



USAID
FROM THE AMERICAN PEOPLE

ENDING EXTREME POVERTY



AGENCY FINANCIAL REPORT
FISCAL YEAR 2014

ABOUT THIS REPORT

The U.S. Agency for International Development's (USAID's) Agency Financial Report (AFR) for fiscal year (FY) 2014 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 <http://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 the 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 – requires agencies prepare a combined Performance and Accountability Report (PAR). During FY 2007 and FY 2008, Office of Management and Budget (OMB) conducted a pilot in which agencies were permitted to produce an alternative to the consolidated PAR;
- Accountability of Tax Dollars Act (ATDA) of 2002 – requires executive heads of government agencies to submit reports detailing the financial status and practices of their agencies;
- 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 agency efforts to reduce and recover improper payments; and requires federal agencies to expand their efforts to identify, recover, and prevent improper payments.

Since FY 2007, in lieu of a combined PAR, USAID has elected to produce an AFR with a primary focus on financial results, a high-level discussion of performance results, and an Annual Performance Report (APR) which details strategic goals and performance results. The FY 2014 APR will be included in the USAID FY 2016 Congressional Budget Justification in February 2015. Additionally, USAID will publish a Summary of Performance and Financial Information (SPFI), also to be released in February 2015. The last report which summarizes the AFR and APR in a brief, user-friendly format will be produced jointly with the Department of State. All three reports will be available at <http://www.usaid.gov/results-and-data/performance-reporting>.

(Cover) A farmer prepares to plant rice seedlings in India. USAID is introducing flood and drought-tolerant seed varieties to growers to increase food security during weather extremes and protect households against extreme poverty.

PHOTO: NOAH SEELAM / AFP

USAID AT A GLANCE

WHO USAID IS

USAID is an independent Federal Government agency that receives overall foreign policy guidance from the Secretary of State. With headquarters in Washington, D.C., USAID operates in more than 100 countries around the world, playing an active and critical role in the promotion of U.S. foreign policy interests—when crisis strikes; when rights are repressed; when hunger, disease, and poverty rob people—to help expand the reach of prosperity and dignity to the world’s most vulnerable.

WHAT USAID DOES

USAID partners to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity. USAID works to improve the lives of millions of men, women, and children by:

- Investing in agricultural productivity so countries can feed their people;
- Combating maternal and child mortality and deadly diseases like HIV, malaria, and tuberculosis;
- Providing life-saving assistance in the wake of disaster;
- Promoting democracy, human rights, and good governance around the world;
- Fostering private sector development and sustainable economic growth;
- Helping communities adapt to a changing environment and global climate change;
- Elevating the importance of gender considerations throughout USAID’s work;
- Expanding access to education in regions witnessing crisis and conflict.

WHERE USAID WORKS

The investment USAID makes in developing countries has long-term benefits for America. Development takes its place alongside defense and diplomacy as the three essential components of American foreign policy and national security.

Afghanistan and Pakistan. Afghanistan and Pakistan, USAID’s two largest assistance programs, reflect the United States’ commitment to the region’s long-term stability and human progress.

Africa. The United States’ partnership with Africa supports citizens that demand democracy and seize the opportunities that come with better education, better health, and better public services.



Contaminated drinking water results in illnesses like cholera, typhoid, and diarrhea. Chlorine dispensers are installed at the local water hole or stream, where households add chlorine when they fetch their water. Chlorine keeps water safe to drink for at least 24 hours and up to 3 days. PHOTO: JONATHAN KALAN / EVIDENCE ACTION

Asia. Home to more than half the world’s population, Asia is the fastest-growing region on earth. The region continues to grapple with large pockets of poverty, malnutrition, food insecurity, environmental degradation, corruption, and fragile institutions of governance.

Europe and Eurasia. Having emerged from decades of authoritarian rule, most of Europe and Eurasia has embraced political and economic reform, leading to vibrant growth and inspiring democratic transformations. Notwithstanding, development challenges still slow the area’s growth and transformation into a region that is whole, free, and at peace.

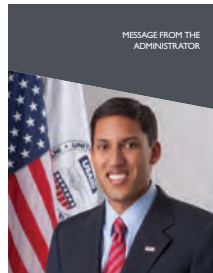
Latin America and the Caribbean. In recent years, Latin American and Caribbean countries have experienced strong economic growth and implemented social programs that have reduced poverty and inequality. In the past 20 years, poverty has declined from 49 percent to 31 percent in Latin America. Political advances have been notable as well: free elections, vibrant civil society, and responsive governments are mostly the norm.

Middle East. USAID partners with the people of the Middle East to build a peaceful and prosperous future. Our programs have directly contributed to improvements in infrastructure, health, education, governance, and economic growth. USAID’s assistance not only delivers on America’s values; it constitutes an investment in the safety, security, and prosperity of this critically important region.

To learn more about who USAID is, what USAID does, and where USAID works, visit <http://www.usaid.gov/who-we-are>, <http://www.usaid.gov/what-we-do>, and <http://www.usaid.gov/where-we-work>.

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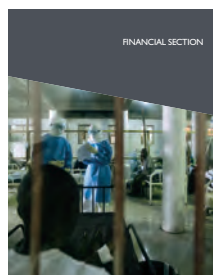


MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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A MESSAGE FROM THE ADMINISTRATOR



Rajiv J. Shah

From the start of his Administration, President Obama envisioned the U.S. Agency for International Development (USAID) as the world's development leader. By elevating development alongside diplomacy and defense as a core pillar of our foreign policy, he has highlighted the importance of global development to our Nation's prosperity and security.

Over the past six years, we have answered President Obama's vision with an ambitious agenda to end extreme poverty—forming new partnerships, adopting critical reforms, and launching landmark initiatives in food security, child survival, and access to energy. These efforts serve as the underpinning of a new model of development that is not only transforming how we work, but our ability to deliver high-impact results.

This approach is embodied in our Agency's new mission statement: *We partner to end extreme poverty and to promote resilient, democratic societies while advancing our security and prosperity.* It emphasizes our commitment to harnessing game-changing innovation, local leadership, and public-private partnerships—empowering the world's most vulnerable people to lift up their own communities.

But no matter where we work across the globe, we always work on behalf of the American people. We unlock flourishing markets for our businesses; connect our young people with global opportunities; and root out threats before they reach our shores. Above all, we always work toward the day when our services will no longer be necessary.

A NEW MODEL FOR DEVELOPMENT: PARTNERSHIPS, INNOVATION, AND RESULTS

In this constrained budget environment, we are focused on maximizing the value of every American taxpayer dollar. Over the past five years, we have made difficult choices about where our work will have the greatest impact, shifting resources and personnel to better advance our mission of ending extreme poverty around the world.

We are shifting resources to countries in critical need and where our work can make the greatest difference. Since 2010, regional bureaus have reduced the number of program areas from nearly 800 to 458; USAID global health program areas have been phased out of 23 countries; and Feed the Future agriculture programs have been phased out of 30 countries. Today, all our major programs are independently evaluated, and those evaluations are available right now on an iPhone app—an unprecedented level of transparency.

But in a world where great ideas and inspirational leadership come from everywhere, we have to find

and support innovative solutions that will lead to sustainable development. Today, we are in the midst of a critical shift in the way we administer our assistance, placing a greater emphasis on direct partnerships with change-agents who have invaluable in-country knowledge, networks, and expertise.

This focus on small and local partners has delivered dramatic results. Last year, we worked with 1,150 local organizations in 74 countries. At the same time, our Agency partnered with more American small businesses than ever before.

At the same time, through our Development Credit Authority, we are leveraging unprecedented resources from the private sector to seed small businesses—\$769 million in 2014 alone. Since 1999, we have unlocked \$3.8 billion in private capital, with more than half of that in just the last four years alone.

LAUNCHING THE U.S. GLOBAL DEVELOPMENT LAB

In the past, we articulated the problems and designed the solutions. Today, we're throwing open the doors of development with a suite of challenges, prizes, and partnerships to source, test, and scale proven solutions.

This year, we launched the U.S. Global Development Lab (Lab)—a historic investment in the power of science and technology to bend the curve of development. It will generate, test, and scale breakthrough solutions to complex development challenges, while attracting private sector investment to improve the sustainability of our efforts.

Working with 20 lead missions around the world, the Lab will focus on nine core areas of work to tackle the challenges of tomorrow, from water security to clean energy. The Lab works alongside 32 cornerstone partners—from Nike to Duke University to CARE—to accelerate success in areas where progress has fallen short of our ambitions.

For example, we're backing Sproxil, a Boston-based mobile technology company that combats the \$600 billion counterfeit goods industry. Today, its accessible short messaging services (SMS)-based

system has been used on over 100 million products, by more than 2 million customers—with potential applications in industries from cars to consumer goods. We're also scaling up chlorhexidine, an anti-septic gel that cuts infant mortality by 23 percent for pennies per dose. In less than two years, it has saved 2,500 children in Nepal from preventable deaths and is being introduced in 15 countries.

The Lab embodies the focus on harnessing science, technology, innovation, and partnership that we've had since the start of this Administration. But above all, it is about unlocking the capacity of innovators and entrepreneurs to tackle the challenges of tomorrow. Our Development Innovation Ventures Fund—aimed to find, seed, and scale cost-efficient innovations—has invested in more than 100 ideas across 35 countries, like a \$10 device that prevents the leading cause of maternal mortality. We recently took this model to a new level by launching the Global Innovation Fund, an international impact investing partnership that will apply venture capital-style rigor to invest in high-potential development solutions.

In addition, over the last four years, we have launched six Grand Challenges for Development competitions to generate game-changing ideas on issues including maternal and child health, clean energy, childhood literacy, water security, and open government—with half of the submissions coming from the developing world. For example, we recently launched an *Ebola Grand Challenge for Development* to generate pioneering solutions that help health care workers provide better care—like safer protective gear and point-of-care diagnostics. All told, our Agency's open competitions have received more than 10 thousand applicants, and nearly 70 percent of them have never worked with us before.

INSPECTOR GENERAL REPORT

While we have adopted important reforms that make our Agency more accountable, flexible, and evidence-based, much more work remains to be done. We continue to work diligently on important organizational and performance challenges across USAID. As the Statement of Most Serious Manage-

ment and Performance Challenges by the Office of Inspector General (OIG) reports, we face challenges in 10 areas, including work in nonpermissive environments, sustainability, and performance data.

For example, we face challenges in collecting high-quality data from our programs, particularly in remote and nonpermissive environments. Over the past year, we've taken concrete steps to ensure that our missions are generating reliable and current data—which reduces corruption, increases our impact, and reduces costs. We created robust platforms and training seminars to ensure our data are held to the highest standards of precision, timeliness, and validity. We are also distributing new templates for data quality assessments and holding interactive webinars on data quality, accessible to all of our staff across the world.

DELIVERING MEANINGFUL RESULTS

Today, our Agency is pioneering a new model of work that taps into talent everywhere to deliver groundbreaking results. While this report focuses on a select group of initiatives, USAID is delivering extraordinary results across several critical issues—from conserving biodiversity, to expanding the use of mobile and electronic payments, to strengthening global education, to opening up international trade opportunities for smallholder farmers.

FEED THE FUTURE INITIATIVE

In his first inaugural address, President Obama committed the full power, ingenuity, and resources of the U.S. Government to ending hunger. As one of his first foreign policy initiatives, the President announced Feed the Future—a global effort designed to end hunger and malnutrition through business, science, and partnership.

Through Feed the Future, we've encouraged our partner countries to implement important reforms, increase their agriculture budgets, and open opportunities for businesses to invest in food production. As a result, in 2013 alone, we've helped 7 million farmers boost their harvests with new technologies, and improved nutrition for 12.5 million children—

tackling one of the leading causes of child death that also undermines global growth.

Far from fleeting, these efforts are paying off in the form of increased yields, higher incomes, and more dynamic economies. Indeed, we are on a path to reduce stunting by 20 percent in Feed the Future countries over the next five years—meaning that 2 million fewer children will suffer the devastating long-term effects of malnutrition.

In Senegal, we introduced a new breed of high-yielding, high-protein rice that tripled yields in a single year. In Tanzania, we helped increase horticulture yields by 44 percent and rice yields by over 50 percent, turning the nation's fertile south into a breadbasket. In Ethiopia, we helped drive stunting rates down by 9 percent in just three years—resulting in 160 thousand fewer children suffering from one of the most crippling effects of malnutrition.

Two years ago, President Obama elevated food security to the global stage, creating a landmark public-private partnership with the G8 called the New Alliance for Food Security and Nutrition. Since then, the New Alliance has leveraged \$10 billion in investment from 200 companies—the majority from local African firms, including farmer-owned businesses. These investments have helped create 37 thousand jobs and opened up new opportunities for nearly 3 million smallholder farmers.

GLOBAL HEALTH

With strong bipartisan support behind us, we are reaching more people than ever with life-saving assistance.

Across West Africa, we are working around the clock to combat the largest Ebola virus epidemic in history. With clinics overwhelmed with new patients, we are providing essential new beds, personal protective equipment, and community care kits. We are working with the World Food Program to provide emergency food supplies to people where markets have dried up, including patients and communities under quarantine.

We are also ensuring that Ebola does not distract our focus from other critical needs—particularly newborn, child, and maternal survival. Instead of trying to work everywhere at once, we’ve already narrowed our focus to the 24 countries that account for more than 70 percent of maternal and child deaths globally.

This past June, at our *Acting on the Call* event, we announced one of the most significant investments in maternal and child survival in our Agency’s 50-year history. Thanks to a groundbreaking review led by a Blue Ribbon Panel, we are aligning \$2.9 billion in the next three years to save the lives of up to half-a-million children in the world’s deadliest places.

This approach is codified in the most transparent maternal and child survival plan we have ever released. For the first time ever, our plan illustrates that the United States can show how—for every dollar we spend on maternal and child survival—we can measure the number of lives we are saving. Most important, we will immediately be able to translate these reforms into results for vulnerable families. They will allow us to save the lives of 15 million kids and 600 thousand mothers over the next five years.

POWER AFRICA

Last year, President Obama launched Power Africa, a public-private partnership that aims to double access to power—and unlock American private sector investment—across sub-Saharan Africa. Its unique transaction-focused approach mobilizes new sources of capital and encourages countries to make energy sector reforms. As a result, it not only facilitates significantly larger pools of funding for energy projects, it also ensures that firms and countries alike abide by international rules on corruption.

Just over a year since launching, over 2,800 megawatts (MW) worth of power projects have financially closed—mostly by private resources—and another 5 thousand MW worth of transactions are in the planning stages. At the recent U.S.-Africa Leaders Summit, President Obama announced that the United States is tripling its goal for Power Africa to 30 thousand MW of new electricity—bringing

at least 60 million households and businesses online. That’s equivalent to expanding power to all of California and Texas combined.

In Tanzania, for example, Power Africa is helping build the nation’s first small hydropower facility, bringing energy to more than 10 thousand farmers in Tanzania’s most fertile region. In Kenya, we are working with General Electric to enable the construction of the largest privately-owned wind farm in Sub-Saharan Africa, which will power 150 thousand homes. And in Nigeria, we’re partnering with a local university to build a renewable, off-grid hydropower plant—providing electricity to more than 10 thousand rural students, professors, and members of community, and giving life to countless innovations for generations to come.

HUMANITARIAN ASSISTANCE

Today, we face unprecedented and urgent humanitarian crises that challenge us to work even harder—and move even faster—to save as many lives as possible.

This is the first time in our Agency’s history that we have been called on to manage five large-scale emergencies: Iraq, Syria, South Sudan, the Central African Republic, and West Africa’s Ebola outbreak. In 2013 alone, our office of U.S. Foreign Disaster Assistance responded to 52 disasters in 40 countries. The willingness of our staff and partners to head into the heart of a crisis to save lives—regardless of danger or difficulty—is one of the most profound expressions of who we are as the American people.

There are now more than 6.4 million displaced people inside Syria—and approximately 3 million refugees now live in neighboring countries, placing unprecedented stresses on an already fragile region. In Syria, we’ve vaccinated more than 4 million children for polio, and supported over 300 field hospitals, clinics, and medical points that have treated hundreds of thousands of innocent bystanders. In Jordan, we’re providing emergency education to 100 thousand child refugees—including 60 thousand girls—who have been forced to flee violence. In Lebanon, we installed systems to decontaminate and monitor drinking water in the

Bekaa Valley, one of the country's most important breadbaskets—benefitting nearly 800 thousand people, many who are refugees.

In Iraq, we are working hand-in-hand with local, military, and non-governmental organization (NGO) partners to assist vulnerable communities under assault from the Islamic State of Iraq and the Levant. For example, as extremists threatened to starve thousands of families trapped on Mt. Sinjar, we worked alongside the U.S. military to air-drop 128 thousand ready-to-eat meals and nearly 134 thousand liters of safe drinking water.

In South Sudan, about 5 million people now live in hunger, and tens of thousands of children could die of severe malnutrition this year. We are leading the international community to bring critical assistance to communities on the brink of famine—delivering life-saving food, water, and medicine to families trapped by endemic conflict.

RESILIENCE

Over the past decade, natural disasters have cost the world an average of 106 thousand lives and \$157 billion per year. More than three quarters of global disasters are weather-related events—such as droughts, floods, storms, and heat waves—which are expected to become less predictable, more intense, and more frequent with climate change. While we cannot prevent shocks from happening, we can work more strategically to ensure these disasters do not devastate families or set back hard-won development.

This spring, we launched a transformative partnership with the Rockefeller Foundation and Swedish International Development Cooperation Agency, called the Global Resilience Partnership. It will focus on the Horn of Africa, the Sahel, and South and Southeast Asia—all regions known for recurring crises. Through a network of regional hubs, the Global Resilience Partnership will source, test, and scale innovative solutions that are tailored to local needs—like crowd-sourced data collection tools, cutting-edge storm warning systems, and flexible insurance policies for at-risk communities.

We also conducted a groundbreaking exercise with U.S. Special Operations Command to map security threats against human deprivation in the Sahel, home to resurgent extremist groups. What we found was startlingly clear: the migration of people, arms, and illicit drugs mapped perfectly to areas with food insecurity and water shortages. Today, we are using the results from this recent exercise as the foundation for joint civilian-military planning in other areas of crisis.

DEMOCRACY, HUMAN RIGHTS, AND GOVERNANCE

Around the world, we are strengthening democracy, human rights, and governance with innovative solutions that lay the foundation for enduring stability and prosperity. But doing so does not just mean monitoring elections. It also means fighting corruption and protecting the rights of all citizens, regardless of where they live or who they love.

In Afghanistan, for instance, we created an \$175 million incentive fund to hold the Afghan Government accountable to meet standards critical to long-term development—including advancing support for women and girls, fighting corruption, and holding free, fair, and openly observed elections. And in Ukraine, we are supporting anti-corruption efforts and constitutional reforms that can lead to a more transparent, stable, and responsive government.

We also continue to support democratic transitions through President Obama's Open Government Partnership—a global effort to encourage transparent, effective, and accountable governance. Today, 65 countries—from Kenya to Ukraine—are part of the Open Government Partnership, making more than 1 thousand commitments to improve the governance in countries that are home to more than 2 billion people.

At the core of all these efforts is a focus on investing in women and girls as engines of inclusive development. In Afghanistan, we are continuing to expand PROMOTE—the largest program in our Agency's history focused on empowering women. It will help 75 thousand women achieve leadership roles in all parts of society—from business to academia to politics.

And in eight countries—from Tanzania to Bangladesh—we launched the SPRING Initiative, which will seed and scale new technologies to improve the economic outcomes of up to 200 thousand girls over the next five years.

FINANCIAL REPORTING AND REPRESENTATION

The Agency Financial Report (AFR) is our principal report to convey to the President, 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 to which we have been entrusted. To that end, we continue to work to improve our financial management and internal controls.

This year, the auditors did not express an opinion on USAID's principal financial statements. We acknowledge the conclusions of the audit report issued by the OIG and have prepared a plan to address one material weakness as well as five significant deficiencies identified by the audit. In addition, the auditor concluded in the audit report that the Federal Information Security Management Act (FISMA) significant deficiency related to management's implementation of its information security policies and procedures represented a lack of substantial compliance with the Federal Financial Management Improvement Act (FFMIA). Recognizing this as an issue, we are actively working to improve our information management systems while pursuing critical national security objectives in non-permissive environments. We will continue to invest resources effectively and efficiently to address these issues and ensure improved oversight of our funds.

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.

CONCLUSION—ENDING EXTREME POVERTY

Since the dawn of humanity, extreme poverty has crowded at the heels of progress—stifling hopes and undermining growth across the centuries. But today, we stand within reach of a world that was simply once unimaginable: a world without extreme poverty and its most devastating consequences, including chronic hunger and child death.

It is a vision that President Obama has underscored throughout his time in office. As he said recently at the United Nations General Assembly, "America is committed to a development agenda that eradicates extreme poverty by 2030. We will do our part to help people feed themselves, power their economies, and care for their sick. If the world acts together, we can make sure that all of our children enjoy lives of opportunity and dignity."

Through our work, we are opening up new paths to prosperity, energizing the global economy, and reducing root causes of insecurity. In doing so, we are advancing the values that unite people throughout the world: a belief in the freedom, equality, and the potential of every individual.



Rajiv J. Shah

Administrator

November 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



(Preceding page) Aziza Ismail Waziri tends to her vegetable garden with her children's help in Tanzania. Home gardens are a key component in USAID's activities to improve health and nutrition in rural households.

PHOTO: TYLER JONES / USAID



(Above) With USAID's support, Haiti is adopting "mobile money," including vouchers that can be scanned on a mobile phone for emergency food assistance.

PHOTO: NAOMI LOGAN / 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.¹

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 over 100 countries and programs in several other 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

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.

Senate. USAID plans its development and assistance programs in close coordination with the Department of State (State), and collaborates with a variety of other U.S. Government agencies, multilateral and bilateral organizations, private companies, academic institutions, and non-governmental organizations (NGO).

USAID has elected to produce an Agency Financial Report (AFR), Annual Performance Report (APR), and Summary of Performance and Financial Information report as an alternative to the consolidated Performance and Accountability Report (PAR). The Agency will include its FY 2014 APR with its Congressional Budget Justification and will post it along with the Summary report on the Agency's website at <http://www.usaid.gov/results-and-data/progress-data/annual-performance-report> by February 17, 2015.

¹ In January 2014, USAID held a Town Hall to release the Agency's new mission statement and core values. Involving more than 2,600 staff around the world, the conversation was the culmination of a broadly inclusive process.

“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

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 2014, the Agency’s mission was supported by 3,815 permanent and non-permanent direct hire employees, including 2,119 in the Foreign Service and 1,109 in the Civil Service. Additional support came from 4,431 Foreign Service Nationals, and 1,696 other non-direct hire employees (not counting institutional support contractors). Of these employees, 2,992 are based in Washington, D.C., and 6,363 are deployed overseas.

