resulted, complicating project implementation.

Persistent weaknesses in performance monitoring, as well as in data collection and reporting, escalated risk even for programs that had adequate designs.

- USAID missions in Egypt, Jordan, and West Bank and Gaza did not adequately develop or use internal controls—policies, procedures, systems, or other tools—to ensure quality data, monitoring, or evaluation. When such tools were in place, they were not consistently used or they failed to ensure adequate program management and oversight. The weaknesses stemmed from staffing shortages, lack of employee training, and managers' lack of enforcement, as well as from continually shifting budgets and priorities. Questionable data have been a recurring theme in our performance audits of projects run by these missions, with 71 percent of reports issued between fiscal years 2011 and 2013 featuring findings on unreliable data.

- The Office of U.S. Foreign Disaster Assistance (OFDA) grant for Ebola response activities in Liberia lacked relevant and valid performance measures and targets. The implementer also paid nearly $1.5 million to health-care workers without requiring documentation to confirm their identity. OFDA also did not document program monitoring or verify some reported results, which contained some inaccuracies. Further, rotating team members on OFDA's disaster assistance response team did not adequately document their monitoring activities, putting new members at a disadvantage in making sound program decisions.

- The implementer of agriculture and biotechnology programs in West Africa provided inaccurate data for Feed the Future projects in its fiscal year 2014 annual report to USAID/West Africa. The implementer lacked sufficient evidence to support its reported results, and the data did not meet USAID's data quality standards. For example, the implementer double- or triple-counted data or counted expected—not actual—results. Moreover, mission staff had not conducted site visits to verify reported data. In some cases, methods for gathering data on performance indicators were designed poorly. For example, for individuals trained, project staff planned to multiply the number of topics discussed by the number of attendees. To help improve the project's data quality, USAID/West Africa officials trained project staff on monitoring and evaluation. However, the key employee for collecting and reviewing partner data did not attend and project staff did not understand the reporting requirements.

- USAID/Paraguay could not determine whether a democracy and governance program was achieving its main goal because some indicators were inadequate to measure results. In addition, the implementer did not have the capacity or knowledge to gather results for the 25 indicators.

Finally, USAID has not consistently done the monitoring needed to identify contractors and grantees who take advantage of weak internal controls to commit fraud, waste, or abuse. For example, in the Syria response, we uncovered instances of product substitution, false claims, and collusion. Investigations into fraud allegations raised concerns about implementers' logistics, quality control, and monitoring procedures, as well as about USAID's approach to implementer oversight. In other countries, we found instances of false billings, and false receipts submitted for travel expenses and cash advances.

Our Office of Investigations developed a quick reference guide to help USAID and its implementing partners in Syria and Iraq identify and address fraud.[1] We compiled the guide from trends identified in investi-

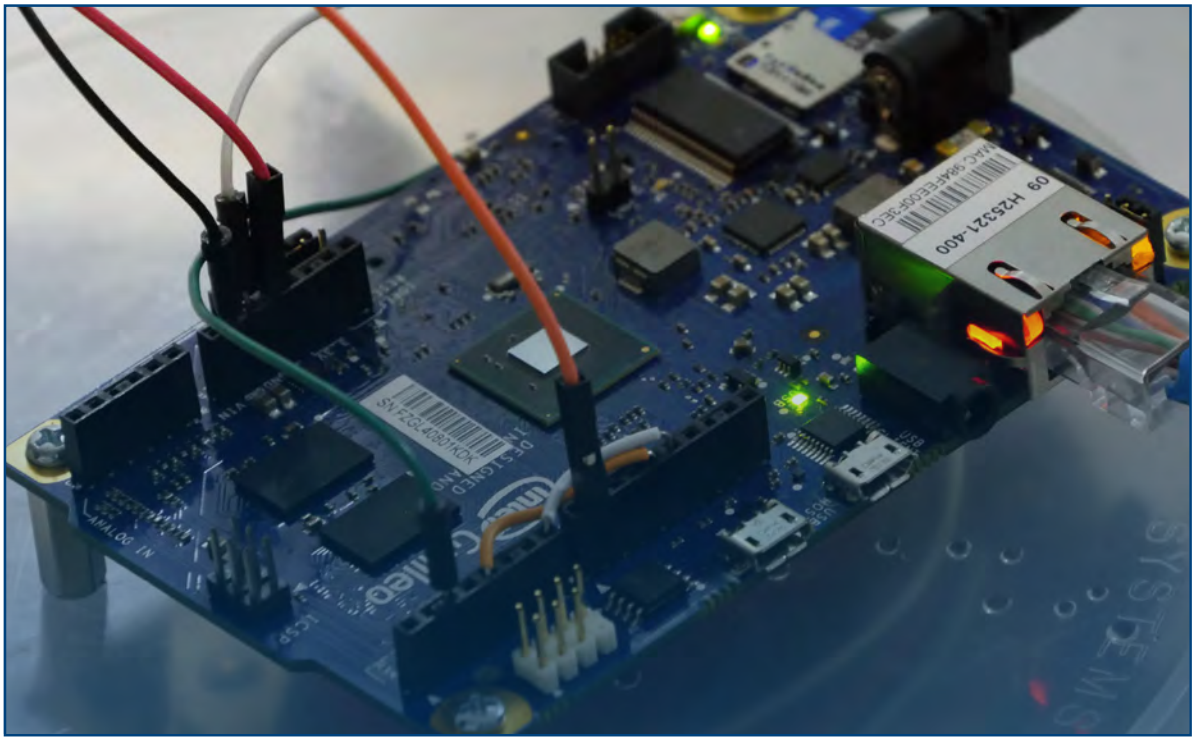
1 "Fraud Prevention and Compliance, A Pocket Guide for the Middle East Crisis Humanitarian Response," USAID Office of Inspector General, Office of Investigations, June 1, 2016.

gations and meetings with implementing partners across the region. The guide addresses internal control deficiencies, shares best practices for fraud prevention, and lists red flags for fraud. Although designed for the Middle East humanitarian response, the guide is also useful for USAID programs in other regions.