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

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. DCHA and E3 have reorganized to focus on their new mandates;
- 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;

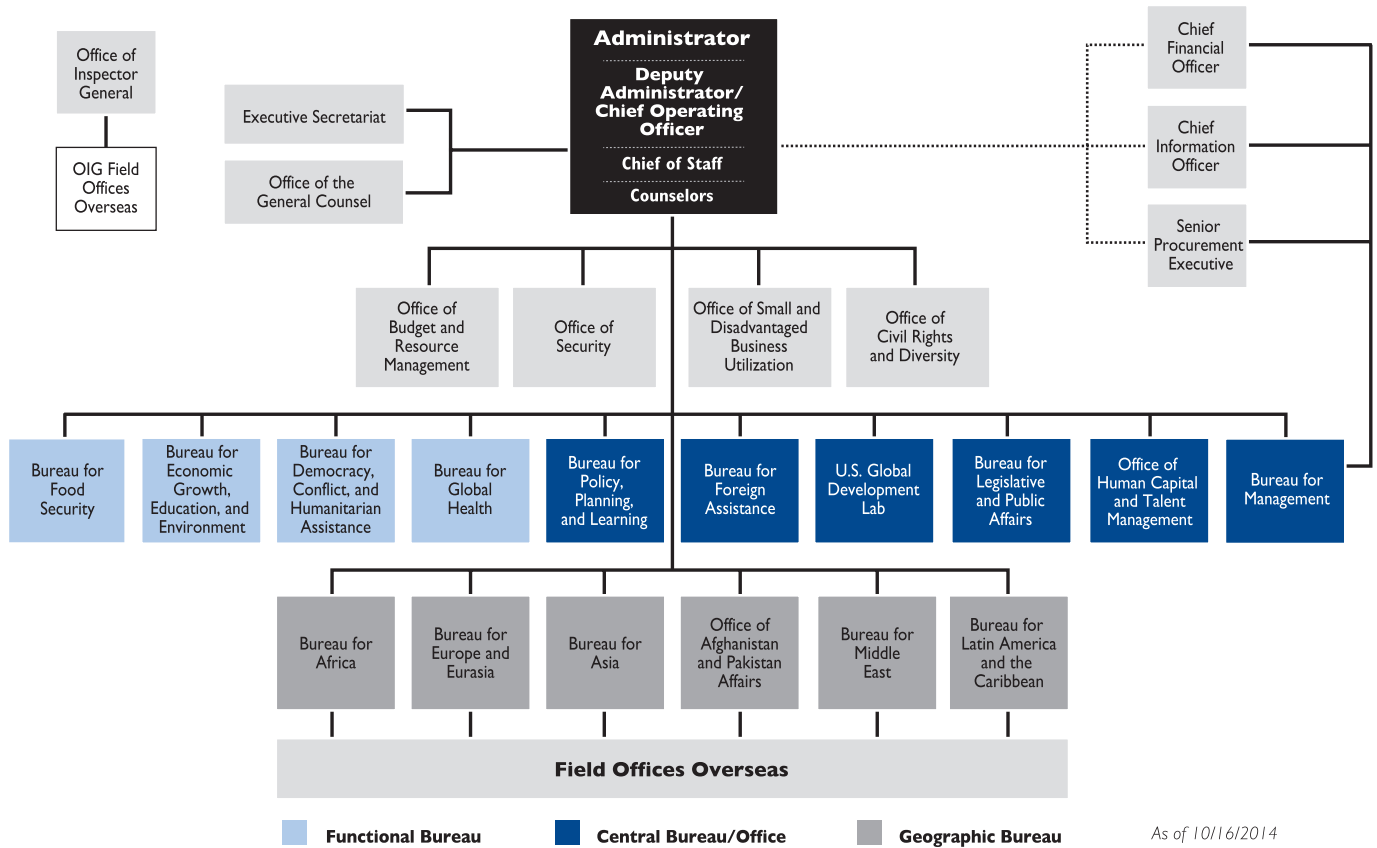
- Bureau for Global Health (GH), which provides expertise in global health challenges, such as maternal and child health and HIV/AIDS.

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 outreach programs to promote understanding of USAID’s mission and programs;
- Office of Human Capital and Talent Management (HCTM), which oversees the planning, development, management, and administration of human capital for the Agency;
- 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, and (6) the Office of Civil Rights and Diversity. Finally, (7) the Office of Inspector General (OIG) reviews the integrity of Agency operations through audits, appraisals, investigations, and inspections.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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 its 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 that include clearly defined program objectives and performance targets.

PROGRAM PERFORMANCE OVERVIEW

USAID FORWARD

Four years ago, President Barack Obama and former Secretary of State Hillary Rodham Clinton called for the elevation of development as a key part of America's national security and foreign policy. Through both the Presidential Policy Directive on Global Development (PPD-6) (<http://fas.org/irp/offdocs/ppd/ppd-6.pdf>) and the Quadrennial Diplomacy and Development Review (QDDR) (http://pdf.usaid.gov/pdf_docs/PDACQ604.pdf), President Obama set forth a new vision of a results-driven USAID that would lead the world in development. USAID has risen to this challenge, pioneering a new model of development that emphasizes partnerships, innovation, and results. The Agency is guided in these efforts by a new mission statement. Although these goals are not new, they reflect a unique moment in development today when exciting opportunities are emerging to change what is possible. In a time of fiscal restraint, USAID is applying the new model to seize this moment and 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.

Last year, the Agency released the USAID Forward Progress Report, as well as the underlying data that informed its scorecard of indicators. The report focused on seven key areas:

- Budget Management;
- Policy Capacity;
- Local Solutions;
- Monitoring and Evaluation;
- Innovation;
- Science and Technology;
- Talent Management.

To help the Agency determine how well it is meeting its goals and maximizing its value as a lead development organization, the Agency assesses its performance annually using a balanced set of quantitative performance measures that focus on three key areas—deliver results on a meaningful scale through a strengthened USAID; promote sustainable development through high-impact partnerships and local solutions; and identify and scale up innovative, breakthrough solutions to intractable development challenges. These categories are briefly described below.

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. The Agency has been making tough trade-offs. In order to focus where needs are greatest, the Agency has 177 program areas—a 22 percent reduction—including its core priorities for food and global health, where it has phased out 38 country programs since 2010. Moreover, to create a foundation for success the Agency is:

- Designing country and sector development strategies and projects to better align U.S. Government resources with the priorities of its partner countries;
- Evaluating projects and publicly reporting on the results so that the Agency can learn what works and what does not;
- Investing in the Agency’s staff by continuing to look for new ways to support its talent;
- Being more focused and selective about the countries and areas in which USAID works to strengthen the impact of its investments.



Workers at Haiti's Surtab factory carefully assemble tablets.

PHOTO: NAOMI LOGAN / USAID

HAITI'S HIGH-TECH REVOLUTION: THE 'NEW MODEL' IN ACTION

Creating an environment that encourages inclusive growth amidst instability is both necessary and extremely challenging. However, in Haiti, a country where two-thirds of the population live on less than \$1.25 per day, USAID is helping to create local partnerships that provide a path out of poverty.

In the refurbished Sonapi Industrial Park, an unexpected beehive of activity just outside of Port-au-Prince, lies the Surtab tablet factory. The plant is a case study in USAID's "new model" of development: one that promotes local ownership, leverages private investment, spurs innovation, harnesses scientific and technological advances, and demands the results and accountability that enable the Agency to meet today's critical development challenges.

In September 2013, USAID awarded a \$200 thousand grant to Surtab through the Leveraging Effective Application of Direct Investments (LEAD) program. With an additional \$250 thousand of private investment, the company built an assembly plant and launched its very first tablet, SURTAB 7. These tablets compete with Apple and Samsung products in quality and functionality, and the company makes several versions, with the cheapest designed to be affordable to a broad array of Haitians.

The company has been a huge boost to the technology sector in Haiti, creating a highly skilled local workforce of 56 Haitian employees. Its recruitment practices are interesting—paying no regard to gender, prior work experience, or levels of education. Instead, it selects its employees based on how they perform in a series of tests and trainings.

In combination with extensive on-site instruction, this process has yielded three remarkable results. First, 95 percent of the production line employees are women. Second, many of them come from much poorer educational backgrounds than one would expect in Haiti's highest-tech factory. Third, the pride of workmanship is so strong that their quality assurance testing rate is unusually high compared to the electronics industry standards.

This is also due to the fact that each tablet is assembled from start to finish by one employee. Surtab pays its employees at two to four times the minimum wage, giving them skills and income that provide a sustainable path out of poverty.

After having been in business for just a little over a year, Surtab manufactures three thousand to four thousand tablets each month and sells its products within the Caribbean and Africa. In the future, Surtab hopes to be able to double production and to export them to the United States, Canada, and Europe. Its growth was recently featured in a story on National Public Radio (NPR). This bold start is already spawning new efforts, like the upcoming launch of an app lab, and likely production of smart phones to meet the burgeoning local market.

Surtab is just one project. But it is a clear cut example of how USAID is focused on partnering with local organizations while also utilizing the private sector to transform the face of development. Haiti will require much more, on a grander scale, to provide the basic level of opportunity and human dignity its people deserve. However, the last decades, and success stories like Surtab, have taught USAID that such progress can happen even in the most challenging environments.

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

In order to achieve long-term, sustainable development, USAID is supporting 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:

- Investing directly in partner governments and civil society organizations where the capacity exists, and strengthening it where there are gaps;
- 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.

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

In his State of the Union address, President Obama called upon the Nation to join the world in ending extreme poverty in the next two decades. The President's call presents an incredible opportunity to harness science, technology, innovation, and entrepreneurship to achieve progress. At USAID, there is a strong history of partnership with the scientific community, from working with a local pharmaceutical company in Nepal to cut the risk of infant death by 23 percent to leading a delegation of American companies to Burma to explore partnerships that would speed the nation's transition. Today, the Agency is steadfastly working to strengthen these partnerships by:

- Investing in new technologies and research to source and scale game-changing solutions;
- Supporting the adoption of electronic payment and mobile money systems to dramatically expand opportunity with an eye toward greater gender equality and financial inclusion. To harness innovation and technology, the Agency

has launched mobile money programs in five countries around the world—enabling millions of the world's poor to get a loan and save money for the first time.

FORWARD PROGRESS

USAID has made significant progress since USAID Forward was first announced in 2010. The Agency is:

- Testing what works and what doesn't through rigorous evaluations and making changes as needed. The Agency completed 243 high-quality evaluations. All these evaluations and an interactive map of all projects are available on iPhone apps—an unprecedented level of transparency.
- Fostering a culture of innovation and using its convening power to test and scale breakthrough innovations to solve development challenges faster and cheaper. This year, the Agency launched a bold new venture called the U.S. Global Development Lab (Lab). Designed to deploy the new model at an accelerated scale, the Lab will source, test, and deliver proven solutions—from expanding the reach of mobile banking to teaching a child to read in her local language.
- Building the capacity of countries to lead their own development. USAID has doubled the amount of mission funding it invests in local governments, businesses, and non-governmental organizations (NGO) over the past three years. USAID has awarded \$745 million to local institutions in 73 countries this past year alone. That's a 50 percent increase since 2010, and more than halfway to the Agency's five-year goal of 30 percent of its resources supporting local solutions. In FY 2010, the global average of mission funds provided to local organizations and governments was 9.6 percent. Today, it has risen to 17.9 percent.
- Shifting in the way it delivers assistance and has substantially strengthened both its Development Credit Authority (DCA) and public-private partnerships. The Agency has dramatically expanded its DCA, using loan guarantees to unlock large sources of local capital for small

businesses. Last year, USAID approved 38 new partial credit guarantees to mobilize a record \$700 million in commercial capital—\$500 million more than in 2011. This capital will empower more than 1 million entrepreneurs and 140 thousand businesses, from a print shop in Dar es Salaam to a mango farm in Haiti. Moreover, USAID missions significantly increased their public-private partnership 1:1 leveraging in 2013 from \$383 million last year to \$498 million this year. This does not include USAID/Washington, which would result in the Agency leveraging more than \$1 billion in private sector funds.

- Strengthening its risk assessment tools, such as the Public Financial Management Risk Assessment Framework (PFMRAF), to determine strengths and weaknesses in host country systems and to develop strong risk mitigation plans so that every taxpayer dollar is used for its intended purpose and is accounted for.
- Renewing its internal capacity to make sure it has the right people with the right skills in the right places. The Agency hired more than 1,100 new staff, including 75 percent more contracting officers and 90 percent more financial managers. These new USAID employees have also filled nearly all the vacant positions USAID had in its missions in Africa. Today, the USAID family numbers 9,600 people and include epidemiologists, agronomists, financial experts, and at least one planetary physicist. USAID hosts the largest number of fellows from the American Association for the Advancement of Science of any federal agency, as well as a growing cadre of field investment officers dedicated to structuring innovative private sector deals.
- Bolstering its re-established policy and budget capabilities and implementing world-class policies on gender, fragility, and resilience.

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



A USAID agronomist checks plots of oregano and tarragon. This USAID-supported project in West Bank Gaza uses the new magnetic water technology. PHOTO: AMER SAWALHA

SECURING WATER FOR FOOD: A GRAND CHALLENGE FOR DEVELOPMENT

Water scarcity is one of the most pressing development challenges of the early 21st century.

Between 2000 and 2050, the world's population is projected to grow from almost 7 billion now to over 9 billion. During this same period, water demand is projected to increase by 55 percent globally, with the number of people affected by water scarcity and stress continuing to rise. As more than 70 percent of global water use occurs in the food value chain, feeding the world in 2050 will be difficult unless the global community finds better ways to enable food production with less water and makes more water available for food production, processing, and distribution.

During the 2014 World Water Week in Stockholm, USAID, Sweden's development agency, and the Ministry of Foreign Affairs of the Kingdom of The Netherlands announced 17 award nominees for their program, Securing Water for Food: A Grand Challenge for Development (GCD). Overall, the program partners will provide \$32 million in funding to game-changing innovations that can produce more food using less water.

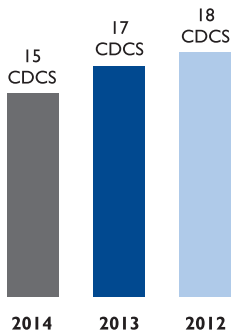
Round 1 award nominees will receive between \$100 thousand and \$3 million in funding and acceleration support to realize their vision. Initially, all awardees will receive Securing Water for Food assistance. However, they must continue to prove the viability of their innovation to receive future funding.

In its inaugural round, the Securing Water for Food GCD received 520 applications from universities, startups, and NGOs in more than 93 countries. Innovations ranged from novel technology to simple concepts re-engineered for developing countries. All 39 finalists are at the cutting edge of innovation and have already demonstrated success during pilots. The 17 award nominees stood out as exceptional initiatives with high potential for transformative impact.

To date, USAID and its partners have pooled over \$200 million to fund five GCDs, demonstrating a mutual commitment to science, technology, innovation, and entrepreneurship.

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 Country Development Cooperation Strategies (CDCS)), 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, 50 USAID missions have completed the 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.



NUMBER OF CDCS APPROVED

One CDCS per country

QUALITY EVALUATION

To ensure country programs and strategies are achieving the results they were designed to deliver, the Agency introduced a new evaluation policy that has been called “a model for other federal agencies” by the American Evaluation Association. Under this policy, high-quality evaluations are completed for every major project and conducted by independent third parties. Findings must be action-oriented and should identify ways to apply the lessons learned. Based on these and other criteria, USAID completed 243 high-quality evaluations worldwide. These evaluations are helping the Agency make informed decisions, improve program effectiveness, be accountable to stakeholders, and support organizational learning.

The Agency's commitment to evaluation ensures that USAID is delivering results and being more accountable to its stakeholders. 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 Development Experience Clearinghouse (DEC) at <https://dec.usaid.gov>.

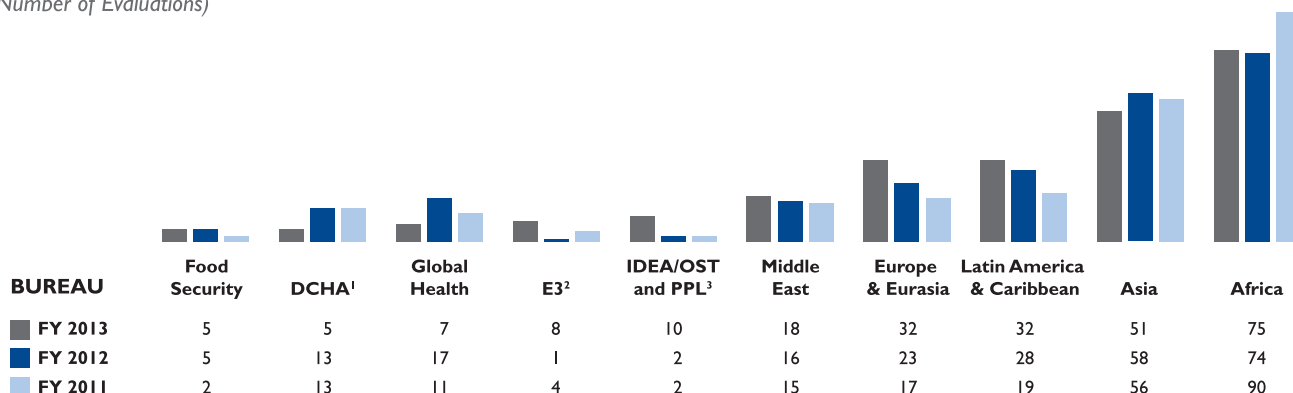
The Agency is also collecting baseline data and employing study designs to better understand the impact of its interventions over the course of its work. For example, in Feed the Future (FTF), President Obama's global food security program, a robust new measurement system that uses 57 indicators—from childhood stunting to new roads to farm sales—has been established to assess progress annually. Through the Development Innovation Ventures fund, the Agency is helping problem solvers test cutting-edge development solutions that could be scaled up to reach millions of people. Today, 51 percent of these grantees conduct randomized control trials to assess the impact of their innovative efforts.

PERFORMANCE INDICATORS AND TRENDS

Foreign assistance performance indicators are annual measures of development progress directly attributable to 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, are using high quality performance data to regularly assess and learn from their programs' performance. The Agency maintained a strong record of performance in FY 2013 as demonstrated by the results of a set of indicators used to illustrate USAID performance. These indicators measure USAID's contribution to the achievement of seven Department of State (State)-USAID Joint Strategic Goals. The results of USAID and State foreign assistance programs for FY 2014 are not reported by operating units until December 2014, following the required publication date of USAID's Agency Financial Report (AFR). Accordingly, the most recent performance data contained in this report on pages 25-27 are for FY 2013.

COMPLETED EVALUATIONS BY USAID BUREAU

(Number of Evaluations)



¹ DCHA – Democracy, Conflict, and Humanitarian Assistance Bureau.

² E3 – Economic Growth, Education, and Environment Bureau.

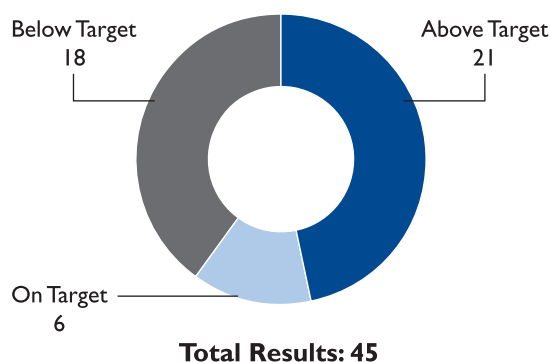
³ IDEA/OST and PPL – Office of Innovation and Development Alliances/Office of Science and Technology and Bureau for Policy, Planning, and Learning. IDEA and OST functions and most of their staff were part of a reorganization effort that resulted in the establishment of the U.S. Global Development Lab (Lab) in FY 2014.

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 2013.

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 Directive System Chapter 203, (<http://www.usaid.gov/ads/200/203>), USAID missions and offices are required to conduct annual data quality assessments for all performance data reported to Washington. These assessments verify the quality of the data against the five standards of validity, integrity, precision, reliability, and timeliness. 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 organizations). Primary and secondary data go through rigorous USAID assessments to ensure that they meet the five quality standards.

FY 2013 PERFORMANCE RESULTS



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 through diplomacy and foreign assistance programs that are implemented by both agencies.

In support of the first QDDR, which elevated development as vital to the achievement of U.S. foreign policy goals, USAID and State developed seven joint strategic goals, of which USAID contributes directly to five (see table on following page). 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. USAID and State are in the process of developing the second QDDR.

In accordance with the Government Performance and Results Act (GPRA) Modernization Act (GPRAMA), USAID and State created new joint strategic goals and objectives, Agency Priority Goals (APG), and performance goals that reflect State and USAID's global reach and impact as part of the FY 2014-2017 USAID-State Strategic Plan (<http://www.usaid.gov/documents/1868/usaid-and-department-state-joint-strategic-plan>). USAID will begin reporting against these new strategic goals and objectives in the FY 2015 AFR.

Per GPRAMA, USAID and State publicly report, on a quarterly basis, on the progress of the APGs on performance.gov (<http://www.performance.gov/agency/departments-state-and-usaid?view=public#apg>). Examples of results achieved to date for the FY 2014-2015 APGs include U.S. Government assistance in Colombia supporting the development of a Renewable Energy and Energy Efficiency law and the approval of six sectoral mitigation action plans in the following sectors: Transport, Mines, Energy, Hydrocarbons, Housing, and Waste and Water. See Performance.gov for the latest progress update on USAID's APGs.

STATE-USAID (FY 2011-2016) STRATEGIC GOALS WHICH USAID PROGRAMS SUPPORT

STRATEGIC GOAL	GOAL DESCRIPTION	OBJECTIVES
<p>Strategic Goal 1: Counter threats to the United States and the international order, and advance civilian security around the world.</p> <p>Strategic Goal 2: Effectively manage transitions in the frontline states.</p>	<p>Preserve international peace by preventing regional conflicts and transnational crime, combating terrorism and weapons of mass destruction, and supporting homeland security and security cooperation.</p>	<p>Achieving Peace and Security</p>
<p>Strategic Goal 3: Expand and sustain the ranks of prosperous, stable and democratic states by promoting effective, accountable, democratic governance; respect for human rights; sustainable, broad-based economic growth; and well-being.</p>	<p>Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, political competition, and religious freedom.</p> <p>Ensure good health, improve access to education, and protect vulnerable populations to help nations create sustainable improvement in the well-being and productivity of their citizens.</p> <p>Strengthen world economic growth and protect the environment, while expanding opportunities for U.S. businesses and ensuring economic and energy security.</p>	<p>Governing Justly and Democratically</p> <p>Investing in People</p> <p>Promoting Economic Growth and Prosperity</p>
<p>Strategic Goal 4: Provide humanitarian assistance and support disaster mitigation.</p>	<p>Save lives, alleviate suffering, and minimize the economic costs of conflict, disasters, and displacement.</p>	<p>Providing Humanitarian Assistance</p>
<p>Strategic Goal 7: Build a 21st century workforce; achieve U.S. government operational and consular efficiency and effectiveness, transparency and accountability; secure U.S. government presence internationally.</p>	<p>Achieve U.S. government effectiveness, accountability, and transparency.</p>	<p>Strengthening Consular and Management Capabilities</p>

ILLUSTRATIVE ACCOMPLISHMENTS

Below are illustrative accomplishments that support achievement of USAID's strategic goals.

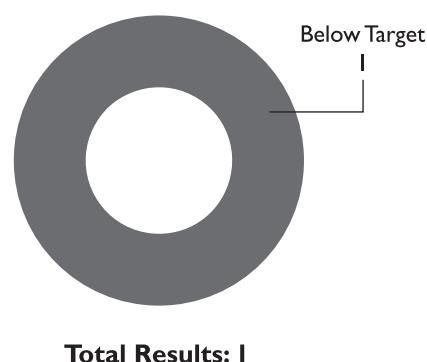
ACHIEVING PEACE AND SECURITY

Preserve international peace by preventing regional conflicts and transnational crime, combating terrorism and weapons of mass destruction, and supporting homeland security and security cooperation.

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.

FY 2013 PERFORMANCE RESULTS





A mock balloting exercise in an informal settlement of Nairobi gave voters an idea what to expect at the polls.

PHOTO: USAID / KENYA

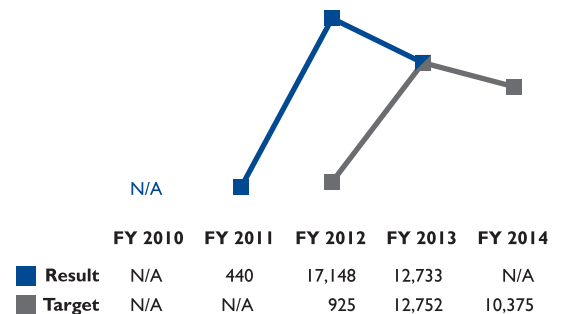
LINKING ACTIVITIES TO OUTCOMES

Conflict Mitigation/Resolution Skills – *New Groups or Initiatives Created to Resolve Conflict or the Drivers of Conflict.* The indicator registers the creation of a new group or entity, as well as the launch of a new initiative or movement by an existing entity that is dedicated to resolving conflict or the drivers of the conflict. To be counted in this indicator, U.S. funding must have been a necessary enabling factor leading to the creation of the group or initiative.

Successful programming included U.S. support for national and local-level stabilization and transition efforts in Kenya. These efforts targeted recovery by mitigating political and social volatility and reducing vulnerability to violence, which included: Kenya’s military incursion into Somalia, a rising secessionist movement on the Coast, the March 2013 Kenyan elections, and the potential for devastating economic impact on the entire East African region due to violence disrupting the transportation sector. U.S.-supported programming around the March 2013 elections increased dramatically as various methods were used to spread messages

of peace and build the capacity of communities to rapidly identify and respond to potential sources of conflict. Results were achieved through dialogue meetings, local peace forums, performing arts, photo exhibitions, documentary films, public service announcements, and radio messages.

PERFORMANCE INDICATOR: *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*



Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).

FY 2011 was the first year in which data was reported for this indicator.

GOVERNING JUSTLY AND DEMOCRATICALLY

Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, political competition, and religious freedom.

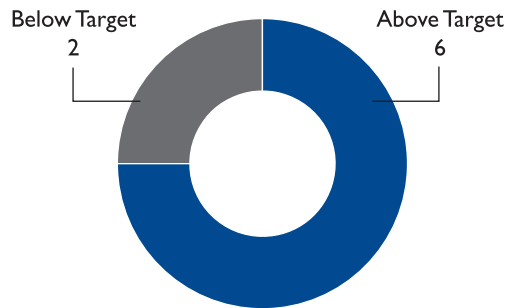
PUBLIC BENEFIT

The U.S. Government supports just and democratic governance for three related reasons: (1) as a matter of principle, (2) as a contribution to U.S. national security, and (3) as a cornerstone of the broader development agenda. The current National Security Strategy makes clear that supporting the expansion of democracy and human rights abroad is in the U.S. national interest. USAID is committed to helping partner countries build participatory democracies; improve transparency and accountability of governments; and engage civil society, youth, minorities, and women on issues like improving human rights and increasing political participation. With the release of the USAID Strategy on Democracy, Human Rights, and Governance (DRG) and creation of a DRG Center at USAID, “human rights” has been elevated as a co-equal pillar alongside democracy and governance, a new Human Rights Team has been created, and a Human Rights Grants Program was launched in order to assist missions with the development of human rights programs.

LINKING ACTIVITIES TO OUTCOMES

Voter and Civic Education. The provision of voter and civic education in developing democracies helps ensure that voters have the information they need to be effective participants in the democratic process, contributing to the development or maintenance of electoral democracy. The unit of measure is defined as any eligible voter that receives voter or civic education messages through print, broadcast, or media, as well as via in-person contact. Voter and civic education also includes community-based trainings in underserved areas, public service announcements on electronic media, written materials, Internet-based information, and messages

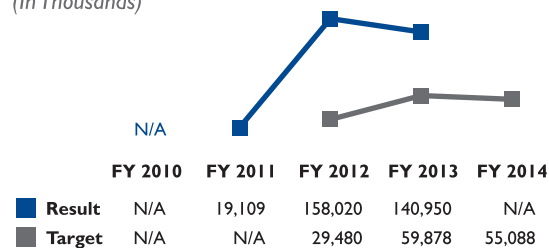
FY 2013 PERFORMANCE RESULTS



Total Results: 8

using the new media (in this usage primarily, but not exclusively social networking sites such as Facebook and Twitter). Content may include voter motivation, explanation of the voting process, the functions of the office(s) being contested, and descriptions of the significance of the elections in democratic governance. This past year saw numerous elections in critical U.S. foreign policy priority countries, such as Kenya, Georgia, Venezuela, Ukraine, Zimbabwe, Pakistan, and Mali, as well as a constitutional referendum in Egypt and civic dialogue in Libya, for which the U.S. Government provided high levels of support and resources for voter and civic education. Political circumstances and unexpected opportunities to support voter and civic education in these and other countries contributed to results far exceeding the FY 2013 target for this indicator.

PERFORMANCE INDICATOR: *Number of Individuals Receiving Voter and Civic Education through U.S. Government-Assisted Programs (In Thousands)*



Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).



Kayah youth discuss opportunities for media reform.

PHOTO: THIHA SWE

BURMESE YOUTH JOIN THE REFORM PROCESS

The Karenni, a traditionally marginalized population in Burma, have not typically engaged the Burmese Government on problems and prospective solutions. However, last year, over 200 Karenni youth from Kayah, Kayin and Shan states demonstrated courage and leadership by proactively discussing peace, reform, and local development in a public space.

USAID, through its Office of Transition Initiatives, identified Karenni youth as the entry point for engaging this population in the political reform process in the strategically important, conflict-prone Kayah state. The Kayah Youth Forum Committee (KYFC) organized and facilitated the three-day Kayah Youth Forum. A total of 216 youth attended the USAID-supported activity, representing 26 youth organizations, networks, and faith-based entities from three of Burma’s most eastern states.

The youth discussed openings for reform, prospects for peace, and opportunities for local development, resulting in 41 statements and related action plans.

State Minister U Khin Mg Oo attended the forum, listening to the ideas and recommendations put forth by the youth.

Khu Klaw Reh, a forum organizer, said, “This is the very first time Karenni youth groups had the opportunity to meet and hold frank discussions with the state minister.”

“I believe our statements and action plans will help the local development of our Kayah state reform process because I have seen the openness of our state minister in this forum,” said Myo Hlaing Win from the student union of Kayah state.

“The forum has motivated me to change the way I think about my state government,” said Phyto Hein Htet from the Mizzima Youth Group. “I want our group to now provide inputs to the reform process in my local area, Demawsoe Township.”

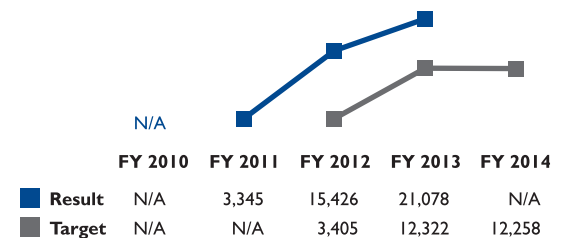
As a secondary impact, the forum solidified the formation of the KYFC, which will soon link with the nationwide Myanmar Youth Forum and eventually with the regional ASEAN Youth Forum, overcoming many of the traditional divisions and lack of trust that exist between organizations and activists.

The Kayah Youth Forum provided a rare opportunity for youth to voice their opinions and contribute to Burma’s reform process. Karenni strengthened their youth networks, advocated for reform and development with local government leaders, and voiced their support for peace processes, resulting in a representation of diverse perspectives in the reform dialogue.

Training and Support of Human Rights Defenders.

The U.S. Government exceeded its FY 2013 target for the training and support of human rights defenders by 8,756 persons due to higher than expected attendance of human rights defenders at training sessions, the award of additional activities, and establishing human rights training as a requirement for certain grantees in countries such as Colombia and Mexico.

PERFORMANCE INDICATOR: Number of Human Rights Defenders Trained and Supported



Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).

INVESTING IN PEOPLE

Ensure good health, improve access to education, and protect vulnerable populations to help nations create sustainable improvements in the well-being and productivity of their citizens.

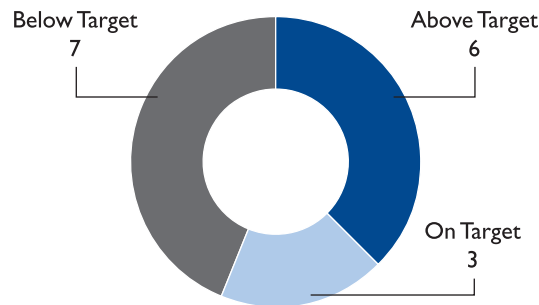
PUBLIC BENEFIT

Bringing better health systems, education, and training to people around the globe contributes to a more secure, stable, and prosperous world. People are central to the sustainability and positive development of a country. USAID helps recipient nations achieve and maintain improvements in the well-being and productivity of their citizens and build sustainable capacity to provide services in four priority program areas: health, education, social services, and protection for especially vulnerable populations. U.S. Government investments focus on improving the health of men, women, newborns, and children, in particular, through such initiatives as the President's Emergency Plan for AIDS Relief (PEPFAR) and the Global Health Initiative (GHI). Both of these presidential initiatives aim to maximize the impact on the health of human lives in target countries.

LINKING ACTIVITIES TO OUTCOMES

Underweight Children. One indicator of progress for meeting the first Millennium Development Goal (MDG)—to eradicate extreme poverty and hunger—is to reduce the prevalence of underweight children under five years old. At least 165 million children worldwide are stunted, or have short stature resulting from chronic under-nutrition. New evidence shows that the effects of stunting are even more far reaching than previously realized, with implications on many aspects of the lives of individual survivors and the countries they live in. Stunting leads to irreversible cognitive impairment and poor health over the lifespan. Each year, under-nutrition in all forms is the underlying cause of 3.1 million child deaths or 45 percent of all child deaths worldwide. It leads to higher health care costs, increased mortality, and lower productivity. On a national scale, widespread under-nutrition undermines economic development, costing low and middle income countries up to 8 percent of economic growth potential. USAID's goals of reducing extreme poverty and hunger as well as ending preventable child and maternal deaths cannot

FY 2013 PERFORMANCE RESULTS



Total Results: 16

A young Guatemalan girl gets weighed.

PHOTO: USAID

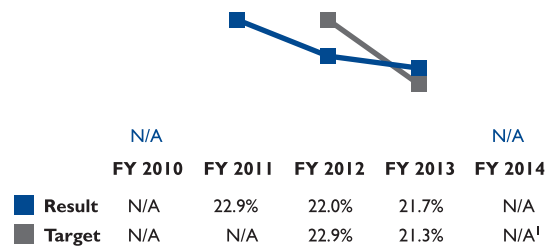


be met without addressing nutrition. To ensure healthier children and more productive communities in the poorest regions of the world, USAID's Office of Food for Peace is applying the best of nutrition science to better target the special nutritional needs of vulnerable groups. USAID now uses ready-to-use therapeutic and supplementary foods designed to treat and prevent malnutrition, as well as better fortified commodities.

Results for the prevalence of underweight children under the age of five years old across GHI and FTF-assisted countries were estimated using data collected through the Demographic and Health Survey. Population-weighted rolling averages for GHI and FTF-assisted countries are calculated annually based on the availability of new survey data points.

A decrease among this affected population represents an improvement. USAID achieved a 21.7 percent prevalence of underweight children under five years of age across the 19 GHI and FTF countries for which data were available. The Democratic Republic of Congo (DRC) and Tajikistan were newly included in analyses due to expanding nutrition work in these countries. DRC's large population and prevalence of underweight children increases the overall average for the GHI and FTF priority countries; nevertheless this indicator showed progress compared to FY 2012. Even a small change of .40 percent in this outcome indicator represents a meaningful change in country health and nutrition programs.

PERFORMANCE INDICATOR: *Prevalence of Underweight Children under Five Years of Age*



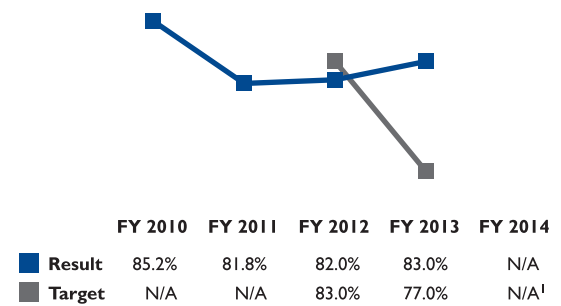
Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).

¹ In alignment with Millennium Development Goals (MDG) and global reporting on nutrition, this indicator has been dropped and will be replaced with another starting in FY 2015.

Primary Net Enrollment. In the Basic Education sector, the United States assesses its performance based on the primary net enrollment rate (NER) for a sample of countries receiving basic education funds. NER is a measure of access to schooling among the official primary school-age group. It is expressed as a percentage of the total primary school-age population. A high NER denotes a high degree of participation of the official school-age population. Although finding accurate global education indicators is difficult, NER is generally seen as the most reliable measure and so was chosen as an overall indicator of education outcome and impact. Although USAID is certainly not solely responsible for supporting increases in enrollment rates, there is plausible attribution for this performance indicator. USAID targets and results are based on a sub-sample of 10 countries across regions: Ethiopia, Ghana, Guatemala, Honduras, Mali, Pakistan, Senegal, Tanzania, Yemen, and Zambia.

U.S. foreign assistance supports an increase in NER through a variety of activities designed to improve the quality of teaching and learning which help reduce barriers to student attendance and promote effective classroom practices. High NERs lead to increases in school completion rates and thus higher educational attainment within the overall population. Countries with an educated population are more likely to experience improvements in health and economic growth. Since FY 2002, NERs have improved steadily in countries receiving U.S. assistance. In FY 2013, the United States met the target of 83 percent for the NER. There were notable increases in Ethiopia, Ghana, Honduras, Mali, and Zambia, but slight decreases in Guatemala and Pakistan.

PERFORMANCE INDICATOR: *Primary Net Enrollment Rate (NER)*



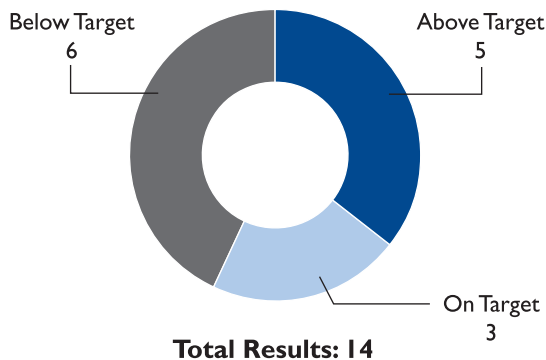
Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).

¹ The FY 2014 target is not available at this time. It can be made available following the approvals of the FY 2014 Country Operational Plans.

PROMOTING ECONOMIC GROWTH AND PROSPERITY

Strengthen world economic growth and protect the environment, while expanding opportunities for U.S. businesses and ensuring economic and energy security.

FY 2013 PERFORMANCE RESULTS



PUBLIC BENEFIT

In today's global economy, America's well-being and economic growth are closely linked to economic growth in the developing world. Growth in developing countries helps to create new and better markets for U.S. goods and services. As President Obama said in the 2013 State of the Union address, "We also know that progress in the most impoverished parts of our world enriches us all—not only because it creates new markets, more stable order in certain regions of the world, but also because it's the right thing to do."

LINKING ACTIVITIES TO OUTCOMES

Improved Infrastructure. Better infrastructure promotes more rapid and sustained economic growth, as people and products can move and work more efficiently. This indicator tracks the number of people who benefit from improved infrastructure services due to U.S. assistance, either use an infrastructure service (such as transport) or receipt of an infrastructure product (such as information and communications technology, water, sanitation, or electricity).

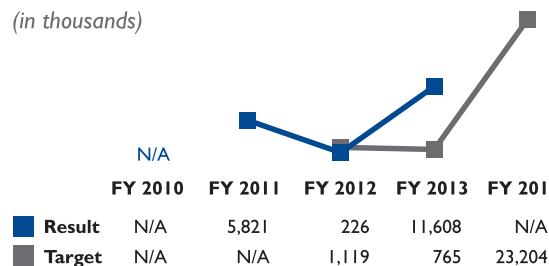


The new DuPont Pioneer seed conditioning plant in an industrial suburb of Ethiopia's capital, Addis Ababa. The new plant and warehouse will enable farmers to store seed and to obtain better prices for their maize.

PHOTO: NENA TERRELL, USAID / ETHIOPIA

The FY 2013 result of 11.6 million beneficiaries receiving improved infrastructure services due to U.S. assistance was well above the target of 765,227, partly because the Pakistan Mission set the target too low. The Pakistan Mission also accounts for the majority of the results for this indicator, with infrastructure programs focused on construction of key roads, water, energy, and irrigation projects in the Federally Administered Tribal Areas, as well as reconstruction of public infrastructure in Khyber Pakhtunkhwa, formerly known as the North West Frontier Province, that was destroyed by conflict and the 2010 floods.

PERFORMANCE INDICATOR: Number of Beneficiaries Receiving Improved Infrastructure Services Due to U.S. Government Assistance (in thousands)



Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).

Global Competitiveness Index. A primary focus of U.S. foreign assistance is removing unnecessary regulations that discourage investment in new technologies to enhance productivity. This in turn will improve the microeconomic environment, reduce corruption,



José Sabão, one of many small business owners in Maputo. PHOTO: SOSTINO MOCUMBE / USAID SPEED

MOZAMBIQUE AIMS HIGHER ON WORLD BANK BUSINESS RANKING

Each year, the World Bank publishes its Doing Business report—a survey of the ease of doing business around the world that includes 189 countries and 10 indicators. In this year’s report, Mozambique’s ranking rose 46 positions for the construction permit indicator, from 123rd place in 2013 to 77th in 2014.

Last year, the Mozambique Government renewed its commitment to improve the country’s Doing Business rankings and the overall business-enabling environment for private sector growth through a series of reforms to the way construction permits are granted. The USAID Support Program for Economic and Enterprise Development (SPEED) directly supported the implementation of those reforms.

While streamlining permit processes in 2013 led to an overall improvement of Mozambique’s ranking, moving from 142nd in 2013 to 139th in 2014, the country remains well below the top performers within the Southern Africa Development Community. To further improve the overall business environment and boost the 2015 rankings, the project identified a series of “quick wins,” key reforms that can be quickly implemented and have potential to improve three indicators: starting a business, registering property, and paying taxes.

Reforms are geared to simplify and streamline administrative processes and requirements to ease the burden for prospective and current business and property owners. USAID is helping the

Ministry of Industry and Trade simplify the application forms required to start businesses in Mozambique and is coordinating with various public institutions to streamline processes. To expedite property registrations, the project is helping to integrate business processes that will reduce the time to obtain registration certificates.

The project is also introducing an online tax payment system, e-tax—primarily for value added tax and the simplified tax for small taxpayers—in Maputo and Matola, which will later be replicated across the country. These tax reforms will particularly impact those involved in small-scale agricultural, industrial, and commercial activities.

“Our goal is to encourage more companies to do more business in Mozambique, thereby increasing trade and investment opportunities, and creating jobs and income growth,” said Brigit Helms, the program’s chief of party. “By implementing several high-impact reforms, we expect to see a marked improvement in the enabling environment and, hopefully, a leap in rankings next year on the World Bank’s Doing Business report.”

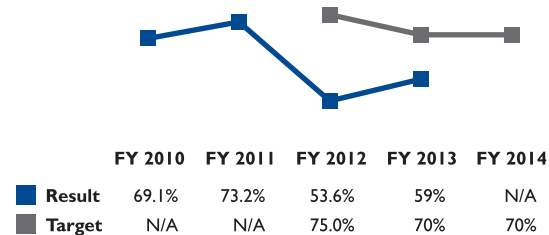
The goal of SPEED is to improve the business environment and have more companies doing more business, resulting in increased trade and investment and a stronger competitive position. The program began in 2011 and concludes in February 2015.

and encourage private sector-led growth. The United States also provides direct assistance to empower men, women, and enterprises to take advantage of new economic opportunities. The Global Competitiveness Index (GCI) of the World Economic Forum monitors 12 determinants of competitiveness: institutions, infrastructure, macroeconomic stability, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market sophistication, technological readiness, market size, business sophistication, and innovation. Higher scores (on a scale of 1.0 to 7.0) reflect improvements in the business environment conducive to trade and investment, and indicate that countries have implemented policies that will lead to greater economic growth and poverty reduction. There are 64 countries currently in the index that received USAID assistance in the Private Sector Competitiveness Program Area in FYs 2007 to 2011 (allowing for a lag in observable impact). The indicator is reported as the percentage of those countries that either reached an index score of 4.5 or greater and/or received a higher score than the previous year. The United States, for example, ranked as number 5 in the GCI 2013-2014 index with a score of 5.48, while Thailand ranked as number 37 with an index score of 4.54.

Only 4 of the 64 countries in the index receiving USAID assistance in this program area have so far reached this benchmark (Azerbaijan, China, Indonesia, and Panama). However, the percentage that was either above this benchmark and/or received improved scores over the preceding year increased from 42.1 in the

2009-2010 index to 76.2 in the 2011-2012 index (despite the global recession). However, the scores fell back to 53.1 in the 2012-2013 index before improving to 59.4 in 2013-2014. There were two basic reasons for the initial decline: (1) the instability and uncertainty related to the Arab Spring in the Middle East Northern Africa (MENA) countries; and (2) in sub-Saharan Africa, the ongoing impact of the global financial crisis affected the resources available for public investments infrastructure, health, and education (which are outside the focus of USAID's competitiveness projects). On a more positive note, there are signs of improvement as the index scores increased to 59.4 in 2013-2014 and the number of USAID-assisted countries that have reached a lower benchmark of 4.0 increased steadily from 19 in the 2008-2009 index to 28 in 2013-2014. USAID technical assistance projects in this area have generally met a welcome response among recipient governments that are keen to attract more private investment.

PERFORMANCE INDICATOR: *Global Competitiveness Index*



Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).



BEFARe is implementing project “Facilitating Economic Rehabilitation of GBV Survivors” funded by USAID under the Gender Equity Program, which is being implemented by Aurat Foundation in close collaboration with The Asia Foundation. The project was basically designed to rehabilitate GBV survivors residing at a Noor Education Trust (NET) shelter home. The aim of the project was not only to capacitate GBV survivors but also to capacitate shelter staff on economic rehabilitation.

PHOTO: BEFARe

PROVIDING HUMANITARIAN ASSISTANCE

Save lives, alleviate suffering, and minimize the economic costs of conflict, disasters, and displacement.

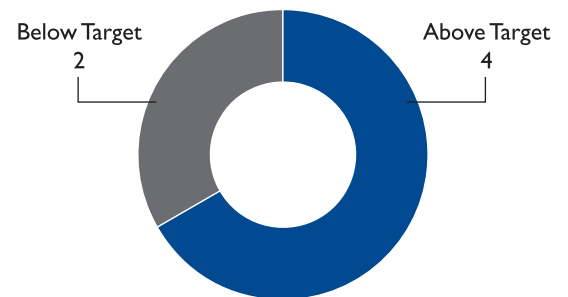
PUBLIC BENEFIT

Providing humanitarian assistance in times of need is the fundamental reflection of core American values. Two billion thirteen million dollars in USAID-managed humanitarian assistance is allocated to assist victims of conflict, natural disasters, and forced migration, by providing for emergency food assistance as part of food aid reform. Equally important, USAID acknowledges that stable, secure and resilient nations are less vulnerable to crises, illegal activity, and international crime, which directly impacts U.S. national security. That’s why USAID is working with committed and accountable governments and international partners to build resilient societies even while saving lives in times of crisis.

LINKING ACTIVITIES TO OUTCOMES

Gender-based Violence (GBV) Prevention and Response Activities. USAID supports implementing partners to integrate the response to and prevention of GBV into their humanitarian operations. The risks for GBV increase for women and girls in the aftermath of disasters, making prevention and response to GBV a vital component of USAID’s humanitarian assistance. In FY 2013, USAID launched a joint initiative with State’s Bureau of Population, Refugees, and Migration called “Safe from the Start” to improve GBV prevention and response from the onset of emergencies. Under the Safe from the Start initiative,

FY 2013 PERFORMANCE RESULTS

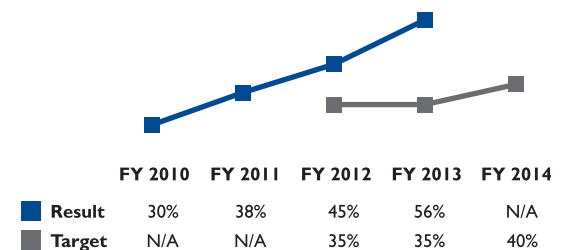


Total Results: 6

USAID is working with State to advance evidence-based dedicated programs for GBV prevention and response, improve protection mainstreaming in all humanitarian assistance programs, and enhance capacity and accountability within the international humanitarian system to address GBV.