USAID reported that is has made progress addressing this challenge by offering training and guidance and by updating its policies. As of the end of fiscal year 2015, the Agency reported it has trained more than 1,600 staff in performance monitoring and evaluation, and in September 2016, the Agency updated its policy for program design and management. Until these actions translate into improvements, effective program design and contractor and grantee monitoring will remain a significant management challenge—one that will be put to the test as USAID designs, implements, and monitors future programs and initiatives like those under its Zika virus response program.

Related OIG Products

- "Working in Politically Sensitive Countries With Limited Resources Stymied Monitoring and Evaluation Efforts of Selected Middle East Missions" (8-000-16-003-P), September 30, 2016
- "Competing Priorities Have Complicated USAID/Pakistan's Efforts to Achieve Long-Term Development Under EPPA" (G-391-16-003-P), September 8, 2016
- "Fraud Investigations Expose Weaknesses in Syria Humanitarian Aid Programs," Statement of the Honorable Ann Calvaresi Barr, Inspector General, U.S. Agency for International Development, Before the Committee on Foreign Affairs, Subcommittee on the Middle East and North Africa, United States House of Representatives, July 14, 2016
- "Semiannual Report to the Congress, October 1, 2015 – March 31, 2016"
- "Review of USAID/Egypt's Adherence to Policy, Standards, and Best Practices in Designing Economic Growth Projects" (8-263-16-002-S), February 12, 2016
- "Audit of USAID/Paraguay's Democracy and Governance Program" (1-526-16-004-P), January 21, 2016
- "Audit of Selected Ebola-Response Activities Managed by USAID's Office of U.S. Foreign Disaster Assistance in Liberia" (7-669-16-002-P), December 4, 2015
- "Audit of USAID/Haiti's Feed the Future North Project" (1-521-16-001-P), October 21, 2015
- "Audit of USAID/West Africa's Staple Crops and Biotechnology Programs" (7-624-16-001-P), October 15, 2015



A pilot funded by USAID in partnership with Google uses motherboards like this to teach technology and job skills to university students in Cambodia, Laos, Myanmar, Thailand, and Vietnam. Photo: USAID/Richard Nyberg (February 16, 2016)

Chapter 5.

Meeting Governmentwide Financial and Information Management Requirements

The Federal Government has established strict financial and information management requirements to better ensure agencies are effective stewards of Government resources. We have continued to identify USAID's challenges in meeting these requirements.

Financial Management

Audits of U.S.-based contractors. To promote sound financial management, accountability, and oversight, including effective internal controls, Federal agencies are required by the Federal Acquisition Regulation, the Single Audit Act, and Office of Management and Budget guidance to obtain appropriate and timely audits of contractors. Historically, the Defense Contract Audit Agency (DCAA) audited USAID's contractors under a reimbursable agreement with USAID. However, section 893 of the fiscal year 2016 National Defense Authorization Act (NDAA) prohibited DCAA from performing audits for nondefense agencies until the backlog of Department of Defense DCAA-related audits dropped below 18 months. This prevented DCAA from performing audits of USAID funds, including those DCAA started but did not complete.[1]

1 In September 2016, the Department of Defense certified that DCAA's backlog was less than 18 months, restoring DCAA's ability to conduct contract audits for nondefense agencies. However, according to USAID officials, the Agency has not designated any new funds for DCAA to conduct incurred-cost audits.

Prior to the 2016 NDAA, USAID took several actions in an attempt to clear its audit backlog, including increasing funding for incurred-cost audits, using contracts with public accounting firms to augment DCAA's audit efforts, and funding a liaison position in DCAA to monitor audits requested by USAID and bring issues to appropriate DCAA management officials for resolution. However, with the enactment of NDAA, USAID needs to rethink its strategy to eliminate its audit backlog. The Agency will also need to deal with the over $2 billion that will not be audited because DCAA terminated ongoing audits of USAID-related contractors. The terminated audits are now subject to the Contract Dispute Act's statutory limitations, and the Agency can no longer collect any potential unallowable costs from these audits.

Reconciliation of intragovernmental transactions. The Department of Treasury reported that as of September 30, 2015, USAID had $15.3 billion in unreconciled transactions with other Federal agencies, referred to as "trading partners." When USAID and its trading partners record transactions in different accounting periods or use different methodologies to classify and report them, these differences must be reconciled to provide accountability and transparency. For example, if USAID provides services to another agency and classifies the transaction under accounts receivable, the other agency should classify the transaction under accounts payable. If either agency does not classify the transactions in this manner, the U.S. Treasury may not recognize the relationship between the two amounts and will report them as a difference for each agency. Although USAID has increased its efforts and continually researches intragovernmental activity to resolve unreconciled amounts, differences remain and reconciling them presents a challenge to the Agency.