Safe from the Start is a continuation of USAID’s work on GBV in previous years. Since the beginning of FY 2013, USAID has required all programs to incorporate protection mainstreaming into all sector interventions. This has resulted in USAID’s partners designing assistance activities in ways that reduce risks, as well as address the effects of harm, exploitation, and abuse, including GBV. In FY 2013, USAID funded 25 programs designed to prevent and/or respond to GBV in 9 countries affected by natural disasters or conflict. USAID also supported eight

PERFORMANCE INDICATOR: *Percentage of NGO or Other International Organization Projects that include Dedicated Activities to Prevent and/or Respond to Gender-Based Violence*



Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).

global programs to increase capacity for GBV prevention and response, and advance program innovations and learning for addressing GBV in emergencies.

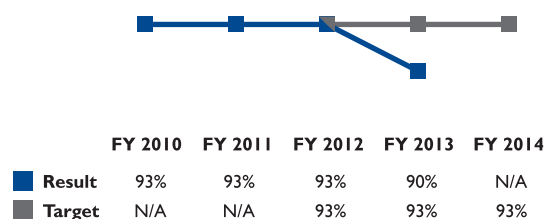
Food Aid Beneficiaries. U.S. emergency food assistance programming plays a critical role in responding to global food insecurity. Emergency food assistance saves lives and livelihoods, supports host government efforts to respond to the critical needs of the country's population when emergency food needs exist and external assistance is required, and demonstrates the concern and generosity of the American people. Responses to emergencies and efforts to resolve protracted crises provide a basis for transitioning to the medium and long-term political, economic, and social investments that can eliminate the root causes of poverty, instability, and food insecurity.

In FY 2013, USAID provided more than \$981 million in food assistance in response to emergencies. This assistance benefitted nearly 21.6 million people in 25 countries, including 16 countries in Africa, 7 in Asia and the Near East, and 2 in Latin America and the Caribbean. Emergency food assistance programs receive funding from the Food for Peace Act Title II and the Foreign Assistance Act's International Disaster Assistance (IDA) account and Overseas Contingency Operation (IDA/OCO) resources. These programs are implemented by NGOs and public international organizations. Through the Emergency Food Security Program (EFSP), USAID uses IDA and IDA/OCO resources for local and regional purchase of food, food vouchers, and cash transfer programs that facilitate access to food. In FY 2013, EFSP provided over \$577 million in grants to a variety of NGOs and United Nations (UN) agencies, such as the UN World Food Program (WFP), in 22 countries, including Burma, Kenya, Somalia, Syria, Niger, Pakistan, and Yemen.

The U.S. Government is the largest donor to WFP. In FY 2013, USAID contributed more than \$749 million in Title II and EFSP funding to WFP in response to global appeals for Emergency Operations and humanitarian assistance programs in 23 countries in Africa, Latin America and the Caribbean, and Asia and the Near East.

The emergency food aid indicator demonstrates the effectiveness of USAID programs by measuring the percentage of beneficiaries reached versus planned levels. USAID continues to improve the ability to identify food needs in emergencies and how best to deliver food assistance. Through activities carried out in FY 2013, USAID emergency food assistance reached 90 percent of planned beneficiaries. Due to improved harvests, certain regions saw lower than expected food insecurity and beneficiary caseloads. Consequently, Food for Peace provided less assistance than originally planned and the FY 2013 result fell just below the target of 93 percent of planned beneficiaries reached.

PERFORMANCE INDICATOR: *Percent of Planned Emergency Food Aid Beneficiaries Reached with U.S. Government Assistance*



Source: *FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

STRENGTHENING CONSULAR AND MANAGEMENT CAPABILITIES

Achieve U.S. government effectiveness, accountability, and transparency.

See the Other Management Information, Initiatives, and Issues section for how USAID's management activities benefit the public and link to outcomes.

FOOD VOUCHERS BRING RELIEF TO SYRIAN REFUGEES IN TURKEY

In mid-2011, a violent crackdown on anti-government protestors exploded into a large-scale conflict in Syria, forcing millions to flee. As Syria's largest neighbor, Turkey opened its 511-mile border to over 500 thousand Syrians seeking refuge from violence at home.

Maintaining an open border policy with its southern neighbor, Turkey provides housing and relief services to hundreds of thousands of refugees living in 21 camps across 10 provinces as well as in urban areas.

Prior to the conflict, Syria was a middle-income country on par with many of its Mediterranean neighbors. Although the Syrian economy relied heavily on agriculture, the majority of the population lived in urban areas and shopped at grocery stores. When the crisis began, much of the country's infrastructure began to unravel, including large-scale food production and distribution networks. Syrians reported that some foods, such as fresh produce, meat, and dairy could scarcely be found in markets. As the crisis escalated, so did the number of refugees fleeing to Turkey.

The Turkish Red Crescent Society, locally known as Kizilay, has been the leading organization responding to the Syrian refugee crisis in Turkey. When the refugees first arrived, Kizilay cooked hot meals for thousands of Syrians each day. Recognizing it could no longer meet the basic food needs for the hundreds of thousands of people pouring across the Turkey-Syria border, the Government of Turkey requested additional food assistance and funding from the United Nations (UN) World Food Program (WFP).

In October 2012, WFP, with support from donor organizations including USAID, partnered with Kizilay to implement a card-based aid delivery system. Through these electronic cards, WFP and Kizilay began providing refugees in camps with a monthly cash credit to buy their own food in local supermarkets.

The program is good for the local economy, significantly reduces the cost of feeding refugees, and allows families in camps to regain a sense of normalcy by buying and cooking the foods they eat at home. The program also takes full advantage of Turkey's well-established financial infrastructure and allows WFP to closely monitor assistance by tracking food prices, spending patterns, and inventory levels in stores.

Nearly one and a half years later, USAID is now the largest donor of WFP's emergency operation in Turkey, having contributed \$29 million. WFP and Kizilay together distribute food cards to over 140 thousand refugees in 15 camps across Turkey.

"We used to receive hot meals from camp administration. It was enough to survive, but the foods were unfamiliar," said Nour¹, a 43-year-old living in Turkey's Osmaniya camp. "With the electronic

¹ Name changed to protect identity.



For displaced Syrians, USAID food assistance allows families to prepare home-cooked meals, preserving a sense of normalcy. PHOTO: CASSANDRA NELSON / MERCY CORPS

food cards, our lives are 100 times better. We can now buy and cook exactly what our family needs."

Originally from a coastal city in Syria, Nour came to Turkey in late 2011 with the clothes on her back and five children—four daughters and a son. Her husband had been arrested by government forces and, fearing for her children's safety, she fled north. When Nour first arrived in Turkey, she was thankful for the newfound security, but hated the feeling of helplessness as she and her children queued for hot meals three times daily.

With a smile, Nour says that since the transition to electronic food cards, she has been able to cook the meals her children are most familiar with, creating a sense of normalcy and making their tent feel more like a home. When asked if her daughters help with the cooking, Nour laughed and shook her head vigorously. "Never!" she said, "But my son does," pointing to the door of the tent. Her 15-year-old son was sitting inside shelling peanuts, the local specialty of Osmaniya province.

USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS^{1,2}

ACHIEVING PEACE AND SECURITY – \$671,264,423

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #*
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	N/A	440	17,148	12,752	12,733	10,375	2, 4

GOVERNING JUSTLY AND DEMOCRATICALLY – \$1,420,291,609

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #*
Number of U.S. Government-Assisted Courts with Improved Case Management Systems	573	742	702	708	1,334	917	2, 3
Number of Domestic NGOs Engaged in Monitoring or Advocacy Work on Human Rights Receiving U.S. Government Support	4,679	4,662	818	483	914	777	2, 3
Number of Human Rights Defenders Trained and Supported	N/A	3,345	15,426	12,322	21,078	12,258	2, 3
Number of Executive Oversight Actions Taken by Legislature Receiving Assistance	3,971	317	279	116	359	231	2, 3
Number of Training Days Provided to Executive Branch Personnel with U.S. Government Assistance	N/A	315	5,394	6,121	7,490	9,650	2, 3
Number of Individuals Receiving Voter and Civic Education through U.S. Government-Assisted Programs	N/A	19,108,679	58,020,113	59,878,338	140,950,044	55,087,722	2, 3
Number of Civil Society Organizations Receiving U.S. Government Assistance Engaged in Advocacy Interventions	2,629	4,362	11,247	23,981	13,570	16,865	2, 3
Number of Non-State News Outlets Assisted by U.S. Government	1,769	1,507	2,791	1,371	1,116	844	2, 3

INVESTING IN PEOPLE – \$2,640,079,972

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #*
Number of Adults and Children with Advanced HIV Infection Receiving Antiretroviral Therapy (ART)	N/A	3.9M	5.1M	6.0M	6.7M	N/A ³	5, 6
Number of Eligible Adults and Children Provided with a Minimum of One Care Service	N/A	12.9M	15.0M	16.5M	17.0M	N/A ³	7, 8
Percent of Registered New Smear Positive Pulmonary Tuberculosis Cases that were Cured and Completed Treatment Under Direct Observed Treatment Short-course (DOTS) Nationally (Treatment Success Rate)	N/A	86%	86%	87%	87%	88%	9, 10
Case Notification Rate in New Sputum Smear Positive Pulmonary Tuberculosis Cases per 100,000 Population Nationally	N/A	115/100,000	120/100,000	122/100,000	129/100,000	130/100,000	11, 12
Number of People Protected against Malaria with a Prevention Measure (Insecticide Treated Nets or Indoor Residual Spraying)	40M	58M	50M	60M	45M	45M	2, 13

See end of table on page 27 for footnotes.

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USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS ^{1,2} (continued)
INVESTING IN PEOPLE – \$2,640,079,972 (continued)

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #**
Number of Neglected Tropical Disease (NTD) Treatments Delivered through U.S. Government-funded Programs	160.7M	186.7M	103.8M	150.0M	169.5M	190.0M	14, 15
Percent of Births Attended by a Skilled Doctor, Nurse, or Midwife	48.9%	50.0%	51.1%	52.2%	51.3%	52.4%	16, 17
Percent of Children who Receive DPT3 Vaccine by 12 Months of Age	59.0%	59.9%	60.8%	61.6%	60.4%	61.6%	18, 19
Modern Contraceptive Prevalence Rate (MCPR)	28.4%	29.8%	30.9%	31.9%	31.9%	33.1%	20, 21
First Birth under 18	24.4%	24.0%	23.3%	23%	23%	21.4%	22, 23
Percent of Households Using an Improved Drinking Water Source	N/A	N/A	37.50%	38.48%	38.39%	39.28%	24, 25
Percent of Households Using an Improved Sanitation Facility	N/A	N/A	12.60%	14.46%	13.44%	14.28%	26, 27
Prevalence of Anemia among Women of Reproductive Age	N/A	41.4%	40.9%	40.4%	38.5%	37.9%	28, 29
Prevalence of Underweight Children under Five Years of Age	N/A	22.9%	22%	21.3%	21.7%	N/A ⁴	30, 31
Primary Net Enrollment Rate (NER)	85.2%	81.8%	82%	77%	83%	N/A ³	32, 33
Number of People Benefitting from U.S. Government-Supported Social Assistance Programming	4,148,088	3,064,461	3,343,284	2,167,794	2,488,888	2,263,651	2, 34

PROMOTING ECONOMIC GROWTH AND PROSPERITY – \$4,099,311,767

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #**
Three-Year Average in the Fiscal Deficit as a Percent of Gross Domestic Product (GDP)	66.7%	50%	N/A	50%	50%	60%	35, 36
Inflation Rate, Consumer Prices, Annual	86.7%	53.1%	50%	55%	55%	70%	37, 38
Tax Administration and Compliance Improved (% Increase in Tax Collections) as a Result of U.S. Government Assistance	N/A	N/A	72%	25%	15%	20%	2, 39
Time to Export/Import (Days)	72 days	72 days	70 days	69 days	69 days	53 days	40, 41
Number of Documents Required to Export Goods Across Borders Decreased	8 docs	7 docs	7 docs	6 docs	7 docs	7 docs	42, 43
Domestic Credit to the Private Sector as a Percent of GDP	73.7%	64.9%	65.8%	70%	74%	75%	44, 45
Number of Beneficiaries Receiving Improved Infrastructure Services Due to U.S. Government Assistance	N/A	5,820,641	225,725	765,227	11,607,794	23,203,569	2, 46
Number of Beneficiaries Receiving Improved Transport Services Due to U.S. Government Assistance	2,863,566	3,227,825	2,041,800	162,481	694,000	658,240	47, 48

See end of table on page 27 for footnotes.

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USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS ^{1,2} (continued)

PROMOTING ECONOMIC GROWTH AND PROSPERITY – \$4,099,311,767 (continued)

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #*
Number of Farmers or Others who have Applied New Technologies or Management Practices as a Result of U.S. Government Assistance	1,506,187	5,271,629	7,375,877	8,528,161	6,757,292	7,500,000	2, 49
Value of Incremental Sales (Collected at Farm-Level) Attributed to FTF Implementation	927,778	86,789,146	262,876,569	289,123,509	174,302,362	196,991,787	2, 50
Global Competitiveness Index	69.1%	73.2%	53.6%	70%	59%	70%	51, 52
Commercial Bank Accounts per 1,000 Adults	697	653	N/A	N/A	134,270,462	N/A ³	53, 54
Quantity of Greenhouse Gas Emissions, Measured in Metric Tons of CO ₂ e, Reduced or Sequestered as a Result of U.S. Government Assistance	120,000,000	200,000,000	165,057,815	129,757,454	95,074,963	141,264,367	2, 55
Number of Hectares of Biological Significance and/or Natural Resources under Improved Natural Resource Management as a Result of U.S. Government Assistance	92,700,352	101,800,000	99,737,668	73,274,945	95,074,936	95,807,398	56, 57

PROVIDING HUMANITARIAN ASSISTANCE – \$2,121,191,002

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 RESULTS	FY 2013 TARGET	FY 2013 RESULTS	FY 2014 TARGET	DATA NOTE #*
Percentage of NGO or Other International Organization Projects that include Dedicated Activities to Prevent and/or Respond to Gender-Based Violence	30%	38%	45%	35%	56%	40%	58, 59
Percentage of U.S. Government-Funded NGO or Other International Organization Projects that include Activities or Services Designed to Reduce Specific Risks or Harm to Vulnerable Populations	N/A	37%	40%	N/A	100%	N/A ⁵	60, 61
Percent of Planned Emergency Food Aid Beneficiaries Reached with U.S. Government Assistance	93%	93%	93%	93%	90%	93%	62, 63
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	N/A	59,007,997	48,989,676	45,000,000	61,315,940	46,317,142	64, 65
Percentage of Host Country and Regional Teams and/or Other Stakeholder Groups Implementing Risk-Reducing Practices/Actions to Improve Resilience to Natural Disasters as a Result of U.S. Government Assistance within the Previous Five Years	N/A	5.0%	17%	20%	17%	20%	66, 67
Number of People Trained in Disaster Preparedness as a Result of U.S. Government Assistance	18,030	12,396	26,768	18,857	28,647	15,910	68, 69

* See Appendix A for the performance indicator data notes.

¹ See Appendix A for details of data note 1.

² By representative indicators, we mean those which can be aggregated across missions to provide data on Agency performance in areas that best reflect USAID's contributions to achievement of the five strategic goals. These indicators and data were also included in the performance section of the President's FY 2014 budget request to Congress, in accordance with GPRAMA reporting requirements.

³ The FY 2014 target is not available at this time. It can be made available following the approvals of the FY 2014 Country Operational Plans.

⁴ In alignment with Millennium Development Goals (MDG) and global reporting on nutrition, the indicator has been dropped and will be replaced with another starting in FY 2015.

⁵ Because 100 percent of grants measured by this indicator now include language requiring the inclusion of activities or services to reduce risks or harm to vulnerable populations, there is no longer a need to report on the indicator.

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 prepared a Combining Schedule of Budgetary Resources and a Schedule of Spending, which are

included in the Required Supplementary Information and Other Information sections, respectively.

FORWARD LOOKING

USAID is committed to advancing sustainable development through strong country ownership and accountability. USAID Forward is the Agency's flagship initiative aimed at strengthening USAID's ability to lead as a premier development institution based on sound development theory and practice. As part of USAID Forward, Local Solutions focuses on using, strengthening, and partnering with local actors strategically, purposefully, and cost-effectively to achieve development objectives sustainably. Local Solutions has an aspirational target of 30 percent of USAID FY 2015 obligations to partner country institutions, including government-to-government assistance, indigenous non-governmental organizations, and private sector entities, cost to the United States of a Development Credit Authority arrangement, and certain Public International Organization grants. Even though this direct assistance may result in slower disbursements in the near term, this expanded business model will create the conditions that enable countries to sustain their own development over time.

OVERVIEW OF FINANCIAL POSITION

Preparing the Agency's financial statements is a vital component of sound financial management and also 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

CHANGES IN FINANCIAL POSITION IN FY 2014

(In Thousands)

NET FINANCIAL CONDITION	2014	2013 (Restated)	% CHANGE IN FINANCIAL POSITION
Fund Balance with Treasury	\$ 30,862,134	\$ 31,162,992	-1%
Direct Loans and Loan Guarantees, Net	2,266,825	2,574,346	-12%
Accounts Receivable, Net	51,198	39,960	28%
Cash and Other Monetary Assets, Advances and Other Assets	1,040,187	897,847	16%
PP&E, Net and Inventory, Net	111,780	100,781	11%
Total Assets	\$34,332,124	\$34,775,926	-1%
Debt and Liability for Capital Transfers to the General Fund of the Treasury	2,541,155	2,872,590	-12%
Accounts Payable	1,775,149	1,917,022	-7%
Loan Guarantee Liability	2,351,183	1,846,853	27%
Other Liabilities and Federal Employees and Veteran's Benefits	1,511,789	1,293,037	17%
Total Liabilities	\$ 8,179,276	\$ 7,929,502	3%
Unexpended Appropriations	25,595,626	25,879,318	-1%
Cumulative Results of Operations	557,222	967,106	-42%
Total Net Position	26,152,848	26,846,424	-3%
Net Cost of Operations	\$11,671,109	\$10,274,939	14%
Budgetary Resources	\$24,232,628	\$23,814,776	2%

through delivering assistance through host government systems and community organizations.

A summary of USAID’s major financial activities in FY 2014 and FY 2013 is presented in the table on the preceding page. 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 \$34.3 billion as of September 30, 2014. This represents a decrease of \$444 million (1 percent) over the restated FY 2013 total of \$34.8 billion. The most significant assets are the Fund Balance with Treasury and Direct Loans and Loan Guarantees, Net which represent 90 percent and 7 percent of USAID’s assets, as of September 30, 2014, respectively. 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 \$8.2 billion, of which \$4.9 billion or 60 percent comprises 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 increased \$504 million between the two fiscal years, an increase of 27 percent. This was driven by new loan guarantees with the Middle East Northern Africa (MENA) and Ukraine programs. MENA was formed from the addition of Jordan to the former Tunisia Loan Guarantee Program.

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 has remained relatively static between FY 2014 and FY 2013. Although its components (Unexpended Appropriations and Cumulative Results of Operations) experienced significant adjustments to the reported FY 2013 balances, of approximately \$3 billion each, these were offsetting adjustments with minimal impact to the Agency’s Net Position.

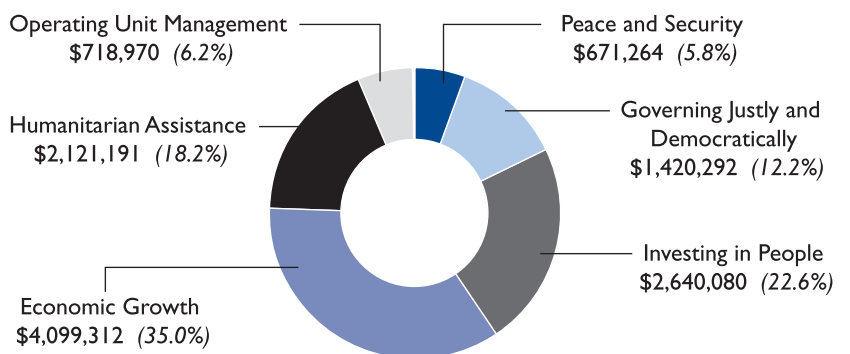
RESULTS (NET COST) OF OPERATIONS

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 2014. Three objectives—Economic Growth, Investing in People, and Humanitarian Assistance—represent the largest investments at 76 percent of the total Net Cost of Operations. The following chart shows the total net cost incurred to carry out each of the Agency’s objectives.

FY 2014 NET COST OF OPERATIONS

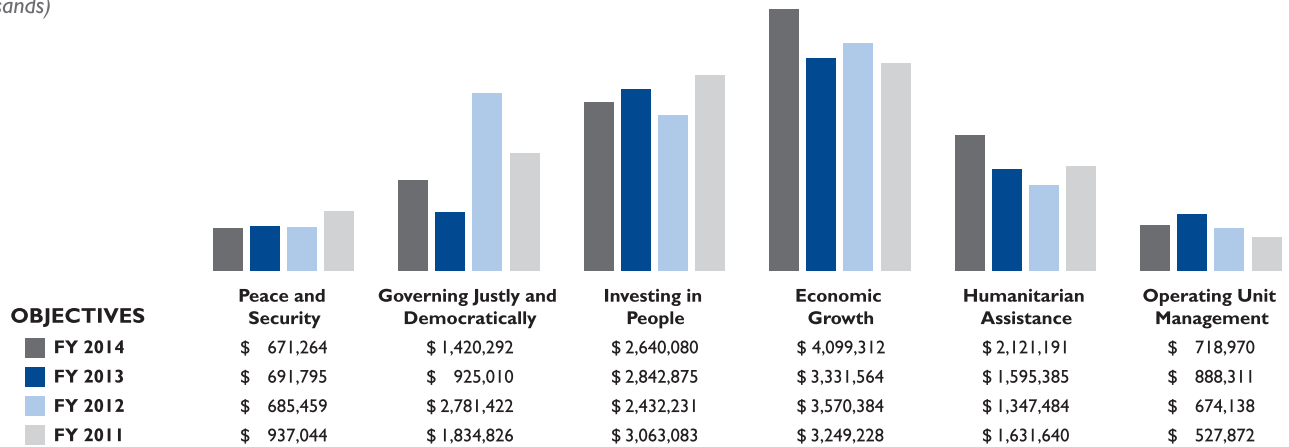
(In Thousands)



Total Net Cost: \$11,671,109

MAJOR ELEMENTS OF NET COST COMPARISON OVERTIME

(In Thousands)



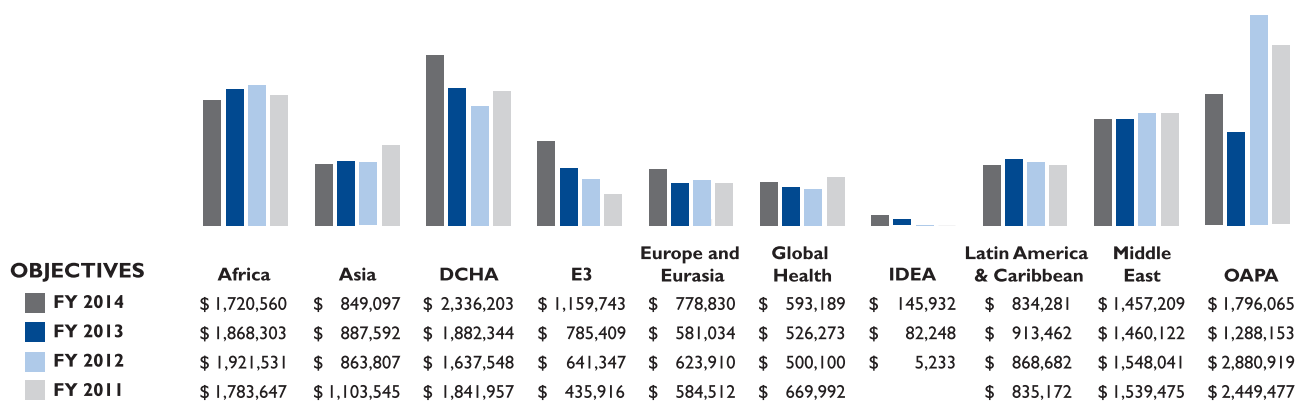
For FY 2014 and FY 2013, USAID's net cost of operations totaled \$11.7 billion and \$10.3 billion, respectively. Over this two-year period net costs of operations increased by 14 percent. This increase was led by the expansion in strategic objectives as follows: Governing Justly and Democratically by \$495 million or 54 percent, Humanitarian Assistance by \$526 million or 33 percent, and Economic Growth by \$767 million or 23 percent.

Major elements of net cost are broken out above. This chart compares the major elements of net cost by year from FY 2011 through FY 2014.

USAID also tracks its expenses by responsibility segment as shown in Note 16, *Sub-organization Program Costs/ Program Costs by Segment*. The Agency includes its six geographic bureaus and four technical bureaus as responsibility segments. The chart below summarizes costs by responsibility segment for FY 2011 through FY 2014. The Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) emerged as the largest technical segment in FY 2014, replacing Africa. In addition to DCHA and Africa, the Office of Afghanistan and Pakistan Affairs (OAPA) rounded out the top three technical segments/geographic bureaus for FY 2014.

NET OPERATING COSTS BY RESPONSIBILITY SEGMENT

(In Thousands)



FY 2014 NET COST PROGRAM AREAS

(In Thousands)

OBJECTIVE	PROGRAM AREA	TOTAL
Peace and Security	Counterterrorism	\$ 33,742
	Combating Weapons of Mass Destruction (WMD)	30,328
	Stabilization Operations and Security Sector Reform	11,009
	Counternarcotics	154,864
	Transnational Crime	10,396
	Conflict Mitigation and Reconciliation	430,925
Peace and Security Total		671,264
Governing Justly and Democratically	Rule of Law and Human Rights	202,134
	Good Governance	690,814
	Political Competition and Consensus-Building	233,477
	Civil Society	293,867
Governing Justly and Democratically Total		1,420,292
Investing in People	Health	1,625,860
	Education	828,311
	Social and Economic Services and Protection for Vulnerable Populations	185,909
Investing in People Total		2,640,080
Economic Growth	Macroeconomic Foundation for Growth	1,133,085
	Trade and Investment	117,610
	Financial Sector	47,599
	Infrastructure	623,248
	Agriculture	1,014,200
	Private Sector Competitiveness	322,187
	Economic Opportunity	178,907
	Environment	662,476
Economic Growth Total		4,099,312
Humanitarian Assistance	Protection, Assistance and Solutions	1,883,991
	Disaster Readiness	237,144
	Migration Management	56
Humanitarian Assistance Total		2,121,191
Operating Unit Management	Crosscutting Management and Staffing	2,099
	Program Design and Learning	184,298
	Administration and Oversight	532,573
Operating Unit Management Total		718,970
Total Net Cost of Operations		\$ 11,671,109

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 three parent agencies: Millennium Challenge Corporation, U.S. Department of Agriculture Commodity Credit Corporation, and State. Activity related to 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 Agency received \$24.2 billion in cumulative budgetary resources in FY 2014, of which it has obligated \$13.8 billion.

OBLIGATIONS AND OUTLAYS

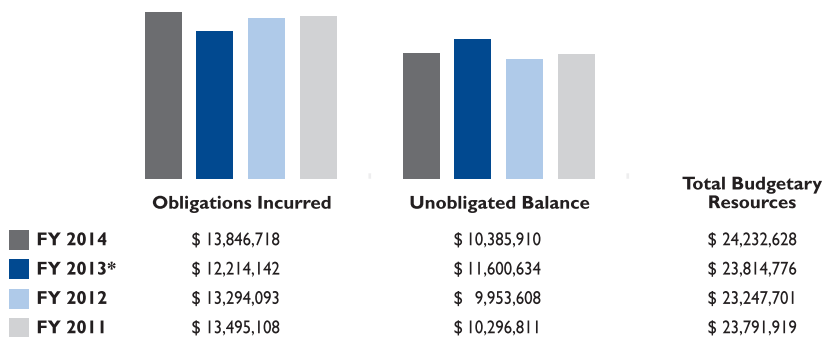
The Status of Budgetary Resources chart compares obligations incurred and unobligated balances at year-end for FY 2014, FY 2013, FY 2012, and FY 2011. Net outlays reflect disbursements net of offsetting collections and distributed offsetting receipts. USAID recorded total net outlays of \$9 billion during the current fiscal year, and these outlays were disbursed timely according to contracted terms. Budgetary resources increased \$418 million or less than 1 percent, from FY 2013, while net outlays decreased \$896 million or less than 1 percent.

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 2011 – FY 2014

(In Thousands)



* FY 2013 is Restated

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

USAID considers internal controls to be an integral part of all systems and processes that the Agency uses in managing its operations and carrying out activities toward achieving strategic goals and objectives. The central theme of internal control is to identify risks to the achievement of an organization's objectives and to do what is necessary to manage those risks.

The objectives of internal control are:

- Effective and efficient operations;
- Compliance with laws and regulations;
- Reliable financial reporting.

ANNUAL ASSURANCE STATEMENT

USAID'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). USAID is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA. The two material weaknesses and one nonconformance with financial management system requirements are detailed in Exhibits A and B in this section of the report.

USAID conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this assessment, USAID identified one material weakness in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations detailed in Exhibit A as of September 30, 2014. Other than that one exception, the internal controls were operating effectively and no other material weaknesses were identified by Agency management in the design or operation of the internal controls.

In addition, USAID 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.

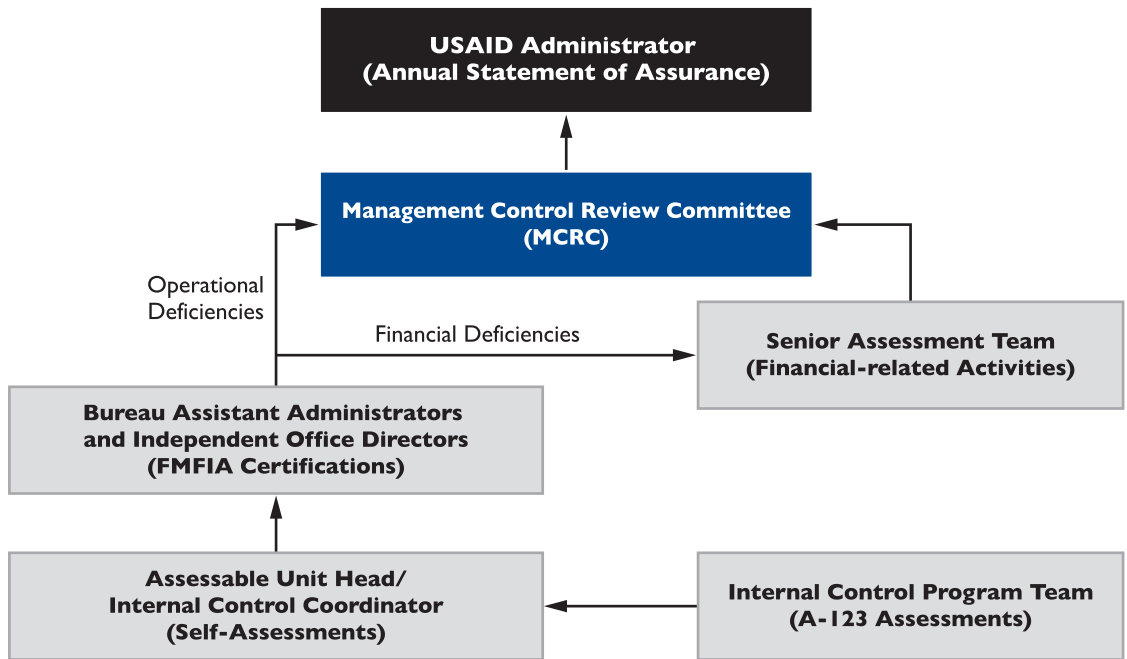
Based on the results of this assessment, the Agency agreed with the Office of Inspector General's (OIG) identification of a material weakness in USAID's internal control over financial reporting detailed in Exhibit A as of September 30, 2014. Except for that material weakness, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls over financial reporting. Further, subsequent testing through November 17, 2014, did not identify any reportable changes in key financial reporting internal controls.

USAID conducted its assessment of whether the financial management systems conform to government-wide financial systems requirements in accordance with FMFIA Section 4. In conjunction with the Federal Information Security Management Act (FISMA) audit findings, USAID identified one non-conformance with financial management system requirements detailed in Exhibit B as of September 30, 2014. Other than that exception, USAID can provide reasonable assurance that its financial management systems comply with FMFIA Section 4 and with the component requirements of the Federal Financial Management Improvement Act (FFMIA).



Rajiv J. Shah
Administrator
November 17, 2014

INTERNAL CONTROL REPORTING STRUCTURE



The Federal Manager’s Financial Integrity Act (FMFIA) requires ongoing evaluations of and reports on the adequacy of management’s financial and operational controls. The Bureau for Management, Office of the Chief Financial Officer’s (M/CFO) Internal Control Program Team (ICPT) implements the Agency’s internal control program and issues annual FMFIA internal control review guidance to assessable unit heads, in coordination with their Internal Control Coordinators, for use in completing their annual FMFIA certifications (self-assessments in support of the Administrator’s annual assurance statement) of the processes and controls within their areas of responsibility.

The ICPT is also responsible for conducting internal control assessments in accordance with Office of Management and Budget (OMB) Circular A-123, *Management’s Responsibility for Internal Control*, and its associated appendices. Some of the functions of the ICPT include identifying key business processes and related control activities; performing a preliminary risk assessment of such processes; and determining the scope, design, and methodology of the assessments. During FY 2014, the ICPT conducted

internal control assessments in six missions—Tanzania, Angola, Zimbabwe, India, Cambodia, and Timor-Leste—as well as in Washington and performed qualitative assessments on sensitive payments, FMFIA certifications, government charge card programs, and improper payments. In addition, the ICPT monitored the Agency’s compliance with OMB requirements for complying with the FMFIA, conducting acquisition assessments, and improving data quality for USAspending.gov. The ICPT communicated the results to the assessable unit heads and Internal Control Coordinators who, in turn, prepared corrective action plans and reported both financial-related and operational deficiencies to the Bureau Assistant Administrators and Independent Office Directors in their self-assessments.

The Senior Assessment Team (SAT) consists of senior-level staff and derives its authority and support from the Chief Financial Officer. Its role is to provide oversight of the assessment process, review the financial-related deficiencies reported by the bureau and independent office heads, and make recommendations to the Agency Management Control Review Committee (MCRC).

The Agency MCRC provides oversight for the identification, correction, and reporting of internal control and audit deficiencies. Membership consists of the Deputy Administrator, who chairs the MCRC meetings, all bureau and independent office heads, and statutory directors (e.g., Chief Financial Officer). The MCRC is responsible for assessing and monitoring deficiencies in internal control resulting from the overall FMFIA assessment process. Its role is to advise the USAID Administrator of the status of corrections to existing material weaknesses and significant deficiencies that may need to be reported to the President and Congress. During FY 2014, the MCRC evaluated the financial-related and operational deficiencies, considered the SAT's recommendations, and made its recommendations to the Administrator.

The results of these evaluations and other information—such as independent audits or reviews performed by the OIG and the Government

Accountability Office (GAO) (e.g., Federal Information Security Management Act (FISMA) audit), independent audits of service providers' operations and financial systems (e.g., reviews conducted in accordance with Statement on Standards for Attestation Engagements (SSAE) 16), internal analyses, and other relevant evaluations and control assessments—were considered by the MCRC and the Administrator in determining whether there were any internal control deficiencies or non-conformances that must be disclosed in the annual assurance statement.

The Administrator considered the MCRC's recommendations and determined that the Agency has two material weaknesses. (See Appendix B for definitions of deficiency categories.) Of the two material weaknesses, one is a financial-related deficiency. Corrective action plans have been developed for these deficiencies and will be monitored by the SAT and MCRC until closed.

FMFIA MATERIAL WEAKNESSES AND NON-CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS

EXHIBIT A – MATERIAL WEAKNESSES

The Agency reported two material weaknesses for FY 2014. One is operations-related and the other is related to financial reporting.

INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)

Management's implementation of its information security policies and procedures is not effective.

The OIG concluded that the lack of an effective risk management program, taken together with USAID's decentralized management of information technology (IT) and information security, and 45 open FISMA-related audit recommendations represents a significant deficiency under the FISMA to enterprise-wide security. This FISMA audit significant deficiency represents a material weakness under the FMFIA.

Plan: USAID will improve its information security program and bring it into compliance with FISMA, OMB, and National Institute of Standards and Technology requirements.

Progress to date: USAID has developed and begun implementing a three-year action plan to address weaknesses in the Agency's information security management program.

Revised target completion date: December 31, 2015

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INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)

USAID does 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.

Plan: USAID will apply the methodology that was developed during FY 2013 to calculate and post adjustments that will reconcile both Phoenix general ledger balances and Treasury cash balances to the Phoenix subsidiary ledger totals. One set of adjustments covering approximately one-half of the appropriations was made in February/ March 2014 with the remainder to be completed by December 31, 2014.

Progress to date: USAID completed the adjustments for virtually all appropriations by the end of July 2014, five months ahead of schedule. As of late August 2014, the cash differences with Treasury that were “unexplained” totaled approximately negative \$12 million net and \$140 million absolute value. This is a 95 percent improvement over last September’s condition. The ICPT reviewed the adjustments and found they were implemented according to the defined plan and the computation of adjustments was supported by detailed documentation and evidence of analysis. M/CFO repeated the reconciliation for key general ledger categories in all appropriations on September 19, 2014, and found that the remaining general ledger/subsidiary ledger differences were insignificant.

Target completion date: December 31, 2014

EXHIBIT B – NON-CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS

The Agency determined that the material weakness related to the implementing of information security policies and procedures represents a non-conformance with financial management system requirements.

CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)

The FISMA audit significant deficiency discussed in Exhibit A relates to enterprise-wide security—a deficiency, which affects all Agency systems, including the Agency’s financial management systems.

Plan: USAID will strengthen its security management plan as discussed in Exhibit A.

Progress to date: USAID is implementing its three-year action plan that was developed in April 2013.

Target completion date: December 31, 2015

FFMIA COMPLIANCE ASSESSMENT

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 U.S. Standard General Ledger (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 conformance 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 included the use of the FFMIA Compliance Determination Framework, which incorporates a risk model of risk levels against common goals and compliance indicators. Appendix D is a new appendix to Circular A-123 and contains an outcome-based approach to assess FFMIA compliance through a series of financial management goals that are common to all agencies. Based on the results of the review, USAID concluded that its risk level for not meeting FFMIA requirements was nominal. However, under the FISMA, a significant deficiency in the Agency's annual FISMA audit report constitutes an instance of a lack of substantial compliance under the FFMIA (if relating to financial management systems) as well as a material weakness under the FFMIA.

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 decade, 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 systems framework supports the goals of the USAID Forward reform agenda and government-wide data transparency. 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 progress against one of the current priority goals of USAID Procurement Reform is based on evaluating the percentage of program funding going directly to local partners that are supported by local systems covering Public Financial Management, procurement, audit, and the internal monitoring and evaluation functions of partner country governments. 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 local solutions/local systems strategies. Increased focus on data management will allow USAID to better capture and assess the results of the local solutions/local systems initiatives. In FY 2010, the global average of mission funds provided to local organizations and governments was 9.6 percent. It has risen to 17.9 percent. Fifty percent of these funds went to partner country governments and the remainder to local organizations—from universities to farmers' associations to businesses.

As the Federal Government undertakes new strategies and initiatives to improve financial management, USAID is updating its systems and processes accordingly. In 2014, the Agency updated Phoenix to meet new federal financial management requirements, including the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the System for Award Management (SAM). USAID has also made significant advances

in leveraging government-wide solutions, such as solutions to screening for improper payment prevention. USAID plans on continuing this progress by implementing an automated invoicing solution to reduce transactional costs, improve accuracy of payment and accounting data, and better align with other federal agencies.

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. USAID's procurement system, the Global Acquisition and Assistance System (GLAAS), is integrated with Phoenix so that procurement and financial data can be exchanged on a real-time basis, enabling efficient funds control validation for procurement actions. Based on resource priorities, USAID makes incremental investments to automate and streamline financial management processes. One example is eCART, a Web-based cash reconciliation tool developed by the USAID mission in Egypt, which was updated in FY 2014 to include disbursements made by the Department of Health and Human Services (HHS) Payment Management System on behalf of USAID to grantees and contractors. By incorporating HHS data in eCART, automated appropriation transfers and adjustments will be analyzed in eCART and reported to Treasury on a transaction-by-transaction basis to enable synchronization between Phoenix and Treasury.

USAID also leverages interagency agreements to support its financial management operations: HHS processes USAID's letter of credit transactions for grantee advances and liquidations; U.S. Department

of Agriculture processes payroll for some USAID employees; and USAID partners with the Department of State (State) to run the Joint Financial Management System, an initiative to collaborate on financial management system planning and support.

USAID will continue to improve its financial systems framework to meet new federal requirements and support Agency goals. USAID completed upgrading the core Phoenix financial system in December 2013. The upgrade has enabled the Agency to meet deadlines relating to new federal initiatives, including GTAS and SAM, as well as improve system usability and efficiency for its users.

USAID will also make improvements to financial management processes so that they are more efficient and take advantage of shared services, when possible. M/CFO is deploying the Mission Agreement Project Pipeline Reporting (MAPPR) tool that allows users to add mission-defined metadata to financial information, i.e., office, bilateral agreement, or activity, at the level missions need to better manage their portfolios and more quickly and accurately conduct pipeline reporting. MAPPR also allows missions to create financial reports by project, activity, bilateral agreement, and office. In the coming fiscal years, dependent on available funding, USAID plans to continue to expand on this work and focus on the increased emphasis on data transparency. M/CFO will need to invest in financial data and reporting support to implement recommended Agency-wide data management changes, such as moving reports to an open source platform that would allow for drill-down capabilities, improving data validation—both validating attributes of general ledger transactions and validating accuracy of financial reporting, interfacing financial data with other USAID information systems that require Phoenix data, updating the Phoenix system with the updated Standardized Program Structure, and helping USAID track and report on vendor attributes.

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

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 (SAI) of host countries audit foreign-based organizations.

During the fiscal year, the OIG issued a total of 1,092 audit recommendations and the Agency closed 1,088 recommendations with 805 audit recommendations remaining to be closed. Of the amount closed, 804 were procedural or non-monetary audit recommendations; 284 were questioned costs recommendations, representing \$9.5 million in disallowed costs that were recovered; and four were audit recommendations with management efficiencies¹, representing \$4.2 million in funds that were put to better use.²

In addition, significant effort was made to complete corrective action on OIG audit recommendations within one year of a management decision.³ As of September 30, 2014, there were 152 open recommendations over one year old. Of these, 103 were at the mission or bureau/independent office level for closure, while the remaining audit recommendations were under a repayment plan, transferred to Treasury for debt collection, or under formal administrative or judicial appeal with USAID's Procurement Executive or the Civilian Board of Contracts Appeals.

At the end of the fiscal year, eight audit recommendations were over six months old with no management decision. One of the recommendations concerned an audit of USAID/Pakistan's Firms Project. A management decision on this recommendation will be reached when USAID/Pakistan determines whether the questioned costs are allowed or disallowed. The remaining seven recommendations concerned USAID/Haiti's Rural Justice Center Field Office.

The following tables show that USAID made management decisions to act on 315 audit recommendations with management efficiencies and planned recoveries⁴ totaling more than \$111.4 million. Final actions were completed for four "better use" and 280 questioned costs audit recommendations, representing a total of \$13.6 million in cost savings.

¹ Management efficiencies relate to funds put to better use.

² "Better use" includes funds being deobligated or reprogrammed, reduction in outlays, cost avoidance (a non-collective monetary issue such as interest lost by not putting funds in an interest-bearing bank account), establishing new or revised policies or procedures, and other savings realized from implementing the recommended improvement.

³ A management decision is the evaluation by USAID of the findings and recommendations included in an audit report and the issuance of a decision by management concerning its response to such findings and recommendations, including the actions it considers necessary to enact the recommendation.

⁴ 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 10/1/2013	1	\$ 1,200
Management decisions during the fiscal year	5	67,577
Total management decisions made	6	68,777
Final actions:		
Recommendations implemented	4	4,178
Recommendations not implemented	–	–
Total final actions	(4)	(4,178)
Ending Balance 9/30/2014	2	\$ 64,599

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS

	RECOMMENDATIONS	DOLLAR VALUE (\$000)
Management decisions:		
Beginning balance 10/1/2013	145	\$ 28,230
Management decisions during the fiscal year	310	43,778
Total management decisions made	455	72,008
Final actions:		
Collections/Offsets/Other	279	9,451
Write-offs	1	11
Total final actions	(280)	(9,462)
Ending Balance 9/30/2014	175	\$ 62,546

Note: The data in these charts do not include procedural (non-monetary) audit recommendations. The ending balance is determined by adding "Management decisions during the fiscal year" to "Beginning balance 10/1/2013" and subtracting "Total final actions."

FEDERAL REAL PROPERTY INITIATIVE

USAID maintains real property holdings both overseas and within the United States, and seeks to maintain this portfolio *'at the right size, in the right condition, and at the right cost.'* Each year, the Agency reports on these holdings to the General Services Administration (GSA) for inclusion in the Federal Real Property Profile (FRPP), a government-wide real property database. At the end of the last FRPP reporting cycle on December 31, 2013, there were 1,664 real property assets reported, not including five Occupancy Agreements with GSA

that provide space for headquarters operations in the United States. As part of the FRPP effort, USAID collects and maintains financial information for real property including total plant replacement values of \$182.4 million⁵ for 166 USAID-owned assets and two capital leases in the overseas inventory.⁶ This includes 62 owned assets that have reversionary interests as trust-funded properties. USAID also reports annual rent payments on 1,489 leased assets totaling \$67.2 million. These leases include facilities such as office buildings, warehouses, housing units, guard booths, and secure parking areas. The oversight of the overseas portfolio is under the purview of USAID's Senior Real Property Officer

⁵ USAID no longer calculates plant replacement value for leased assets, per guidance from the Federal Real Property Council.

⁶ Includes land parcels.

in collaboration with State's Bureau of Overseas Buildings Operations.

Domestically, USAID maintains five Occupancy Agreements with GSA and one direct lease with a private landlord. These leases include office space, a warehouse, and a training center. Per the FY 2013 Freeze the Footprint report, USAID occupies 789,634 square feet of office and warehouse space in the Washington area covered under these agreements. The administration of these agreements and management of the space is the responsibility of the Bureau for Management, Office of Management Services, and Headquarters Management Division under the oversight of the Senior Real Property Officer.

The Executive Office of the President promotes the efficient and effective management of real property through Executive Order 13327, *Federal Real Property Management*, which provides a framework for establishing and improving asset management programs. Based on this Executive Order, the President's Management Agenda established the Asset Management Initiative under the oversight of OMB. USAID was recognized by OMB as one of the first agencies to earn a high performance rating for establishing and maintaining an efficient asset management program. Since initial implementation of the Asset Management Initiative, USAID has continued to strive for a high quality of standard for managing the real property portfolio. USAID has achieved continued success in implementing key government-wide initiatives, such as the Cost Savings and Innovation Plan through which USAID was able to achieve \$145 million⁷ in cost savings and cost avoidance; the Freeze the Footprint policy under which USAID has continued to meet the facility needs of the Agency without expanding the space footprint; and the recent President's Management Agenda Benchmarking Initiative, with the inaugural reporting period highlighting USAID with one of the highest utilization rates in the Federal Government.