Reconciliation of the fund balance with Treasury. Our audit of USAID's financial statements for fiscal years 2015 and 2014 identified a material weakness related to the Agency's Fund Balance with Treasury (FBWT) reconciliations that indicates a material misstatement of the Agency's financial statements may not be prevented, or detected and corrected promptly. USAID has made progress reconciling its FBWT account, but large unreconciled differences persist—largely because USAID adjusted, rather than reconciled, its FBWT account to agree with Treasury's fund balance. As of September 30, 2015, the net difference between USAID's general ledger and the amount in Treasury's records was approximately $172 million, $93 million of which was due to outstanding items. The remaining $79 million cannot be explained, and most of this amount has been reported in the no-year Development Assistance Fund.[2] This difference has accumulated because of a legacy system problem, data migration difficulties, and the lack of an integrated system to control reconciliations performed by missions around the world. Management asserts the difference cannot be reconciled and plans to work with Treasury and the Office of Management and Budget to resolve the unexplainable difference in December 2016. However, until these actions are fully implemented and the impacts assessed, reconciliation remains a management challenge.

Information Management

Executive Order 13526, Classified National Security Information. Executive Order (E.O.) 13526, signed in 2009, established a uniform system for classifying, safeguarding, and declassifying national security information. Our audit of USAID's implementation of the Executive Order found that USAID's classification policy does not meet E.O. 13526 requirements. We found persistent and systemic noncompliance related to program management, security education and training, self-inspections, the issuance of an Agency classification guide, reporting of program activities and results to the National Archives and Records Administration's Information Security Oversight Office (ISOO), and classification markings. We also found that USAID's implementation of the 11 recommendations in

2 The Development Assistance Fund supports the key factors for sustainable economic growth: trade and investment, agriculture, education, environment, health, and democracy.

our 2014 review was incomplete. Two corrective actions were not implemented, and seven were not implemented effectively to remedy the deficient condition. Given the depth, sensitivity, and persistence of the weaknesses we found in operations, reporting, and compliance, we consider them a significant internal control deficiency. Despite these weaknesses, our review did not find instances of persistent misclassification of derivatively classified information, and USAID's one originally classified document was properly classified. We recommended that the Office of the Administrator implement a corrective action plan to bring USAID's classified national security information program into full compliance with E.O. 13526 and ISOO regulations and directives. USAID management agreed with the recommendation and instructed its Office of Security director to develop a corrective action plan. The Agency expects to complete this action by March 29, 2017.

Federal Information Technology Acquisition Reform Act (FITARA). FITARA was enacted in December 2014 to reform and streamline the Government's information technology acquisitions, including strengthening chief information officers' accountability for their agencies' IT costs, schedules, performance, and security. In November 2015, the House Oversight and Government Reform Committee issued a FITARA Implementation Scorecard, which gave USAID an overall grade of "D." According to USAID's baseline implementation plan, most FITARA requirements will not be met until June 2017. We plan to initiate an audit this fiscal year of USAID's compliance with FITARA requirements.

Privacy Act of 1974. Our audit of USAID's privacy program for information technology resulted in 34 recommendations for the Agency to address weaknesses and risks related to potential noncompliance with major privacy laws, including the Privacy Act of 1974, as amended.[3] Although USAID has made progress in addressing these weaknesses by taking final action on 29 of the 34 recommendations, Agency officials acknowledged that USAID continues to have a significant deficiency in this area. Most significantly, USAID needs to determine and allocate the resources needed for the program. Agency officials plan to correct this deficiency by December 2016. Until that occurs and until all recommendations are resolved, a management challenge will exist.

Related OIG Products

- "USAID's Implementation of Executive Order 13526, Classified National Security Information, Needs Significant Improvement" (9-000-16-001-P), September 30, 2016
- "Audit of USAID's Financial Statements for Fiscal Years 2015 and 2014" (0-000-16-001-C), November 16, 2015
- "Audit of USAID's Implementation of Key Components of a Privacy Program for Its Information Technology Systems" (A-000-15-001-P), October 10, 2014

3 Because of its sensitive content, our audit report on USAID's privacy program limited distribution.

Appendix

Fiscal Year 2017 and Prior Year Top Management Challenges for USAID and MCC

Table 1. Fiscal Year 2017 and Prior Year USAID Top Management Challenges

Fiscal Year 2017 Challenges	Prior Year Challenges
• Developing strategies to work effectively in nonpermissive and contingency environments	• Work in nonpermissive environments and overseas contingency operations
• Strengthening local capacity and sustainability while ensuring adequate oversight of USAID funds	• Limited sustainability • Inadequate risk mitigation for Local Solutions
• Reconciling interagency priorities to advance international development	• *Not a top management challenge in previous year*
• Improving program design and contractor and grantee monitoring	• Unreliable performance data • Cumbersome design and procurement processes • Weak management of human resources
• Meeting governmentwide financial and information management requirements	• Decentralized management of information technology and information security
• *Not a top management challenge for 2017*	• Lack of focus
• *Not a top management challenge for 2017*	• Uncertain budget environment

Table 2. Fiscal Year 2017 and Prior Year MCC Top Management Challenges

Fiscal Year 2017 Challenges	Prior Year Challenges
• Accurately assessing partner-country capacity • Designing and implementing compacts • Sustaining compact benefits • Being a good steward of corporation resources and information	• Developing compacts • Implementing compacts • Sustaining compact benefits • Managing finances efficiently

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The Office of Management and Budget (OMB) requires all agencies to prepare Table 1 (Summary of Financial Statement Audit) and Table 2 (Summary of Management Assurances). Table 1 shows that the Independent Auditor gave the Agency an unmodified opinion on the financial statements with one material weakness. Table 2 indicates that the Agency has a modified Federal Managers' Financial Integrity Act (FMFIA) Assurance Statement with one material weakness and an FMFIA non-conformance related to accounting for reimbursable agreements. These tables correspond with the information presented in the Management's Discussion and Analysis (MD&A) Section of the report.