Real property also plays a major role in federal sustainability goals, such as those outlined in Executive Orders 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*, and 13514, *Federal Leadership in Environ-*

mental, Energy, and Economic Performance; as well as via objectives from EISA2007, EPOA2005, and the Telework Enhancement Act of 2010. USAID supports sustainability through implementation of domestic workplace strategies that maximize use of real property resources. USAID also directly implements initiatives through the overseas construction of sustainable spaces, such as the new office building in Pretoria, South Africa, that is targeted for a four-star Greenstar rating, one of the first such project ratings in the South African region.

USAID has a successful track record in meeting the challenges of the Federal Real Property Initiative. In doing so, the Agency works closely with counterparts government-wide, such as State and OMB, to effectively plan and implement initiatives. USAID is addressing new challenges 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 manner.

EXPANDING INTERNAL AND EXTERNAL NETWORKS

CUSTOMER SERVICE

To improve customer service, USAID is diversifying engagement with internal and external audiences. For example, the Agency is utilizing social media on its new internal collaboration platform, MyUSAID.gov, and has launched an annual internal customer satisfaction survey. Moreover, USAID's Bureau for Management hosted its first Partners' Day as part of a series of meetings designed to further communication and collaboration between USAID and partner organizations. The first Partners' Days welcomed partners from the public and private sectors, other U.S. Government agencies, and internal partners.

SHARED SERVICES

USAID contributes to the Shared Services Cross-Agency Priority (CAP) goal through the PortfolioStat initiative. The PortfolioStat process has become an important tool in reviewing the information technology (IT) of USAID to optimize its use in

⁷ As reported by OMB on performance.gov.

furthering business and mission needs. The goal of this process is to help identify opportunities for agencies to improve their IT investment management and performance, leading to increased savings and effectiveness.

Building upon the success of the FY 2012 and FY 2013 PortfolioStat sessions, USAID's goal for FY 2014 is to further improve IT portfolio effectiveness. Recent initiatives have allowed the Agency to potentially save \$500 thousand annually with the transition to a new e-mail system. The consolidation from 11 to 9 data centers will further streamline the oversight of USAID infrastructure and more efficiently utilize resources. Over the coming fiscal year, the Agency will update IT procurement policies, expand access to mobile and cloud-based services, improve IT security, and transform the IT strategic plan as the Agency seeks to increase employee productivity while reducing cost and enhancing IT security.

PEOPLE AND CULTURE

USAID contributes to the People and Culture CAP goal through its multiyear strategy to support employee engagement efforts. Beginning with the 2011-2012 cycle, the Agency undertook a campaign to increase participation in the Federal Employee Viewpoint Survey (FEVS). These efforts resulted in an increase of over 20 percent in the participation rate from the previous year. During this cycle, USAID established a parallel survey for the Agency's nearly six thousand other employees in Washington and overseas missions. This addition allows the Agency to make decisions based on feedback from the entire One USAID workforce.

More recently, USAID adopted the Leadership Effectiveness Index (LEI) based on the Office of Personnel Management's Diversity and Inclusion IQ Score—both snapshots of the FEVS questions categorized by key areas for leadership effectiveness, a central vehicle for employee engagement and satisfaction. Operating units used the LEI when drafting action plans to improve employee engagement. The LEI also informed the creation of the Agency's new mission statement and core values, including a commitment to integrity and accountability.

APPLYING NEW TECHNOLOGIES

OPEN GOVERNMENT AND DATA

In recent years, the U.S. Government has published thousands of its data resources across fields such as health and medicine, education, energy, public safety, global development, and finance in a machine-readable form that is for free public use. Making these information resources accessible, discoverable, and usable by the public has helped fuel entrepreneurship, innovation, and scientific discovery—all of which improve the lives of Americans, contribute significantly to job creation, and enhance development outcomes.

With the release of Executive Order 13642, *Making Open and Machine Readable the New Default for Government Information*, on May 9, 2013, USAID has worked to make its data available to the public in formats easily readable by computers. In FY 2013, USAID established the Information Governance Committee to oversee data governance and ensure the Agency speaks with one voice as it moves forward to embrace open data. USAID's Open Data Listing currently contains 75 data sets and the Agency is releasing new data sets as they become available.

USAID also drafted new policy on development data which advances a coordinated 21st century approach to guide the Agency's engagement with the public, entrepreneurs, and innovators worldwide. It will also ensure that USAID's partners are providing the Agency with all quantitative data collected, which USAID will in turn publish to facilitate open source engagement in finding solutions to the world's most intractable development issues. Qualitative data are already available through the Development Experience Clearinghouse (DEC) (<http://dec.usaid.gov>), which contains nearly 170 thousand documents. Recent innovations on the DEC include a mobile application which, with one click on a map, pulls all country-based evaluations instantaneously. Notably, 80 percent of the 243 project evaluations completed in FY 2013 are already available online.

In addition to the Agency's activities under the Open Data mandate, USAID was the first federal agency to publish transaction-level financial data

on the Foreign Assistance Dashboard (<http://www.foreignassistance.gov/web/default.aspx>). USAID published over 75 thousand records in FY 2013 and over 53 thousand records in the first three quarters of FY 2014. USAID also links investments to results through the Dollars to Results website (<http://results.usaid.gov>). The website provides a visual overview of USAID's impact around the world by linking spending (dollars) to output and outcomes (results). Data are available for 8 sectors in 37 countries, with 7 new countries to be added this year. USAID created Dollars to Results to improve stewardship and transparency of public funds, and increase accountability by making the information publicly available.

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 is developing an insider threat program. This program has been established in compliance with the President's National Insider Threat Policy, and contribute to the Insider Threat and Security Clearance CAP goal.

ACCOUNTABLE GOVERNMENT INITIATIVE

STRATEGIC SOURCING

USAID does not anticipate any new contracts that potentially duplicate the scope of existing Federal Strategic Sourcing Initiative (FSSI) solutions. While the Agency is establishing a phone/service blanket purchase agreement (BPA), it is not duplicating the FSSI wireless contracts, based on extensive research on the FSSI vehicles and information obtained from several conversations with GSA.

There are two main drawbacks to the FSSI vehicles. First, FSSI vehicles are primarily for domestic service. The international coverage, which is based on roaming rates, would result in significant cost for missions or staff on temporary travel status. The

BPA, which will be tailored for USAID overseas work, will allow for global coverage at competitive/local-services rates.

Second, the Agency is attempting to establish a single BPA that will allow missions and bureaus to issue orders directly to buy their own devices and service without involving the Office of the Chief Information Officer. This is intended to streamline the process and provide better service to the Agency. The BPA holder will establish a Web portal to facilitate these transactions and be responsible for tracking the Agency-wide inventory of all these devices. USAID cannot do that under a FSSI as BPAs cannot be written against those vehicles.

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. As part of the CAP goal, USAID conducted an analysis which revealed that it has one of the highest rates of competitive bidding on contracts, with 92.6 percent of procurements competitively bid compared with the Federal Government median of 82.6 percent. USAID is also the most efficient utilizer of space, with an average of 166 square feet per person as opposed to the Federal Government's median of 266 square feet. USAID has also prioritized IT modernization by investing 30 percent of the IT portion of the operations and management budget in developing new IT systems. USAID will continue to benchmark against similar federal agencies to further increase its efficiency and effectiveness.

HUMAN CAPITAL MANAGEMENT

To foster ONE USAID, the Administrator formed the Administrator's Leadership Council (ALC) in 2012 to enable more cooperative deliberation and decision-making among the Agency's senior leaders. In early FY 2014, the Agency launched the ALC Management System that pairs specific objectives with metrics and ensures periodic, regular, and structured reviews of progress. Defined by each bureau and independent office, the operating unit objectives reflect the principles of USAID Forward, the USAID Policy Framework, the Quadrennial Diplomacy and

Development Review (QDDR), and the Presidential Policy Directive on Global Development (PPD-6). During each quarterly meeting, operating unit leadership draws upon data and discussion to assess the likelihood of success in achieving objectives, to identify specific obstacles, and to request support from colleagues to advance their goals.

In April 2014, USAID launched the U.S. Global Development Lab (Lab) that expands the scope of the Agency's application of science, technology, and innovation, and to engage more extensively with its partners. The Office of Human Resources (OHR) was in the forefront in the design and establishment of the Lab, particularly in exploring and using various hiring mechanisms, including the noncompetitive Schedule A(r) authority to fill highly technical and specialized positions. The Lab draws world-class experts from the private sector, NGOs, universities, and science and research institutions to develop new answers to a wider array of specific development challenges—and then work with the rest of the Agency to support the most promising approaches on a time line and at a scale that will maximize cost effectiveness and impact.

To continue the Administrator's goal to institutionalize talent management reforms, the former OHR was restructured and renamed the Office of Human Capital and Talent Management (HCTM) in September 2014. This action elevated the rank of the Chief Human Capital Officer to the Assistant to the Administrator level and formalized the two deputies that, together, form the HCTM leadership. With this reorganization, the Agency will be able to boost efficiency, promote diversity, and reward performance across the Agency. It is also expected that the reorganization will result in improved customer service, easier workflow management, clearer accountability, and above all, greater collaboration with colleagues across the globe.

ENHANCED ACCOUNTABILITY IN ACQUISITION AND ASSISTANCE

In FY 2013, USAID launched a new process for senior management review of large planned acquisition and assistance (A&A) actions. Given the signifi-

cance of these awards in accomplishing the Agency's mission, USAID is using senior management reviews to ensure that: (1) the activities are consistent with the development strategy, U.S. policy, and Agency priorities; (2) the operational/program environment is conducive to the success of the activities; (3) the activities reflect a clear commitment to effective programs that are designed to deliver sustainable results; (4) the overall funding is consistent with the Agency's objectives and the projected funding level is commensurate with the expected results to be achieved; and (5) the proposed partners demonstrate sufficient capacity to perform the activities and a commitment to developing local capacity. The responsible Assistant Administrator reviews planned awards of \$25 million to \$75 million and the Administrator reviews planned awards of \$75 million or greater. After successfully deploying the senior reviews for a year, the process has proven to be a valuable tool for focusing attention on award scope, impact, and value for money. The reviews have enabled the Agency to maximize resources, sharpen the focus on results, emphasize the use of small businesses and in-country organizations, enhance senior management accountability for field activities, and strengthen how the Agency articulates the importance of its programs.

CONFERENCE MANAGEMENT

OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, 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. A corporate, Web-based conference management and tracking system captures requests to convene conferences from Washington offices and missions around the world, and facilitates senior management review and approval of conference expenses. During FY 2014, USAID strengthened the conference policy by clarifying the approval requirements for training events, broadening the scope of events tracked and approved by senior management. As a result of increased scrutiny, the Agency saved \$500 thousand in conference costs.

SUSTAINABILITY

In compliance with the new Executive Order 13653, *Preparing the United States for the Impacts of Climate Change*, USAID submitted a new supplement to the Agency Climate Change Adaptation Plan to the White House's Council on Environmental Quality (CEQ) and OMB. The Executive Order requires each federal agency to develop, implement, and update comprehensive plans that integrate consideration of climate change into agency operations and overall mission objectives and submit those plans to CEQ and OMB for review.

USAID has identified 35 priority actions to undertake over the next three years to better understand and respond to climate change vulnerabilities. The actions are divided into seven categories: (1) guidance and tools, (2) training and capacity building, (3) procurement, (4) facilities management and operations, (5) incentives, (6) outreach and collaboration, and (7) research and evaluation. Over the next several months, USAID will develop and launch a process to further prioritize and implement these adaptation actions. Consideration of climate change impacts into Agency mission objectives will reduce the risk of the negative climate change impacts on Agency projects and assets, improve the Agency's resilience to climate change, and avoid dedicating Agency resources to activities that are vulnerable to the negative effects of climate change.

AWARD COST EFFICIENCY STUDY

USAID undertook an ambitious reform agenda called USAID Forward to streamline processes, provide tools and guidance that meet changing needs, achieve consistency, and support the flexible and creative environment necessary to accomplish its mission. The Agency engaged in continuously improving and strengthening A&A pre and post-award processes to increase cost-efficiency and maximize the development impact of foreign assistance dollars.

The Award Cost Efficiency Study (ACES) identified opportunities to increase the value-for-money with a review of 60 awards, selected from among Washington and mission awards with more than

two years remaining and greater than \$10 million in total estimated cost. It further reviewed the Agency's A&A processes, interviewed USAID and implementing partner staff, and analyzed the procurement processes of peer development agencies.

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, which include:

- Procurement Action Lead Time (PALT) tracking process was instituted with each bureau and mission to ensure internal transparency on procurement processes and identify delays.
- A&A planning process tool was established to: (1) link the Agency A&A Plan to award and financial data; and (2) track priority actions, with a senior Agency leadership approval process, known as the Acquisition and Assistance Review and Approval Document (AARAD).
- Agency Secure Image and Storage Tracking (ASIST) system, which is an electronic filing system where all new award documents will be stored, ensuring a uniform file standard across the Agency as well as ease of access to and review of relevant award and cost information.
- GLAAS upgrade to enhance overall standardization of USAID's A&A instruments.

AGENCY ACQUISITION AND ASSISTANCE PLAN

To achieve its development objectives, USAID implements programs and activities through A&A awards. Federal and Agency regulations, including the Federal Acquisition Regulation (FAR) (Part 7.102) as well as Automated Directives System (ADS) 300, *Agency Acquisition and Assistance Planning*, and ADS 201, *Planning* require advance planning for Agency A&A awards. Advanced planning allows the Agency to ensure that the government meets its needs in the most effective, economical, and timely manner possible. The "Agency A&A Plan" is USAID's business tool system for A&A planning.

Currently, the A&A system captures all planned actions for over 140 specific operating units within the Agency. For each action, plan users provide data identifying over 40 data elements, including advertisement date for solicitations, anticipated total estimated cost range, type of mechanism, A&A specialist, title, and brief description. 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.

The Agency plans to launch a new A&A Plan tool in early FY 2015. This new Agency A&A Plan system is much more sophisticated and user-friendly. The new tool will enable a more detailed, accurate overview of all planned A&A actions for the year. It will also focus on monitoring and tracking expiring funds and complex contract and assistance actions as well as the AARADs. The system has a sophisticated reporting functionality that will allow users to run standard reports with the click of a button, as well as build customized reports. In addition, operating units will be able to see all plan data graphically represented on a dashboard. For example, users will see pie charts by mechanism type, and bar graphs which show how many actions are in what phase/status of completion.

COST SAVINGS

USAID demonstrated strong fiscal stewardship and performance in undertaking government cost savings reform. The Agency remains committed to the central focus of government reform—productivity, efficiency, and spending restraint through short and long-term cost savings. To date, the Agency realized cost savings and cost avoidance of over \$92.6 million in FY 2012, \$17.7 million in FY 2013, and projected savings and avoidance of over \$24 million in FY 2014. These efficiencies were accomplished primarily through reductions in travel, and the disposal of real estate. USAID will continue to pursue cost savings with a goal of streamlining processes and increasing efficiency.

MYUSAID.GOV

MyUSAID.gov is a social and content collaboration platform that will serve as a workspace for staff and as the Agency's primary internal communications and knowledge management solution. MyUSAID.gov is a cloud-based platform selected in part to respond to the White House's Federal Cloud Computing Strategies call for agencies to migrate to cloud computing solutions. Because it is a cloud-based platform, staff worldwide can enjoy anytime, anywhere access via Agency-supported mobile devices, including iPhone, iPad, and Blackberry. In addition, it will provide Agency-wide access to a common suite of tools, such as a people finder that will allow staff to locate colleagues based on skills, experiences, and shared interests.

Spring 2014 marked the official launch of MyUSAID.gov. MyUSAID.gov rolled out to Agency staff in waves supported with training opportunities and access to engagement materials. During the roll-out participation on MyUSAID.gov was steady. Usage is increasing every day as new and interesting ways to collaborate are discovered. The rollout was completed in August 2014.

AGENCY RULEMAKING

As a U.S. Government agency, USAID uses the rule-making process to create, amend, or repeal rules that involve notice to the public and the opportunity for the public to comment. 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.

In 2014 USAID continues its commitment to transparency via the rulemaking process and partner/stakeholder engagement. For example, in early 2014, USAID began publishing final rules regarding loan guarantees, a new practice to inform the public of how USAID supports development efforts. USAID currently has six rules in process which will be identified in the 2014 Fall Unified Semi-Annual Agenda of Regulations. Most notably, USAID Partner Vetting sparked tremendous response from the implementing partner community. USAID, in support of continued environmental sustainability efforts, published a new National Environmental Protection Act regulation to completely address the Agency's various funding sources. USAID is dedicated to maintaining public engagement. The rulemaking process is an integral part of that effort.

FINANCIAL SECTION



(Preceding page) The Island Clinic, with its Ebola Treatment Unit, operates at full capacity one day after opening in Monrovia, Liberia. USAID helped equip the facility in September 2014 to provide life-saving care.

PHOTO: MORGANA WINGARD FOR USAID



(Above) All scrubs must be washed thoroughly with chlorine and soap at the Island Clinic Ebola Treatment Unit in Monrovia, Liberia. USAID provided generators and supplies for the new facility's operation.

PHOTO: MORGANA WINGARD FOR USAID

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am honored to join the U.S. Agency for International Development (USAID) and the Administrator in presenting the annual Agency Financial Report (AFR) for USAID. We hope that you will find the AFR useful and transparent in providing a summary of USAID's use of resources, operating performance, financial stewardship, and internal controls.

Our independent auditor has issued a disclaimer on USAID's FY 2014 financial statements, and a change from unmodified to a disclaimer, on our FY 2013 financial statements. The Office of Inspector General (OIG) attributed its inability to opine on our financial statements to the need to further review the work undertaken by USAID to address our Fund Balance with Treasury material weakness.

During FY 2014, USAID worked diligently to address this issue. Our effort included establishing effective cash reconciliation processes and completing an extensive reconciliation across all USAID funds. The complexity of the effort required continued analysis and corrective actions throughout FY 2014. Our work will continue into FY 2015 to fully reconcile USAID's cash position with the U.S. Department of the Treasury (Treasury) to our satisfaction. I appreciate the hard work and dedication of the staff, as well as our collaboration with the Office of Management and Budget (OMB) and Treasury. We look forward to completing our work on this challenging issue, with the goal to obtain full cash reconciliation with Treasury and an effective process going forward.

The auditors also identified five significant deficiencies in internal controls. These deficiencies pertain to USAID's processes for (1) deobligating unliq-

uidated obligations, (2) accounting for advances, (3) supporting payroll deductions, (4) reconciling intragovernmental transactions, and (5) accounting for reimbursable agreements. We are committed to taking responsive actions to improve controls in these areas.

During FY 2014, the Bureau for Management's Office of the Chief Financial Officer (M/CFO) assessed the effectiveness of the Agency's internal control over financial reporting, including compliance with laws and regulations; management of the government charge card program; and the effectiveness of assessment and remediation of improper payments in Washington, D.C., and six overseas missions. Our assessment was in conformance with OMB Circular A-123, *Management's Responsibility for Internal Control*, and related requirements.

USAID also conducted Federal Managers' Financial Integrity Act (FMFIA) compliance reviews and a review of our financial management systems, in accordance with Appendix D to OMB Circular A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*. Based on these reviews, and as a result of the Federal Information Security Management Act (FISMA) audit findings, the Agency identified one instance of nonconformance with financial management system requirements. Other than this exception, USAID can provide reasonable assurance that our financial systems substantially comply with financial system requirements and applicable provisions of FMFIA as of September 30, 2014.

We are also committed to minimizing the risk of making erroneous or improper payments to contractors, grantees, and customers. The Agency



Reginald W. Mitchell

remains vigilant in its efforts to reduce payment errors by focusing its efforts on identifying, reporting, and recovering overpayments. As a result, in FY 2014, USAID's error rate under the Improper Payment Elimination and Recovery Act (IPERA) was 0.0055 percent, an amount significantly below OMB's erroneous payments reporting threshold of 2.5 percent.

The M/CFO 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. The M/CFO, in partnership with the Agency's Bureau for Policy, Planning, and Learning, issued an extensive policy update to help USAID expand its use of reliable partner country public financial management systems in support of development activities while applying a risk management approach to assess and mitigate fiduciary risks.

Finally, I want to thank our staff for the diligent work performed in FY 2014, especially in the effort to reconcile the legacy cash differences with Treasury. In FY 2015, we will continue to focus our efforts toward providing the auditors the ability to render an opinion on USAID's financial statements and improving all aspects of financial performance. We will hold ourselves, and the Agency, to the highest financial management standards. USAID 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 17, 2014

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



(Preceding page) Ugandans cook while powering LED lights with the BioLite HomeStove—an ultra-clean biomass cookstove capable of generating electricity to charge mobile phones or provide an evening's worth of light.

PHOTO: SOPHIE GAGNON / BIOLITE



(Above) Contaminated drinking water causes an estimated one million deaths per year among children under five years old. USAID's investment in chlorine dispensers has already brought clean water to two million people.

PHOTO: JONATHAN KALAN / EVIDENCE ACTION



Office of Inspector General

November 17, 2014

MEMORANDUM

TO: Reginald W. Mitchell, Chief Financial Officer

FROM: Nathan Lokos, AIG/A *NLS*

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013
(Report No. 0-000-15-001-C)

The Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013*. Pursuant to the Government Management Reform Act of 1994, Public Law 103-356, USAID is required 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, including audited financial statements, to OMB, the Department of the Treasury, and the Government Accountability Office by November 17, 2014. In accordance with the requirements of OMB Circular A-136, USAID has elected to prepare an alternative Agency Financial Report with an Agency Head Message, Management's Discussion and Analysis, and a Financial Section.

OIG was engaged to audit the accompanying financial statements of USAID for fiscal years 2014 and 2013. We were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we did not express an opinion on those financial statements. With respect to internal control, we identified one deficiency that we consider a material weakness. The material weakness pertains to USAID's process for reconciling its fund balance with the U.S. Treasury. Additionally, we identified five deficiencies in internal control that we consider significant deficiencies. The significant deficiencies pertain to USAID's processes for (1) deobligating unliquidated obligations, (2) liquidating advances, (3) supporting payroll deductions, (4) reconciling intragovernmental transactions, and (5) complying with federal accounting standards for reimbursable agreements.

We found no instances of substantial noncompliance with federal financial management systems requirements, federal accounting standards, or the U.S. General Ledger at the transaction level as a result of our tests required under Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208. However, we reported one significant deficiency in our annual audit of the Agency's Compliance with the Federal Information Security Management Act, Report No. A-000-15-003-P, dated October 30, 2014, which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

U.S. Agency for International Development
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This report contains seven recommendations to improve USAID's internal control over financial reporting.

We have considered your response to the draft report and the recommendations included therein. Your comments appear in their entirety in Appendix II. We acknowledge your management decisions on the 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 were engaged to audit the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, 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 financial statements based on conducting 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 14-02, "Audit Requirements for Federal Financial Statements." Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

In an effort to reconcile its Fund Balance With Treasury general ledger account with the balance reported by the U.S. Treasury (Treasury), USAID recorded over 12,000 entries totaling \$4.2 billion to bring its general ledger into agreement with its subsidiary ledger and submitted an amended SF-224, Statement of Transactions, to Treasury to agree its Fund Balance With Treasury general ledger account with Treasury's balance. Despite the adjustments, differences still exist between its general ledger and its subsidiary ledger and a difference of \$158 million remained between USAID and Treasury. USAID was unable to provide sufficient support to validate the adjustments and we were not able to extend our audit procedures or perform alternative procedures to do so. These adjustments resulted in changes to the accounts and statements as indicated in Table 1.