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
USAID does not reconcile its Fund Balance with Treasury Account with the Department of Treasury, and resolve unreconciled items in a timely manner	1	0	0	0	1
Total Material Weaknesses	1	0	0	0	1

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance: Modified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
USAID did not reconcile its Fund Balance with Treasury account with the Department of Treasury, and resolve unreconciled items in a timely manner	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

(continued on next page)

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES *(continued)*

Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance: Financial management systems conform to federal financial systems requirements except for the below non-conformance

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Accounting for reimbursable agreements	0	1	0	0	0	1
Total Non-Conformances	**0**	**1**	**0**	**0**	**0**	**1**

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. Federal Financial Management System Requirements	Compliance Noted	Compliance Noted
2. Applicable Federal Accounting Standards	Lack of Compliance Noted	Lack of Compliance Noted
3. USSGL at Transaction Level	Lack of Compliance Noted	Lack of Compliance Noted

DEFINITION OF TERMS

Beginning Balance: The beginning balance will agree with the ending balance of material weaknesses from the prior year.

New: The total number of material weaknesses that have been identified during the current year.

Resolved: The total number of material weaknesses that have dropped below the level of materiality in the current year.

Consolidated: The combining of two or more findings.

Reassessed: The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading [e.g., FMFIA Section 2 to a Section 4 and vice versa]).

Ending Balance: The agency's year-end balance of material weaknesses.

IMPROPER PAYMENTS INFORMATION ACT (AS AMENDED BY IPERA AND IPERIA) REPORTING DETAILS

The Improper Payments Information Act (IPIA) of 2002, Public Law No. 107-300, as amended, requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments, as well as to conduct payment recapture programs. On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA, Public Law No. 111-204), which amends the IPIA and repeals the Recovery Auditing Act (Section 831 of the 2002 Defense Authorization Act, Public Law No. 107-107). In January 2013, the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, Public Law No. 112-248, further amended IPIA. All remaining references in this disclosure to the term IPIA will imply IPIA, as amended by IPERA and IPERIA. Most significantly, IPERIA expanded the term "payment" to refer to all payments except intragovernmental transactions. It also codified the Office of Management and Budget's (OMB) ongoing efforts to develop and enhance the U.S. Government's Do Not Pay Initiative (DNP), which included the creation of a centralized DNP List for agencies to access prior to disbursing payments. USAID defines its programs and activities in alignment with the manner of funding received through appropriations, as further subdivided into funding for operations carried out around the world. (See Appendix B for a list of USAID programs.)

USAID is dedicated to reducing fraud, waste, and abuse by adequately reviewing and reporting programs susceptible to improper payments under IPIA and OMB Circular A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments* (Appendix C). USAID took significant steps to reduce or eliminate the Agency's improper payments through comprehensive annual internal control reviews and substantive testing of payments. USAID requires staff associated with payments to complete improper payments training, exercise the highest degree of quality control in the payment process, and be held accountable for improper payments.

Appendix C requires all federal agencies to determine if the risk of improper payments is significant and to provide statistically valid annual estimates of improper payments. An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

TABLE 1[(a)]. IMPROPER PAYMENT REDUCTION OUTLOOK (NOT APPLICABLE)
TABLE 2[(a)]. IMPROPER PAYMENT ROOT CAUSE CATEGORY MATRIX (NOT APPLICABLE)
TABLE 3[(a)]. EXAMPLE OF THE STATUS OF INTERNAL CONTROLS (NOT APPLICABLE)

(a) The above tables are numbered per OMB Circular A-136, II.5.8, IPIA Reporting Details. Due to OMB granting USAID relief from IPERA reporting, tables 1 through 3 are not reported for FY 2016.

I. RISK ASSESSMENT

In March 2015, OMB granted USAID relief from reporting beginning with the FY 2015 Agency Financial Report, meaning the Agency is on a three-year risk assessment cycle. The reporting relief was based upon USAID having reported a minimum of two consecutive years of improper payments below the thresholds set by IPERA and an assertion by USAID's Office of Inspector General (OIG) that it concurs with this request for relief. The relief exempts the Agency from completing the above tables.

USAID will report the results of its risk assessment when it conducts it on the three-year cycle (i.e., FY 2018) but there will not be an estimate to report in Table 1. This reporting relief is contingent upon no significant legislative or programmatic changes occurring, as well as no significant funding increases or any change that would result in substantial program impact.

USAID maintains improper payment reporting readiness and expertise by continuing to perform risk assessments annually in order to identify programs susceptible to significant improper payments. In the event a program is susceptible to significant improper payments, USAID will revert to the reporting required by OMB Circular A-123, Appendix C. During this reporting period, the improper payment risk assessment and program review did not identify any significant programs susceptible to improper payments.

II. RECAPTURE OF IMPROPER PAYMENTS REPORTING

The IPIA and recovery auditing review process is an ongoing activity under Appendix C as required by OMB Circular A-136, II.5.8, *IPIA Reporting Details*. USAID has implemented a series of activities to satisfy payment recapture audit efforts. Although USAID does not consider these efforts a formal payment recapture audit, these activities are sufficient to meet the Agency's needs and requirements based on historical overpayment rates and amounts. The processes USAID has in place are outlined as follows:

- Select a statistically valid sample of contract transactions/accounting lines and review sample items for identifying improper payments, including overpayments to contractors;
- Select a statistically valid sample of grant transactions/accounting lines and review sample items for identifying improper payments, including overpayments to grantees;
- Perform semiannual IPIA and payment recapture testing of transactions, with test steps designed to determine, at a minimum, that:
  - The recipients were eligible for payment from the U.S. Government;
  - USAID received the goods or services for the payments made;
  - The correct payment amounts were made to the payees;
  - The payments were executed in a timely fashion.