**Table 1. Net Effect of
General Ledger to Subsidiary Ledger Adjustments**

Account Name	Net Adjustments (\$ thousands)	Absolute Adjustments (\$ thousands)	Statement (FY 2014)
Fund Balance with Treasury	352,834	352,834	Balance Sheet
Advances	36,187	36,187	Balance Sheet
Accounts Payable	(304,146)	304,146	Balance Sheet
Unapportioned Authority	(38,727)	38,727	Statement of Budgetary Resources
Undelivered Orders-Obligations Unpaid	(88,210)	88,210	Statement of Budgetary Resources
Undelivered Orders-Obligations Prepaid/Advance	(356,606)	356,606	Statement of Budgetary Resources
Delivered Orders-Obligations Unpaid	(233,384)	233,384	Statement of Budgetary Resources
Delivered Orders-Obligations Paid	716,563	716,563	Statement of Budgetary Resources
Prior Period Adjustment Due to Correction of Errors	(84,679)	84,679	Balance Sheet/Statement of Changes in Net Position
Total		2,211,336	

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

In our report dated December 16, 2013, we expressed an opinion that the 2013 financial statements presented fairly, in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources, in accordance with accounting principles generally accepted in the United States of America. As described in Note 19 to the financial statements, USAID restated its 2013 financial statements. Accordingly, our present opinion on the restated 2013 financial statements, as presented herein, is different from that expressed in our previous report.

Report on Other Legal and Regulatory Requirements

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A-136, "Financial Reporting Requirements." We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated November 17, 2014, on our consideration of USAID's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, 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.

Restriction on the Use of the Audit Report

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB, Department of Treasury, Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



USAID Office of Inspector General
November 17, 2014

REPORT ON INTERNAL CONTROL

We were engaged to audit the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, 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.

Internal Control Over Financial Reporting

In planning and performing our audit of USAID's financial statements for the fiscal years ended September 30, 2014 and 2013, 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 14-02. 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 internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified one material weakness and five significant deficiencies in USAID's internal control.

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 in a timely manner. 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 is important enough to merit attention by those charged with governance. We identified five significant deficiencies in internal control related to USAID's financial management processes to:

- Deobligate unliquidated obligations
- Liquidate advances
- Support payroll deductions
- Reconcile intragovernmental transactions
- Comply with federal accounting standards for reimbursable agreements.

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A-136. We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

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 17, 2014.

Material Weakness

USAID Did Not Reconcile Its *Fund Balance With Treasury* Account With the U.S. Treasury and Resolve Reconciling Items in a Timely Manner (Repeat Finding)

USAID continues to have large unreconciled differences between the *Fund Balance With Treasury* (FBWT or cash) account recorded in the financial accounting system and the fund balance reported by the Department of the Treasury. As of September 30, 2014, these differences totaled approximately \$154 million net (\$2.011 billion, absolute value). We have reported this finding for several years. Table 2 illustrates the differences for the past 6 fiscal years.

Table 2. USAID's Fund Balance Differences from Treasury (\$ million)

Fiscal Year	Net Difference	Absolute Value
2009	45	711
2010	64	894
2011	96	2,100
2012	114	127
2013	121	1,915
2014	154	2,011

These differences persisted because USAID did not consistently perform monthly reconciliations of the FBWT account with Treasury's fund balance and promptly research and resolve those differences. Instead of investigating and resolving the differences, USAID adjusted its FBWT account to agree with Treasury's fund balance. According to management, they did not have the resources that are needed to perform timely reconciliations and to investigate and resolve differences.

Fund Balance With Treasury Reconciliation Procedures, a Supplement to the *Treasury Financial Manual*, Volume I, Part 2-5100, Section IV, stipulates that federal agencies must reconcile their accounts and any related subaccounts monthly, at a minimum, and "must resolve all differences between the balances reported on their general ledger FBWT accounts and balances reported on the GWA [Government-wide Accounting System] Account Statement." In addition, the supplement specifically states: "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.” Treasury requires each agency to reconcile its FBWT account on a regular and recurring basis to ensure the accuracy and integrity of its financial data. Failure to implement effective reconciliation processes and perform timely reconciliations could increase the risks of fraud, waste, and mismanagement of funds; affect the Agency’s ability to monitor the execution of its budget effectively; and hinder its ability to measure the full cost of its programs.

USAID made several efforts to bring its cash balances into agreement with Treasury’s balances but was not successful. For example, in FY 2012 USAID adjusted its FBWT account to agree with its budget modules but reversed the adjusting entries in FY 2013 because USAID determined that the method used to tabulate the amount of the adjustments was incorrect or unsupported. However, in FY 2014 USAID determined that the account balances in the subsidiary ledgers were more accurate than the account balances in the general ledger and undertook a comprehensive reconciliation of the two records. During the reconciliation, USAID noted several differences, some of which were attributed to journal entries which should have self-reversed in subsequent periods but did not, and to the redistribution of appropriation balances from one fund account to several. As a result, USAID recorded over 12,000 adjusting journal entries to eliminate the differences. These entries amounted to \$4.2 billion with a net effect of \$352 million on the FBWT and affected several account balances. USAID then submitted an amended statement of transactions to Treasury to bring the cash balances of the U.S. Treasury into agreement with the cash balances in USAID’s general ledger. As of September 2014, when the reconciliation effort ended, a difference of \$2.4 million net (\$123 million absolute value) remained between the general ledger and subsidiary ledgers, and a difference of \$157 million net remained between the general ledger and Treasury, most of which was reported in the (No-Year) Development Assistance Fund. This difference has accumulated over time, and thus management claims that it cannot be reconciled. Therefore, USAID plans to research and resolve the difference reported in the (No-Year) Development Assistance Fund during FY 2015 but has not yet determined the best course of action to do so.

Because of the large differences that exist as of the ending of FY 2014, we make the following 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.

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.

Significant Deficiencies

USAID's Process for Deobligating Unliquidated Obligations Was Ineffective (Repeat Finding)

USAID established a team dedicated to reviewing and closing out procurement obligations without activity for more than 3 years. During FY 2014, the team identified approximately \$77 million in unliquidated obligations that it deobligated and made available in the accounting system for reprogramming. However, large amounts of outstanding obligations remain that should be reviewed to determine if they could be deobligated and the funds put to better use.

As of September 30, 2014, USAID's unliquidated obligations (ULOs) amounted to approximately \$115 million, of which \$45 million and \$70 million were held by Washington offices and overseas missions respectively. This amount included approximately \$16 million in obligations 10 years old or older (2004 and prior) and \$47 million worth of obligations that had not been drawn on since they were established (Table 3).

Table 3. Analysis of ULOs by Fiscal Year

Fiscal Year Established	Obligations With No Activity Since Establishment (\$)	Unliquidated Obligations With No Activity in More Than 3 Years (\$)	Total Unliquidated Obligations (\$)
2003 & Prior	1,614,849	11,749,157	13,364,006
2004	351,999	2,549,286	2,901,285
2005	1,315,654	5,559,647	6,875,301
2006	3,465,707	11,697,900	15,163,607
2007	1,498,739	7,730,884	9,229,623
2008	4,313,856	5,922,015	10,235,871
2009	3,480,617	6,519,926	10,000,543
2010	18,513,567	10,874,895	29,388,461
2011	12,907,080	4,988,119	17,895,199
Total	47,462,067	67,591,830	115,053,897

These obligations remained unliquidated because USAID does not have an effective process to identify and deobligate contracts, grants, and other obligation documents in a timely manner. As a result, there is an increased risk that the agency could lose funds due to expiration of appropriations. Timely deobligation of unexpired amounts would allow the Agency to use the appropriated funds for new programming. USAID's Automated Directives System Chapter 621.3.17, "Review of Unexpended Obligated Balances "Obligations," states that managers must monitor and review unexpended obligated balances annually and ask the obligating official to deobligate excess or unneeded funds.

Recognizing the need for improvement, in FY 2012, USAID contracted with an independent public accounting firm to conduct final audits of expired contracts. These audits help USAID determine whether funds are due to the contractors, after which the ULOs can be deobligated. In FY 2014, the Agency began the implementation of an automated Web-based tool to identify

and process deobligations for nonprocurement obligations, which do not require a formal contract closeout audit. This tool allows authorized users to select and deobligate multiple items, thus removing a significant roadblock to better management. We recognize that USAID's efforts to investigate and deobligate ULOs will require more time, but because USAID has a significant number of ULOs with no disbursement activity for more than 3 years, we make the following recommendation.

Recommendation 3. We recommend that USAID's Office of the Chief Financial Officer coordinate with the Director of the Office of Acquisition and Assistance to periodically investigate unliquidated obligations, especially those that make up the \$47 million with no activity since they were established, and deobligate as necessary.

USAID's Process for Identifying and Liquidating Outstanding Advances Was Ineffective (Repeat Finding)

USAID's process for identifying and liquidating outstanding advances should be strengthened to ensure that its financial records accurately reflect the status of cash advances to partners and that funds due to the agency are promptly recovered. Specifically, USAID:

- Continued to have unliquidated advances outstanding for more than 150 days that should be researched to determine if the outstanding balances should be recovered.
- Had not investigated approximately \$14.4 million in negative unliquidated advances to determine if it represented funds owed to the Agency.²

As of September 30, 2014, USAID had approximately \$53 million in advances that had been outstanding for more than 90 days. However, on September 19, 2014, USAID implemented a new policy extending the reporting period to 120 days and the period advances can be outstanding before being declared delinquent from 90 days to 150 days. Table 4 details advances that were outstanding under the old and new policies.

Table 4. Advances Outstanding for More Than 90 and 150 Days

Office	Number Outstanding (90 Days)	Amount (\$ thousands)	Number Outstanding (150 Days)	Amount (\$ thousands)
USAID/Washington	449	31,588	379	19,802
USAID/Missions	1,063	21,341	776	9,121
Total	1,512	52,929	1,155	28,923

These advances were outstanding because USAID and its missions permitted grantees 3-month rolling advance meaning they could take an additional 30 days to report expenses incurred in the prior quarter. USAID then took another 30 days to review and liquidate the advances. As a result, advances were outstanding for 150 days or more before they were even considered for liquidation. Failure to liquidate advances in a timely manner provides no assurance to USAID that the funds advanced are being used for the intended programs. USAID issued Automated Directives System (ADS) 636, "Program Funded Advances," which

² A negative unliquidated advance occurs when the recipient expends more than the amount advanced.

addresses accounting and reporting for advances and requires missions to communicate in writing with recipients at least every 30 days until the advance is collected. Where the Agency has made other provisions for uncollectible advances, ADS 625, “Accounts Receivable and Debt Collection,” applies.

The synchronization report issued by the Department of Health and Human Services’ Payment Management System³ for the quarter ending September 30, 2014, showed USAID had negative unliquidated advances of approximately \$14.4 million. USAID did not investigate to determine whether this amount was accurate. If it is, it could represent money owed to the Agency and should be recovered. These negative unliquidated advances have been outstanding for more than 10 years. As a result, advances may be misstated by approximately \$14.4 million. USAID has implemented new procedures to prevent this problem from recurring, but the transactions causing these differences are from prior years.

USAID’s ADS 636.2.d(2), “Program Funded Advances,” states that missions and Washington offices are required to ensure that outstanding advances are reviewed periodically so that funds advanced do not exceed immediate disbursement needs. Funds in excess of immediate disbursement needs shall be refunded to USAID.

The Agency has resolved or identified as recoverable approximately \$38 million and is working with the missions to recover the remaining \$3 million in outstanding advances reported in the FY 2013 audit. However, because USAID has approximately \$29 million in advances that were outstanding for more than 150 days and negative unliquidated advances of \$14.4 million, we make the following recommendations.

Recommendation 4. *We recommend that USAID’s Office of the Chief Financial Officer establish procedures to periodically research and take appropriate action on advances outstanding for more than 150 days.*

Recommendation 5. *We recommend that USAID’s Office of the Chief Financial Officer investigate the negative unliquidated advances and determine whether they should be refunded to USAID.*

USAID Could Not Provide Documentation Supporting Some Payroll Deductions (Repeat Finding)

USAID could not provide documentation for some deductions noted on employees’ statements of earnings and leave. We randomly selected a sample of 77 employees from a population of 3,667 and obtained their electronic personnel files. Looking only at Pay Period 6 (March 23 to April 5), we validated those employees’ salaries and whether the employees had authorized deductions from their salaries for certain benefits—specifically, health and life insurance. Of 77 files, 16 were missing support for insurance deductions of \$955. Also, 15 of the 77 files contained support for insurance deductions that did not match amounts reported on statements of earnings and leave, meaning there were errors in processing that lead to deductions being calculated incorrectly. Incorrect deductions totaled \$1,768 as shown in Table 5.

³ The Department of Health and Human Services’ Division of Payment Management serves as the fiscal intermediary between awarding agencies and grant or contract recipients.

Table 5. Problems With Payroll Deductions

Deduction Type	Missing Support	Amount (\$)	Incorrect Deductions	Amount (\$)
Federal Employees Health Benefits Act (FEHB)	14	871	6	406
Federal Employees Group Life Insurance Act (FEGLI)	2	83	8	727
FEHB + FEGLI	-	-	1	635
Total	16	955	15	1,768

Problems with the missing documentation and calculations could be caused by a number of factors, including processing errors, employee's entering information into NFC's Employee Personal Page (EPP) to elect or change their benefits during open season and the action not processing correctly, or electronic official personnel folder (eOPF) did not contain the supporting documents. The lack of work flow analysis and business processes makes it difficult to locate and assign accountability for missing documentation. USAID Human Capital and Talent Management (HCTM) is currently reviewing the entire work flow of FEHB and FEGLI process which is scheduled for completion in December 2014. HCTM has also implemented a process to review new hires' electronic personnel files 60 days after employment to ensure that records are current and annotated correctly.

GAO's *Standards for Internal Control in the Federal Government* states:

Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Effective management oversight greatly increases USAID's ability to identify and resolve issues before they cause misstatements in financial accounting and reporting. By not performing monitoring, analysis, oversight, and reconciliations, USAID may not detect discrepancies that could cause financial burdens for employees (over-deduction) or gaps in insurance coverage (under-deduction or erroneous deduction).

Because USAID has not yet fully implemented the previous recommendation, to address this issue, we make the following recommendation.

Recommendation 6. We recommend that USAID's Chief Human Capital Officer perform periodic reviews of employees' eOPF to ensure that employee benefit elections are current and properly recorded.

Intragovernmental Transactions Remained Unreconciled (Repeat Finding)

USAID continued to have a large number of unreconciled intragovernmental transactions. As of September 30, 2014, Treasury reported a net difference of \$3.6 billion in intragovernmental

transactions between USAID and other federal agencies. Treasury reports these differences quarterly in the Material Difference Report and the Intragovernmental Transactions Scorecard. They represent differences identified by Treasury between USAID's records and those of its federal trading partners. USAID was required to confirm and reconcile these differences in accordance with OMB Circular A-136, "Financial Reporting Requirements," and Treasury's *Federal Intra-governmental Transactions Accounting Policies Guide*, Section 17.1. Although USAID has increased its efforts to resolve unreconciled amounts, significant differences still exist. These differences occurred because USAID's trading partners recorded the transactions in different accounting periods or used different methodologies to classify and report them.

USAID continually researches intragovernmental activity to improve its reconciliation process and eliminate differences. Although some timing differences are likely to be resolved through current efforts, differences caused by accounting errors or different accounting methodologies require a special effort by USAID and its trading partners for timely resolution. The *Federal Intragovernmental Transactions Accounting Policies 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.

In FY 2013, because of the large number of differences between many agencies, Treasury implemented a new scorecard system for tracking and correcting these differences. These scorecards rank each agency according to its total contribution to unreconciled intragovernmental transactions. With \$3.7 billion in unreconciled transactions as of the second quarter of FY 2013, USAID was ranked the sixth largest contributing agency. By the fourth quarter of FY 2014, USAID had reduced the total to \$3.6 billion, and its rank to 22nd. The large differences that exist among the various government agencies is one of the major factors that prevents the Government Accountability Office from rendering an opinion on the U.S. Government's consolidated financial statements.

We reported a similar finding in previous audits⁴ and recognize that resolution requires continuing coordination with other federal agencies. Therefore, we are not making a new recommendation, but we will continue to monitor USAID's progress in reducing intragovernmental differences.

USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements

The way USAID accounted for transactions under reimbursable agreements did not comply with Statements of Federal Financial Accounting Standards (Federal Generally Accepted Accounting Principles or FedGAAP) in three respects:

1. USAID received cash advances from 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 instead of earned revenue until the services required by the agreement have been rendered by USAID. A liability is a present obligation of the Agency to provide services to another entity at a later date.

⁴ Most recently in *Audit of USAID's Financial Statements for Fiscal Years FY 2013 and 2012* (Report No. 0-000-14-001-C), December 16, 2013, pp. 12-13.

2. USAID recorded all reimbursable agreements as unfilled customer orders without advances even though it received cash advances for most agreements.
3. USAID could not track expenses incurred to individual specific reimbursable agreements and had to consult with trading partners to determine and record expenses incurred.

These types of noncompliance occurred because USAID did not configure its financial management system to account for reimbursable agreements in accordance with FedGAAP.

Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," paragraph 85, states: "Federal entities may receive advances and prepayments from other entities for goods to be delivered or services to be performed." Before entities earn revenues, they should record the current portion of the advances and any prepayments as other current liabilities. After the entities earn the revenue, they should "record the appropriate amount as a revenue or financing source and should reduce the liability accordingly."

USAID officials said they review agreements and transactions periodically and make appropriate adjusting entries to recognize liabilities for quarterly and annual financial statements. However, as a result of erroneous entries made in the past, USAID was forced to record journal entries for \$3.2 billion to accurately reflect the financial status and results of its reimbursable agreements. Therefore, we make the following recommendation.

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.

USAID management's written response to the material weakness and significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB, Department of Treasury, Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



USAID Office of Inspector General
November 17, 2014

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

We were engaged to audit the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2014 and 2013, 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.

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 14-02, including the requirements referred to in 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 considered to be reportable under *Government Auditing Standards*. Our objective was not to provide an opinion on overall compliance with laws and regulations, and accordingly, we do not express such an opinion.

OMB Circular A-123

OMB Circular A-123, "Management's Responsibility for Internal Control," implements the requirements of FMFIA. Appendix A of OMB Circular A-123 contains a process that management should implement to assess and improve internal controls over financial reporting. The assessment process should provide management with the information needed to support a separate assertion on the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

In FY 2014, USAID monitored key business processes and followed up on recommendations made in prior years.

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 systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (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 did not observe any exceptions that we considered substantial noncompliance with FFMIA.

However, we reported one significant deficiency in USAID's annual FISMA audit report dated October 30, 2014, and as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements," we also report this deficiency as an instance of substantial noncompliance with FFMIA. Specifically, we reported that USAID has not established an effective risk management program to ensure that policies and procedures are assessed and working as intended and that USAID's decentralized management of information technology and information security does not allow the Agency to implement a process to effectively assess, respond to, and monitor information security risk across the organization. The Office of the Chief Information Officer is responsible for the financial management system that was found not to comply with the requirements of the subsection. In response to the significant deficiency, USAID implemented a three-phase action plan to improve its information security and expected to complete remediation of this deficiency by June 2015.

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

- Reconciling Fund Balance With the U.S. Treasury
- Deobligating Unliquidated Obligations
- Liquidating Advances
- Supporting Payroll Deductions
- Reconciling Intragovernmental Transactions
- Complying with federal accounting standards for reimbursable agreements.

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB, Department of Treasury, Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



USAID Office of Inspector General
November 17, 2014

MANAGEMENT COMMENTS



MEMORANDUM

November 15, 2014

TO: Nate Lokos, AIG/A

FROM: Reginald W. Mitchell, Chief Financial Officer (M/CFO)

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2014 and 2013

Thank you for the opportunity to review the draft report. Regarding your basis for disclaimer of opinion, we offer the following response:

In FY 2014, USAID initiated an expanded effort to comprehensively reconcile the general ledger (GL) with the subsidiary ledgers (SL) to fully address our Funds Balance with Treasury material weakness. Given the scope of the effort and our engagement with the Office of Inspector General, we are disappointed that this resulted in a disclaimed opinion for the FY 2014 Agency Financial Statements, as well as a reversal of the unmodified opinion for the FY 2013 Statements.

Throughout the process, we were confident that our fully documented methodology to reconcile the cash fund balance with Treasury (FBWT) was sound and set an appropriate direction to fully address the material weakness. The GL is the source for the financial statements and other external reports, while the SLs control obligational authority and spending. Also, fundamental accounting principles require reported GL balances to be supported by the underlying transactions recorded in the SL. We believe that our reconciliation methodology satisfies this fundamental requirement.

The OIG stated in the disclaimer of opinion that *"USAID was unable to provide sufficient support to validate the adjustments and we were not able to extend our audit procedures or perform alternative procedures to do so."* We provided workbooks that demonstrated the SL and GL comparisons and the subsequent GL adjustments. We also provided support for a subsample of adjustments as requested by the OIG.

Our adjusted GL balances met Treasury's Government-wide Treasury Accounting Symbol Adjusted Trial Balance System (GTAS) reporting requirements. While the sample analysis provided insight and affirmed the direction taken, the items identified by the OIG as lacking sufficient documentation were events that occurred beyond our records retention threshold. As a result, we understood from the OIG that they would augment the sample to include

items within the records retention period. However, we were not asked to provide additional samples to replace those with documentation beyond the retention period.

Our comments and management decisions regarding the findings and proposed audit recommendations within your report on internal controls follow:

Material Weakness: USAID Did Not Reconcile Its Fund Balance With Treasury Account With the U.S. Treasury and Resolve Reconciling Items in a Timely Manner (Repeat Finding)

Management does not agree with some of your findings as written, with the following comments:

“USAID continues to have large unreconciled differences between the Fund Balance With Treasury (FBWT or cash) account recorded in the financial accounting system and the fund balance reported by the Department of the Treasury.”

USAID notes that the \$154 million net and \$2.011 billion absolute in Table 2 of the draft report are not differences between the cash amount in the financial statements and the cash amounts at Treasury, but are temporary adjustments we made in our GL totals to fairly present cash on the financial statements. Our goal is to know in complete detail what caused the differences and to eliminate all differences within 90 days. The differences noted by OIG are caused by known errors and timing differences that will be corrected in the normal course of events, except for:

- (1) A shortage of approximately \$158 million in one appropriation that must be further researched and resolved in FY 2015. The difference of approximately \$158 million between USAID and Treasury was identified by the reconciliation that we performed in FY 2014.
- (2) Fund balance differences of \$1 million net and \$9 million absolute. In the context of the impact on the financial statements, these amounts are small compared to USAID’s total FBWT balance of \$39.4 billion.

Except for items (1) and (2) above, the difference was fully accounted for by known individual in-transit items and other known differences, which was not the case in previous years.

“USAID made several efforts to bring its cash balances into agreement with Treasury’s balances but was not successful.”

We disagree that our efforts were not successful. During FY 2014, USAID successfully eliminated almost all of the differences with Treasury’s balances in most of our appropriations. This happened in two stages. First, we reconciled the GLs to the SLs, and second, we reconciled Treasury cash to GL cash. As of October 2, 2014, the unreconciled difference between the GL cash and SL cash was approximately \$3 million net and \$130 million absolute, and the difference between GL cash and Treasury cash was \$1 million net and \$9 million absolute, except as noted in item (1) above. At these levels, the differences do not significantly affect the financial statements. Since the Agency was not apprised of any negative test results, Management remains confident in the *effectiveness* of its efforts in recent years to strengthen existing controls and implement new or supplementary controls to ensure timely reconciliation of FBWT and to readily identify emerging unreconciled transactions.

“During the reconciliation, USAID noted several differences, some of which were attributed to

journal entries which should have self-reversed in subsequent periods but did not, and to the redistribution of appropriation balances from one fund account to several.”

Journal entries and the redistribution of appropriation balances from one fund account to several did cause differences, but they did not cause most of the differences. The main causes of the differences between the GL and the SLs were related to the implementation of the financial management system phased in over a seven year period, payment of USAID vendors by third parties, and various business practices that have since been improved.