- Perform semiannual data calls to obtain improper payments identified through other processes, including OIG audits, OMB Circular A-133 audits, and contract and grant close-outs. This results in the leverage of efforts performed by other oversight entities in identifying over-payments and on recovery of these improper payments.

When the above activities result in identification of a payment that requires recapture, a copy of the demand payment request is forwarded to Bureau for Management, Office of the Chief Financial Officer (M/CFO) to record a receivable and pursue collection action. Barring any debt compromise, suspension, termination of collection, and closeout or write-off, the recovery process makes full use of all collection tools available, including the Department of the Treasury (Treasury) collection service and/or the Department of Justice claims litigation process. The collection effort may take several months. If the overpayment is the result of a procedural problem, the Agency asks the payee to provide a corrective action plan with a timeline for correcting the deficiencies. The Agency follows up on the corrective action plan until the deficiencies are corrected and implemented appropriately.

USAID continues to identify potential improper payments through prepayment initiatives and post-payment methods. Prepayment initiatives consist of multiple levels of completeness, existence, and accuracy reviews. Post-payment methods include monthly analytical reviews for duplicate payments and payments sent to wrong contractors/vendors. In addition, the Agency is using Treasury's DNP portal to assist in the identification of improper payments.

TABLE 4[(b)]. IMPROPER PAYMENT RECAPTURES WITH AND WITHOUT AUDIT PROGRAMS
(Dollars in Millions)

Program	Overpayments Recaptured through Payment Recapture Audits																						Overpayments Recaptured outside of Payment Recapture Audits	
	Contracts					Grants					Benefits					Other					Total			
	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	Amount Identified	Amount Recaptured
Programs A1–A27[(c)]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	$ 18.66	$ 6.29
Operating Expenses[(d)]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.35	0.12
Totals	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	$ 19.01	$ 6.41

(b) This table is numbered as Table 4 per OMB Circular A-136, II.5.8, *IPIA Reporting Details*. Due to OMB granting USAID relief from IPERA reporting, tables 1 through 3 are not reported.

(c) Programs A1 through A27 consist of 27 program areas (see Appendix B on page 160 for a list of the programs).

(d) Agency operating expenses consist of appropriated funds for administrative support expenditures for a specified fiscal year.

TABLE 5[e]. DISPOSITION OF FUNDS RECAPTURED THROUGH PAYMENT RECAPTURE AUDIT PROGRAM

(Dollars in Millions)

Program	Amount Recaptured	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Audit Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other
Programs A1–A27[f]	$ –	Contracts, Grants, Benefits, Loans, & Other	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Operating Expenses[g]	–	Other	–	–	–	–	–	–	–
Totals	$ –		$ –	$ –	$ –	$ –	$ –	$ –	$ –

(e) This table is numbered as Table 5 per OMB Circular A-136, II.5.8, *IPIA Reporting Details*. Due to OMB granting USAID relief from IPERA reporting, tables 1 through 3 are not reported. USAID conducts all recapture operations with Agency personnel, therefore Table 5 reports zero dollar amounts from payment recapture audits using contractors.

(f) Programs A1 through A27 consist of 27 program areas for the recapture payment process. Recaptured program funds are placed in the applicable program fund.

(g) Agency operating expenses consist of appropriated funds for administrative support expenditures for a specified fiscal year. Recaptured operating expense funds are returned to the Agency operating expense fund.

TABLE 6[h]. AGING OF OUTSTANDING OVERPAYMENTS IDENTIFIED IN THE PAYMENT RECAPTURE AUDITS

(Dollars in Millions)

Program	Type of Payment	CY Amount Outstanding (0 – 6 months)	CY Amount Outstanding (6 months – 1 year)	CY Amount Outstanding (over 1 year)	Amount Determined to Not be Collectable
Programs A1–A27[i]	Contracts, Grants, Cooperative Agreements, & Other	$ –	$ –	$ –	$ –
Operating Expenses[j]	Contracts, Grants, Cooperative Agreements, & Other	–	–	–	–
Totals		$ –	$ –	$ –	$ –

(h) This table is numbered as Table 6 per OMB Circular A-136, II.5.8, *IPIA Reporting Details*. Due to OMB granting USAID relief from IPERA reporting, tables 1 through 3 are not reported. USAID conducts all recapture operations with Agency personnel, therefore Table 6 reports zero dollar amounts from payment recapture audits using contractors.

(i) Programs A1 through A27 consist of 27 program areas for the recapture payment process.

(j) Agency operating expenses consist of appropriated funds for administrative support expenditures for a specified fiscal year.

III. ADDITIONAL COMMENTS

The Agency offers the following additional comments:

- The availability of the Agency's financial data in the core accounting system, Phoenix, has enhanced internal controls and transparency of the Agency's financial activities. This allows for implementation of procedures where financial data is subject to various monthly reviews and is cross-referenced with other internal and external reports, including:
  - Funds returned from Treasury;
  - Late payment interest abstracted from Phoenix;
  - Several other systems reports and tools to aid in the identification and review of possible worldwide erroneous/duplicate payments.

- Internal and external payable reviews resulted in:
  - Enhanced internal control procedures and expanded approach of IPIA reviews;
  - M/CFO continues to collaborate with OMB, Treasury, and Agency stakeholders during phase-in of the various elements of OMB's DNP Initiative. These activities include the review of Treasury-issued reports including, but not limited to, the Excluded Parties List System, Specially Designated Nationals, and Blocked Persons List. Implementation of this directive will further enhance the Agency's internal controls aimed at preventing improper payments.
- The Agency evaluated existing IPIA review processes and further refined the approach and strategy for FY 2016, specifically USAID:
  - Provided revised and updated training to staff associated with payments;
  - Provided in-depth information on testing transactions;
  - Gathered improper payment information Agency-wide;
  - Reduced mission data calls from quarterly to semi-annually.

In summary, the Agency considers actions to minimize improper payments as ongoing activities that should be performed continuously.

IV. AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

The IPERIA law requires OMB to submit to Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the DNP Initiative, which shall: (A) include an evaluation of whether the DNP Initiative has reduced improper payments or improper awards; and (B) provide the frequency of corrections or identification of incorrect information."

- M/CFO has incorporated the IPERIA listed DNP database searches into the existing improper payment and payment recapture processes. During FY 2016, Treasury sent a monthly DNP adjudication report listing possible DNP database matches to M/CFO. M/CFO then conducted a manual review of disbursed payments using the online DNP portal. For example, the monthly Treasury DNP adjudication report might identify five matches for a vendor named "Smith." For each possible match, M/CFO would determine if the vendor was correctly identified and/or if the payment was proper.

  USAID is currently using the following databases:
  - The Death Master File (DMF) of the Social Security Administration;
  - The General Services Administration's System for Award Management (SAM);
  - The Debt Check Database for Treasury (Debt Check).
- For reporting purposes, the kind of data in question includes:
  - *Payments reviewed for improper payments*, which includes all payments screened by the DNP Initiative or other USAID internal databases (M/CFO), as appropriate, that are disbursed by, or on behalf of USAID;
  - *Payments stopped*, which includes payments that were intercepted or were not disbursed due to the DNP Initiative;
  - *Improper payments reviewed and not stopped*, which includes payments that were reviewed by the DNP databases disbursed, and later identified as improper.

M/CFO plans to continue to use the portal to adjudicate any DNP matches.

During FY 2016, the DNP Initiative identified one matching improper payment for $385,557 out of 66,182 payments totaling $7,316,073,306. Upon further investigation, this was an improper payment. The DNP Initiative is an automated

TABLE 7[k]. RESULTS OF THE DO NOT PAY INITIATIVE IN PREVENTING IMPROPER PAYMENTS
(Dollars in Millions)

Program	Number (#) of Payments Reviewed for Possible Improper Payments	Dollars ($) of Payments Reviewed for Possible Improper Payments	Number (#) of Payments Stopped	Dollars ($) of Payments Stopped	Number (#) of Potential Improper Payments Reviewed and Determined Accurate	Dollars ($) of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the IPERIA Specified Databases	66,182	$ 7,316.07	0	$ –	1	$ 0.39
Reviews with Databases Not Listed in IPERIA	0	$ –	0	$ –	0	$ –

(k) USAID has incorporated the IPERIA listed Do Not Pay databases into existing business processes and programs (e.g., online searches, batch processing, or continuous monitoring), the databases include: the Death Master File (DMF) of the Social Security Administration, the General Services Administration's System for Award Management (SAM), and the Debt Check Database of the Department of the Treasury (Debt Check).

portal designed to identify beneficiary matches for entitlements. USAID does not disburse entitlements. Since FY 2014, USAID, using the DNP Initiative, reviewed 196,283 payments totaling $17.4 billion. The DNP Initiative yielded only one improper payment for $385,000 or a 0.002 percent improper payments identification rate. Based upon past experience, it is likely that the DNP Initiative in the future will neither provide USAID with a large frequency of corrections nor identify significant instances of incorrect information.

FREEZE THE FOOTPRINT

Section 3 of Office of Management and Budget (OMB) Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, also known as "Freeze the Footprint," was finalized March 14, 2013. It requires agencies to set a baseline of square footage and maintain the footprint at that level. Any new space must be offset with disposal of old space in equivalent proportions. The OMB memo also requires that agencies develop real estate strategic plans documented in a revised Cost Savings and Innovation Plan; as well as create or modify internal policies, processes, and controls to ensure compliance with the Freeze the Footprint mandate, as well as required actions and reporting cycles for FY 2012 through FY 2015.

USAID maintains five occupancy agreements with the General Services Administration (GSA) and one direct lease. These occupancy agreements include general office space, a warehouse, and a standalone training center. Domestic office and warehouse space is included in the baseline measurements for the Freeze the Footprint initiative, however USAID is only required to report on direct lease properties for Agency financial reports. As the direct leaseholder, GSA is required to report on USAID occupancy agreements.

USAID has launched a lease consolidation and workplace modernization initiative to help meet the objectives of Freeze the Footprint while also allowing the Agency to achieve long-term goals to provide an efficient workplace. USAID began a pilot project on a portion of the seventh floor of the Ronald Reagan Building (RRB), the Agency's headquarters. This pilot was completed in 2014 and the effort has been expanded to the remaining space on the seventh floor. The footprint that is part of this renovation has been replaced by GSA with temporary swing space while existing space is under construction. Overall, this effort is helping USAID achieve higher utilization rates while creating a more modern work environment and supporting the goals of Freeze the Footprint.

USAID committed to maintaining the FY 2012 Freeze the Footprint baseline of 786,259 square feet of office and warehouse space in the Washington, D.C. area through 2015. The tables on the following page contain the Freeze the Footprint square footage comparison of FY 2012 baseline to net changes in square footage through FY 2015; and the operations and maintenance cost data for direct leases. These figures do not include overseas properties, which are excluded from the Freeze the Footprint policy. The direct lease data is current as of December 31, 2015, the latest reporting period for the Federal Real Property Profile. GSA occupancy agreements data are current as of February 9, 2016, as provided by GSA. The net increase in the baseline square footage was acknowledged by GSA to include a re-measurement of existing space at two locations, inclusion of a training center that is not able to be used as office space, and temporary swing space in an existing GSA lease to offset unoccupied space that is under construction at the RRB. The resulting increase to the baseline does not equate to acquisition of new space. GSA has acknowledged these adjustments by establishing a new Agency baseline under the Reduce the Footprint Initiative of 909,000 square feet in FY 2015.

FREEZE THE FOOTPRINT BASELINE COMPARISON

(Square Footage in Millions)

	FY 2012 Baseline	FY 2015 (CY-1)	Change (FY 2012 Baseline - FY 2015)
GSA Occupancy Agreements	0.782714	0.905448	0.156806
Owned and Direct Lease Buildings	0.003545	0.003553	0.0
Total	0.786259	0.909001	0.156806

REPORTING OF OPERATION AND MAINTENANCE COSTS

(Dollars in Millions)

	FY 2012 Reported Cost	FY 2015 (CY-1)	Change (FY 2012 Baseline - FY 2015)
Owned and Direct Lease Buildings	$0.152	$0.152	$0.0

APPENDICES

(Preceding page) **Meet Claudia, a beekeeper finding a better life through business in El Salvador. Discover "The Queen Bee" at *stories.usaid.gov*.**

PHOTO: DAVE COOPER FOR USAID

(Above) **Meet Taroni, a rice farmer who is part of a path to ending hunger and poverty in Bangladesh. Discover "Twice the Rice" at *stories.usaid.gov*.**

PHOTO: MORGANA WINGARD FOR USAID

APPENDIX A.
SUMMARY OF FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) DEFINITIONS AND REPORTING

Category	Definition	Reporting
Control Deficiency	Exists when the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve control objectives and address related risks.	Internal to the organization and not reported externally. Progress against corrective action plans must be periodically assessed and reported to Agency management.
	Deficiency in Design: A deficiency in design exists when (1) a control necessary to meet a control objective is missing or (2) an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met.	
	Deficiency in Implementation: A deficiency in implementation exists when a properly designed control is not implemented correctly in the internal control system.	
	Deficiency in Operation: A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.	
Significant Deficiency	A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet in important enough to merit attention by those charged with governance.	Internal to the organization and not reported externally. Progress against corrective action plans must be periodically assessed and reported to Agency management.
Material Weakness	A material weakness is a significant deficiency that the Agency Head determines to be significant enough to report outside of the Agency as a material weakness. In the context of the Green Book (*http://www.gao.gov/assets/670/665712.pdf*), non-achievement of a relevant principle and related component results in a material weakness.	Material weaknesses and a summary of corrective actions must be reported to the Office of Management and Budget (OMB) and Congress through the Agency Financial Report, Performance Accountability Report, or other management reports. Progress against corrective action plans must be periodically assessed and reported to Agency management.
	Internal Control Over Operations: A material weakness in internal control over operations might include, but is not limited to, conditions that: • impacts the operating effectiveness of Entity-Level Controls; • impairs fulfillment of essential operations or mission; • deprives the public of needed services; or • significantly weakens established safeguards against fraud, waste, loss, unauthorized use, or misappropriation of funds, property, other assets, or conflicts of interest.	
	Internal Control Over Reporting: A material weakness in internal control over reporting is a significant deficiency, in which the Agency Head determines significant enough to impact internal or external decision making and reports outside of the Agency as a material weakness.	
	Internal Control Over External Financial Reporting: A material weakness in internal control over external financial reporting is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.	
	Internal Control Over Compliance: A material weakness in internal control over compliance is a condition where management lacks a process that reasonably ensures preventing a violation of law or regulation that has a direct and material effect on financial reporting or significant effect on other reporting or achieving Agency objectives.	

APPENDIX B.
PROGRAMS ASSESSED FOR IMPROPER PAYMENTS FOR FY 2016

A01 Counterterrorism

A02 Combating Weapons of Mass Destruction (WMD)

A03 Stabilization Operations and Security Sector Reform

A04 Counternarcotics

A05 Transnational Crime

A06 Conflict Mitigation and Reconciliation

A07 Rule of Law and Human Rights

A08 Good Governance

A09 Political Competition and Consensus-Building

A10 Civil Society

A11 Health

A12 Education

A13 Social and Economic Services and Protection for Vulnerable Populations

A14 Macroeconomic Foundation for Growth

A15 Trade and Investment

A16 Financial Sector

A17 Infrastructure

A18 Agriculture

A19 Private Sector Competitiveness

A20 Economic Opportunity

A21 Environment

A22 Protection, Assistance and Solutions

A23 Disaster Readiness

A24 Migration Management

A25 Crosscutting Management and Staffing

A26 Program Design and Learning

A27 Administration and Oversight

APPENDIX C.
ABBREVIATIONS AND ACRONYMS

A

A&A	Acquisition and Assistance
ACES	Award Cost Efficiency Study
ACI	Andean Counterdrug Initiative
ADP	Automatic Data Processing
ADS	Automated Directives System
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
AIDAR	USAID Acquisition Regulation
APG	Agency Priority Goal
APP	Annual Performance Plan
App	mobile application
APR	Annual Performance Report
ASIST	Agency Secure Image and Storage Tracking System
ATDA	Accountability of Tax Dollars Act

B

B/IO	Bureau/Independent Office
BFS	Food Security Bureau
BRM	Office of Budget and Resource Management

C

CAP	Cross-Agency Priority
CARDS	Core Agricultural and Rural Data Surveys
CDCS	Country Development Cooperation Strategy
CDM	Continuous Diagnostics and Mitigation
CFO	Chief Financial Officer
CIF	Capital Investment Fund
CMP	Cost Management Plan
CPARS	Contractor Performance Assessment Reporting System
CRA	Credit Reform Act
CY	Current Year

D

D2R	Dollars to Results
DATA Act	Digital Accountability and Transparency Act
DCA	Development Credit Authority
DCAA	Defense Contract Audit Agency
DCHA	Democracy, Conflict, and Humanitarian Assistance Bureau
DEC	Development Experience Clearinghouse
DIS	Development Information Solution

DMF	Death Master File
DNP	Do Not Pay
DOL	Department of Labor
DQA	Data Quality Assessment

E

E3	Economic Growth, Education, and Environment Bureau
eCART	electronic Cash Reconciliation Tool
EISA2007	Energy Independence and Security Act of 2007
EPAct2005	Energy Policy Act of 2005
EPPA	Enhanced Partnership with Pakistan Act
ERM	Enterprise Risk Management

F

F	Office of U.S. Foreign Assistance Resources
FA	Foreign Assistance Bureau
FAR	Federal Acquisition Regulation
FARA	Federal Acquisition Reform Act
FARC	Revolutionary Armed Forces of Colombia
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FedGAAP	Federal Generally Accepted Accounting Principles
FEVS	Federal Employee Viewpoint Survey
FFATA	Federal Funding Accountability and Transparency Act
FFMIA	Federal Financial Management Improvement Act
FITARA	Federal Information Technology Reform Act
FMFIA	Federal Managers' Financial Integrity Act
FSN	Foreign Service National
FTCA	Federal Tort Claims Act
FTF	Feed the Future
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GBV	Gender-Based Violence
GDA	Global Development Alliances
GH	Global Health Bureau
GLAAS	Global Acquisition and Assistance System
GMRA	Government Management Reform Act
GODAN	Global Open Data for Agriculture and Nutrition
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Act Modernization Act
GSA	General Services Administration

H

HCTM	Office of Human Capital and Talent Management
HIV/AIDS	Human Immune Deficiency Virus/ Acquired Immune Deficiency Syndrome
HR	Human Resources
HRIT	Human Resources Information Technology

I

I2P	Invoice to Pay
IATI	International Aid Transparency Initiative
IDEA	Office of Innovation and Development Alliances
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IPP	Invoice Processing Platform
ISIL	Islamic State of Iraq and the Levant
ISOO	Information Security Oversight Office
IT	Information Technology
ITN	Insecticide Treated Nets

L

LAB	U.S. Global Development Lab
LEDS	Low Emission Development Strategies
LEED	Leadership in Energy and Environmental Design
LPA	Legislative and Public Affairs Bureau

M

M	Bureau for Management
M/AA	Assistant Administrator
M/CFO	Office of the Chief Financial Officer
M/MPBP	Office of Management Policy, Budget and Performance
M/OAA	Office of Acquisition and Assistance
MCC	Millennium Challenge Corporation
MCRC	Management Control Review Committee
MD&A	Management's Discussion and Analysis
MENA	Middle East Northern Africa
MOV	Maintenance of Value
MSED	Micro and Small Enterprise Development
MSSCS	Management Support Services Customer Survey
MW	Megawatts

N

N/A	Not Applicable
NDAA	National Defense Authorization Act
NDI	National Democratic Institute
NGO	Non-Governmental Organization

O

OAPA	Office of Afghanistan and Pakistan Affairs
OFDA	Office of U.S. Foreign Disaster Assistance
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMD	Overseas Management Division
OPIC	Overseas Private Investment Corporation
OPM	Office of Personnel Management

P

PALT	Procurement Action Lead Time
PAR	Performance and Accountability Report
PATT	Power Africa Tracking Tool
PCAS	Project Cost Accounting System

PIV	Personal Identity Verification
PMI	U.S. President's Malaria Initiative
PP&E	Property, Plant and Equipment
PPD-6	Presidential Policy Directive on Global Development
PPIRS	Past Performance Information Retrieval System
PPL	Policy, Planning, and Learning Bureau
PPR	Performance Plan and Report
Pub. L.	Public Law

Q

QDDR	Quadrennial Diplomacy and Development Review

R

RRB	Ronald Reagan Building
RSI	Required Supplementary Information

S

SAM	System for Award Management
SAT	Senior Assessment Team
SBAIC	Small Business Association of International Companies
SBR	Statement of Budgetary Resources
SOS	Combined Schedule of Spending
SPSD	Standardized Program Structure and Definitions
SSAE	Statement on Standards for Attestation Engagements
STEWARD	Sustainable and Thriving Environments for West African Regional Development
State	Department of State

T

TB	Tuberculosis
TFA	Tropical Forest Alliance
Treasury	Department of the Treasury

U

U.S.	United States
U.S.C.	United States Code
UE	Urban and Environmental
UN	United Nations
UNESCO	UN Educational Scientific and Cultural Organization
USADF	U.S African Development Foundation
USAID	U.S. Agency for International Development
USERRA	Uniformed Services Employment and Reemployment Rights Act
USSGL	U.S. Standard General Ledger

V

VMIS	Vehicle Management Information System

W

WFP	UN World Food Program
WMD	Weapons of Mass Destruction

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We welcome your comments on how we can improve this report. Please provide comments to:

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