“As of September 2014, when the reconciliation effort ended, a difference of \$2.4 million net (\$123 million absolute value) remained between the general ledger and subsidiary ledgers, and a difference of (\$157) million net remained between the general ledger and Treasury, most of which was reported in the (No-Year) Development Assistance Fund. This difference has accumulated over time, and management claims that it cannot be reconciled. Therefore, USAID plans to research and resolve the difference reported in the (No-Year) Development Assistance Fund during FY 2015 but has not yet determined the best course of action to do so.”

USAID generally agrees with this portion of the finding. The absolute difference is almost equal to the net difference, because the differences in all of USAID’s appropriations except one are very small. Because USAID increased its FY 2013 FBWT ending balance by approximately \$353 million, USAID’s FBWT GL FY 2014 ending balance was greater than Treasury’s by approximately \$158 million. This difference did not cause a misstatement in the financial reports because USAID made a temporary adjustment to its FY 2014 FBWT ending balance to bring its financial statement FBWT into agreement with Treasury’s. USAID intends to further research and permanently resolve this difference in FY 2015.

Recommendation 1: We recommend that USAID’s Office of the Chief Financial Officer continue its reconciliation efforts and 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.

Management Decision: Management accepts the recommendation and will take the recommended actions. Target Completion Date: December 31, 2014.

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.

Management Decision: Management accepts the recommendation and will consult with the U.S. Treasury prior to any resolution. Target Completion Date: June 30, 2015.

Significant Deficiency: USAID’s Process for Deobligating Unliquidated Obligations Was Ineffective (Repeat Finding)

Recommendation 3: We recommend that USAID’s Office of the Chief Financial Officer coordinate with the Director of the Office of Acquisition and Assistance to periodically investigate unliquidated obligations, especially those that make up the \$47 million with no activity since they were established, and deobligate as necessary.

Management Decision: Management accepts Recommendation 3. Target Completion Date: June 30, 2015.

Significant Deficiency: USAID's Process for Identifying and Liquidating Outstanding Advances Was Ineffective (Repeat Finding)

Recommendation 4: We recommend that USAID's Office of the Chief Financial Officer establish procedures to periodically research and take appropriate action on advances outstanding for more than 150 days.

Management Decision: Management accepts Recommendation 4. Target Completion Date: June 30, 2015.

Recommendation 5: We recommend that the Office of the Chief Financial Officer investigate the negative unliquidated advances and determine whether they should be refunded to USAID.

Management Decision: Management accepts the recommendation. Target Completion Date: March 31, 2015.

Significant Deficiency: USAID Could Not Provide Documentation Supporting Some Payroll Deductions (Repeat Finding)

The Office of the Chief Human Capital Officer has indicated general agreement with the findings and has provided comments directly to OIG staff.

Recommendation 6: We recommend that USAID's Chief Human Capital Officer require the periodic review of employees' eOPF to ensure that employee benefit elections are current and properly recorded.

Management Decision: Management accepts Recommendation 6. Target Completion Date: November 30, 2015.

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management accepts the finding and notes that in FY 2014, USAID was able to successfully clear a \$2.7 billion difference with the Treasury General Fund. However, several new variances arose in FY 2014 due to new reciprocal categories added by Treasury. We will research these new differences during FY 2015.

Significant Deficiency: USAID Did Not Comply With Federal Standards in Accounting for Reimbursable Agreements

Recommendation 7: We recommend that the 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.

Management Decision: Management accepts Recommendation 7. Target Completion Date: March 31, 2016.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

OMB Circular A-50, "Audit Followup," 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 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: M/CFO/CAR completed the adjustments for virtually all appropriations by the end of July 2014. As of late August 2014 the cash differences with Treasury that were "unexplained" totaled approximately negative \$12 million net and \$140 million absolute value. The reconciliation was repeated for key GL categories in all appropriations on September 19, 2014, and found that the remaining GL/SL differences were insignificant. The target completion date is December 31, 2014.

Recommendation 2. We recommend that USAID intensify its efforts to investigate and deobligate outstanding obligations, especially those that make up the \$55 million that had no activity since they were established.

Status: M/CFO/WFS obtained progress on contracting actions from M/OAA. Closeout contract has significantly reduced backlog, with \$77 million in residual funds deobligated in FY 2014. Continued phased-in implementation of the web-based deobligation tool for non-procurement obligations with select Missions/Bureaus. The target completion date is September 30, 2015.

Recommendation 3. We recommend that the Office of the Chief Financial Officer (a) research all advances outstanding for more than 90 days to determine if they should be recovered, (b) implement policies and procedures for establishing accounts receivable to recover outstanding advances within a reasonable period, and (c) review and correct as necessary appropriations erroneously charged by the DHHS and recorded by the Department of the Treasury.

Status: This recommendation was closed on June 12, 2014.

Recommendation 4. We recommend that USAID's Office of Human Resources implement applicable work flow or business processes that clearly delineate roles and responsibilities within the Office of Human Resources for processing different types of actions, whether they were first entered manually or electronically, to make sure that records that support deductions from employees' salaries are easily retrievable.

Status: M/CFO/P - HCTM provided 81 out of the 83 documents requested. The remaining two

will be provided by the target date. The contractor concluded workflow meetings with internal HCTM stakeholders. The target completion date is December 31, 2014.

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: This recommendation is still pending final action. The target completion date is December 31, 2014.

Recommendation 3. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and relevant Bureau Assistant Administrators to (a) initiate targeted reviews of awards that are more than 3 years old with unliquidated obligation balances and (b) verify that obligation managers conduct the periodic reviews required to initiate deobligation action on unliquidated obligations.

Status: This recommendation is still pending final action. The target completion date is September 30, 2015.

Recommendation 6. We recommend that the Chief Financial Officer in coordination with the Office of Human Resources ensure: (a) that personnel files are updated to reflect all personnel actions and (b) that a reconciliation with National Finance Center records is performed to ensure that bi-weekly and annual salary pay caps are not exceeded.

Status: Part (a) of this recommendation was closed on March 31, 2014. Part (b) of this recommendation is still pending final action. The Chief Financial Officer will coordinate with the Office of Human Resources to work with NFC to implement a system edit to assist in preventing annual salary payments above the aggregate pay cap. The target completion date is September 30, 2015.

Status of 2011 Findings and Recommendations

Recommendation 2. We recommend that the Office of the Chief Financial Officer (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with the balances maintained in the PNC Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix.

Status: This recommendation was closed on April 30, 2013.

Recommendation 3. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and with Bureau Assistant Administrators to (a) initiate targeted reviews of non-GLAAS obligations and batch obligations for automatic deobligation for small-dollar obligation balances, travel, and operating-expense-funded obligations and program-funded obligations that are older than 5 years; (b) utilize the services of independent public

accounting firms to expedite the closeout audit process; and (c) require obligation officials to include period-of-performance dates for all procurement type awards.

Status: This recommendation is still pending final action. The Office of the Chief Financial Officer, in coordination with the Office of Acquisition and Assistance, will continue to identify and reduce contracts and obligations in closeout, and research the use of additional sources to expedite review. As noted, the Office of the Chief Financial Officer will also collaborate with the Office of Acquisition and Assistance to evaluate alternative service providers to expedite audit closeout. The Office of the Chief Financial Officer will continue to target specific areas for batched processing, including low-dollar, miscellaneous, and travel-related obligations. The target completion date is September 30, 2015.

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 Treasury.

Status: This recommendation is still pending final action. The target completion date is December 31, 2014.

Status of 2005 Findings and Recommendations

In the FY 2005 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 Treasury's Financial Management Service.

Status: OIG has made no recommendations in the last few years 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) A woman discusses land ownership at a community meeting in Kibera, Nairobi. USAID is working to reduce conflict in Kenya's informal settlements by promoting collaboration across political, religious, and ethnic lines.

PHOTO: ANNIE MUELLER / GLOBAL COMMUNITIES



(Above) Students participated in youth elections in Hebron, the West Bank, where 41 children ran for positions on local youth boards. Supported by USAID, the initiative teaches about participation in public life.

PHOTO: GLOBAL COMMUNITIES

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 restated comparative data for FY 2013 (see Note 19, *Restatement of FY 2013 Principal Financial Statements*); however intra-agency balances have been excluded from the amounts presented. USAID's principal financial statements, footnotes, and other information for FY 2014 and FY 2013 consist of the following:

The **Consolidated Balance Sheet** presents those resources owned or managed by USAID that are available to provide 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, *Sub-organization Program Costs/Program Cost by Segment*.

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, 2014 and 2013. 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, 2014 and 2013. 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 2013 note data has been restated due to correction of FY 2013 accounting errors, or recast to enable comparability with the FY 2014 presentation. Details of the FY 2013 financial restatement are presented in Note 19, *Restatement of FY 2013 Principal Financial Statements*.

Required Supplementary Information contains a Combining Schedule of Budgetary Resources for FY 2014 that provides additional information on amounts presented in the **Combined Statement of Budgetary Resources**.

Other Information contains a Schedule of Spending that illustrates the application of available funding during FY 2014. It has as its basis the same data that is used to populate the Statement of Budgetary Resources, but provides additional insight into the program and/or individual recipients of budgetary resources.

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 manage-

ment 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. In FY 2013, 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.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2014 and 2013

(In Thousands)

	2014	2013 (Restated)
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	\$ 30,862,134	\$ 31,162,992
Accounts Receivable (Notes 3 and 19)	23	27
Other Assets (Notes 4 and 19)	72,031	76,977
Total Intragovernmental	30,934,188	31,239,996
Cash and Other Monetary Assets (Note 5)	394,188	343,296
Accounts Receivable, Net (Notes 3 and 19)	51,175	39,933
Direct Loans and Loan Guarantees, Net (Note 6)	2,266,825	2,574,346
Inventory and Related Property, Net (Note 7)	35,785	35,996
General Property, Plant, and Equipment, Net (Notes 8 and 9)	75,995	64,785
Advances (Notes 4 and 19)	573,968	477,574
Total Assets	\$ 34,332,124	\$ 34,775,926
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 19)	\$ 42,412	\$ 42,534
Debt (Note 11)	481,272	481,000
Liability for Capital Transfers to the General Fund of the Treasury (Notes 10 and 11)	2,059,883	2,391,590
Other Liabilities (Notes 10 and 12)	882,397	724,053
Total Intragovernmental	3,465,964	3,639,177
Accounts Payable (Notes 10 and 19)	1,732,737	1,874,488
Loan Guarantee Liability (Notes 6 and 10)	2,351,183	1,846,853
Federal Employee and Veteran's Benefits (Notes 13 and 19)	25,811	27,129
Other Liabilities (Notes 10, 12, and 13)	603,581	541,855
Total Liabilities	8,179,276	7,929,502
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations (Note 19)	25,595,626	25,879,318
Cumulative Results of Operations (Note 19)	557,222	967,106
Total Net Position (Note 19)	26,152,848	26,846,424
Total Liabilities and Net Position	\$ 34,332,124	\$ 34,775,926

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2014 and 2013

(In Thousands)

OBJECTIVES	2014	2013 (Restated)
Peace and Security:		
Gross Costs	\$ 673,826	\$ 695,091
Less: Earned Revenue	(2,562)	(3,296)
Net Program Costs	671,264	691,795
Governing Justly and Democratically:		
Gross Costs	1,425,842	928,047
Less: Earned Revenue	(5,550)	(3,037)
Net Program Costs	1,420,292	925,010
Investing in People:		
Gross Costs	2,667,134	2,886,314
Less: Earned Revenue	(27,054)	(43,439)
Net Program Costs	2,640,080	2,842,875
Economic Growth:		
Gross Costs	4,712,019	4,143,947
Less: Earned Revenue	(612,707)	(812,383)
Net Program Costs	4,099,312	3,331,564
Humanitarian Assistance:		
Gross Costs	2,127,092	1,603,059
Less: Earned Revenue	(5,901)	(7,674)
Net Program Costs	2,121,191	1,595,385
Operating Unit Management:		
Gross Costs	721,848	893,533
Less: Earned Revenue	(2,878)	(5,223)
Net Program Costs	718,970	888,310
Net Cost of Operations (Notes 15, 16, and 19)	\$ 11,671,109	\$ 10,274,939

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2014 and 2013

(In Thousands)

	2014	2013 (Restated)
Cumulative Results of Operations:		
Beginning Balance	\$ 4,017,092	\$ 3,102,471
Adjustments – Correction of Errors	(3,049,986)	(1,880)
Beginning Balance, as Adjusted (Note 19)	967,106	3,100,591
Budgetary Financing Sources:		
Appropriations Used	11,222,555	7,770,918
Nonexchange Revenue	200	–
Donations and Forfeitures of Cash and Cash Equivalents	165,298	186,146
Transfers-in/out Without Reimbursement	–	163
Other Financing Sources (Non-Exchange):		
Donations and forfeitures of property	63	–
Transfers-in/out Without Reimbursement	(169,500)	142,254
Imputed Financing	42,609	41,973
Total Financing Sources	11,261,225	8,141,454
Net Cost of Operations (Note 19)	(11,671,109)	(10,274,939)
Net Change	(409,884)	(2,133,485)
Cumulative Results of Operations (Note 19)	557,222	967,106
Unexpended Appropriations:		
Beginning Balance	22,745,711	21,631,982
Adjustments – Correction of Errors	3,133,607	(345,873)
Beginning Balance, as Adjusted (Note 19)	25,879,318	21,286,109
Budgetary Financing Sources:		
Appropriations Received	10,379,630	12,188,566
Appropriations Transferred in/out	637,423	284,516
Other Adjustments	(78,190)	(108,955)
Appropriations Used	(11,222,555)	(7,770,918)
Total Budgetary Financing Sources	(283,692)	4,593,209
Total Unexpended Appropriations (Note 19)	25,595,626	25,879,318
Net Position (Note 19)	\$ 26,152,848	\$ 26,846,424

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2014 and 2013

(In Thousands)

	2014		2013 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	\$ 9,701,694	\$ 1,862,105	\$ 8,075,315	\$ 1,878,293
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	36,835	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	9,738,529	1,862,105	8,075,315	1,878,293
Recoveries of Prior Year Unpaid Obligations	557,366	168	639,688	200
Other Changes in Unobligated Balance (+ or -)	82,472	(1)	(274,917)	–
Unobligated Balance from Prior Year Budget Authority, Net	10,378,367	1,862,272	8,440,086	1,878,493
Appropriations (Discretionary and Mandatory)	10,432,681	6	11,964,208	–
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	273	–	2,696
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory) (Note 19)	973,175	585,854	1,344,120	185,173
Total Budgetary Resources	\$ 21,784,223	\$ 2,448,405	\$ 21,748,414	\$ 2,066,362
Status of Budgetary Resources:				
Obligations Incurred (Note 19)	13,585,269	261,449	\$ 12,009,885	\$ 204,257
Unobligated Balance, End of Year:				
Apportioned	7,467,785	222,517	8,616,699	222,522
Exempt from Apportionment	–	–	–	–
Unapportioned (Note 19)	731,169	1,964,439	1,121,830	1,639,583
Total Unobligated Balance, End of Year	8,198,954	2,186,956	9,738,529	1,862,105
Total Budgetary Resources	\$ 21,784,223	\$ 2,448,405	\$ 21,748,414	\$ 2,066,362

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES (continued)

For the Years Ended September 30, 2014 and 2013

(In Thousands)

	2014		2013 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1 (Gross)	\$ 18,597,614	\$ 3,867	\$ 18,338,078	\$ 1,300
Adjustment to Unpaid Obligations, Start of Year (+ or -)	(398,320)	–	(64,892)	(704)
Obligations Incurred (Note 19)	13,585,269	261,449	12,009,885	204,257
Outlays (Gross) (-) (Note 19)	(10,639,527)	(261,086)	(11,476,209)	(200,786)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	(32,119)	–	32,120	–
Recoveries of Prior Year Unpaid Obligations (-)	(557,366)	(168)	(639,688)	(200)
Unpaid Obligations, End of Year	20,555,551	4,062	18,199,294	3,867
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(67,380)	–	(40,480)	35
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	(12,053)	–	–	–
Change in Uncollected Payments, Federal Sources (+ or -) (Note 19)	40,632	35	(38,953)	(35)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or -)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(38,801)	35	(79,433)	–
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	\$ 11,405,856	\$ 586,133	\$ 13,308,328	\$ 187,868
Actual Offsetting Collections (Discretionary and Mandatory) (-) (Note 19)	(1,085,034)	(585,888)	(1,225,686)	(185,137)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	28,579	35	(26,900)	(35)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	\$ 10,349,401	\$ 280	\$ 12,055,742	\$ 2,696
Outlays, Gross (Discretionary and Mandatory) (Note 19)	\$ 10,639,527	\$ 261,086	\$ 11,476,209	\$ 200,786
Actual Offsetting Collections (Discretionary and Mandatory) (Note 19)	(1,085,034)	(585,888)	(1,225,686)	(185,137)
Outlays, Net (Discretionary and Mandatory)	9,554,493	(324,802)	10,250,523	15,649
Distributed Offsetting Receipts (-)	(241,127)	–	(381,293)	–
Agency Outlays, Net (Discretionary and Mandatory) (Note 19)	\$ 9,313,366	\$ (324,802)	\$ 9,869,230	\$ 15,649

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements report USAID's financial position and results of operations. They 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.

PROGRAMS

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 (ESF) 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 ebola, 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 (OTI) 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 Development Credit Authority 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% 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 this program, the U.S. Government guaranteed the repayment of up to \$10 billion in loans from commercial sources. Borrowing was completed under the program during FY 1999. Approximately \$9.2 billion was guaranteed, of which \$6.8 billion remains outstanding.

In FY 2003, Congress authorized a second Israel Loan Guarantee Program of up to \$9.0 billion to support Israel's comprehensive economic plan to overcome economic difficulties and create conditions for higher and sustainable growth. Four billion one hundred million dollars has been borrowed under this program, of which \$3.7 billion remains outstanding.

- **Loan Guarantees to Egypt Program**

The Loan Guarantees to Egypt Program was established under the Emergency Wartime Supplemental Appropriations Act of 2003.

Under this program, the U.S. Government was authorized to issue an amount not to exceed \$2 billion in loan guarantees to Egypt during the period beginning March 1, 2003 and ending September 30, 2005. New loan guarantees totaling \$1.25 billion were issued in FY 2005 before the expiration of the program.

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

The loan guarantee authority for this 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, to provide support for the Republic of Tunisia. In FY 2014, the program was expanded to include Jordan, and renamed the Middle East Northern Africa (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 not to exceed \$237 million. Using this budget cost as a basis for determining the loan guarantee, MENA issued notes totaling \$2.75 billion in FY 2014.

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 fund 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 than 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. 113-76 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011 authority", a name that is based on references to the previous appropriations acts. 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 U.S. Department of Agriculture (USDA) Commodity Credit Corporation, the Executive Office of the President, the Department of State, and Millennium Challenge Corporation (MCC).

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 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 Treasury. The fund balance 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 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 fiscal 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. Footnote 6 displays the unfunded amounts separate from the post-1991 liabilities. 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.

Federal employee benefit costs paid by OPM and imputed by USAID are reported on the Statement of Net Cost.

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. Footnote 14 identifies commitments and contingency liabilities.

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 as reflected in Note 3, 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 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 Energy
- Department of Interior
- Department of Labor
- Department of State
- Department of the Treasury
- Nuclear Regulatory Commission

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2014 and 2013 (Restated) consisted of the following (in thousands):

Fund Balance	2014	2013 (Restated)
Trust Funds	\$ 298,457	\$ 258,885
Revolving Funds	2,718,595	2,423,613
General Funds	27,898,048	28,492,424
Other Funds	(52,966)	(11,930)
Total (Note 19)	\$ 30,862,134	\$ 31,162,992

Status of Fund Balance with Treasury	2014	2013 (Restated)
Unobligated Balance		
Available	\$ 7,690,302	\$ 8,839,220
Unavailable	2,695,608	2,761,411
Obligated and Other Balances Not Yet Disbursed (Net)	20,476,224	19,562,361
Total	\$ 30,862,134	\$ 31,162,992

Fund Balance with Treasury are the aggregate amounts 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. See also Note 19 that contains additional disclosures related to Fund Balance with Treasury.

Unobligated balances become available when apportioned by the 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 Balances Not Available. The obligated and other balances not yet disbursed include other liabilities without budgetary related obligations.

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a \$353 million increase to Fund Balance with Treasury.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's Accounts Receivable, Net as of September 30, 2014 and 2013 (Restated) are as follows (in thousands):

	Receivable Gross	Allowance Accounts	Receivable Net 2014	Receivable Net 2013 (Restated)
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	\$ 10	N/A	\$ 10	\$ 10
Accounts Receivable from Federal Agencies	268,089	N/A	268,089	30,186
Less Intra-Agency Receivables	(268,076)	N/A	(268,076)	(30,169)
Total Intragovernmental Accounts Receivable	23	N/A	23	27
Accounts Receivable from the Public (Note 19)	100,411	(49,236)	51,175	39,933
Total Receivables	\$ 100,434	\$ (49,236)	\$ 51,198	\$ 39,960

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% 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.

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a \$173 thousand decrease to Accounts Receivable.

NOTE 4. OTHER ASSETS

Other Assets as of September 30, 2014 and 2013 (Restated) consisted of Advances, as follows (*in thousands*):

	2014	2013 (Restated)
Intragovernmental		
Advances to Federal Agencies	\$ 72,031	\$ 76,977
Total Intragovernmental (Note 19)	72,031	76,977
Advances to Contractors/Grantees	335,668	327,035
Advances to Host Country Governments and Institutions	158,744	115,239
Advances, Other	79,556	35,299
Total with the Public	573,968	477,573
Total Other Assets	\$ 645,999	\$ 554,550

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.

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a \$36 million increase to Advances with the Public.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2014 and 2013 are as follows (*in thousands*):

	2014	2013 (Restated)
Foreign Currencies	\$ 394,188	\$ 343,296
Total Cash and Other Monetary Assets	\$ 394,188	\$ 343,296

Foreign Currencies are related to Foreign Currency Trust Funds and which totaled \$395 million in FY 2014 and \$344 million in FY 2013, as disclosed

in Note 12. USAID does not have any non-entity cash or other monetary assets.

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)
- Egypt Loan Guarantee Program
- Ukraine Loan Guarantee Program
- Middle East Northern Africa (MENA) 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 the Office of Management and Budget (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, 2014 and 2013 are as follows (*in thousands*):

	2014	2013
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	\$ 1,934,732	\$ 2,218,674
Net Direct Loans Obligated After 1991 (Present Value Method)	200,374	221,342
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	131,719	134,330
Total Loans Receivable, Net as reported on the Balance Sheet	\$ 2,266,825	\$ 2,574,346

DIRECT LOANS

Direct Loans for loans obligated prior to 1992 and after 1991 as of September 30, 2014 and 2013 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, 2014:				
Direct Loans	\$ 2,134,390	\$ 299,659	\$ (499,317)	\$ 1,934,732
MSED	29	5	(34)	–
Total	\$ 2,134,419	\$ 299,664	\$ (499,351)	\$ 1,934,732

Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2013:				
Direct Loans	\$ 2,413,663	\$ 287,076	\$ (482,065)	\$ 2,218,674
MSED	29	32	(61)	–
Total	\$ 2,413,692	\$ 287,108	\$ (482,126)	\$ 2,218,674

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, 2014:				
Direct Loans	\$ 741,231	\$ 2	\$ (621,783)	\$ 119,450
UE - Subrogated Claims	56,708	26,039	(1,640)	81,107
MSED	150	24	(357)	(183)
Total	\$ 798,089	\$ 26,065	\$ (623,780)	\$ 200,374

Direct Loans Obligated After 1991 as of September 30, 2013:				
Direct Loans	\$ 777,100	\$ 6,961	\$ (641,807)	\$ 142,254
UE - Subrogated Claims	52,356	22,083	4,832	79,271
MSED	150	24	(357)	(183)
Total	\$ 829,606	\$ 29,068	\$ (637,332)	\$ 221,342

Total Amount of Direct Loans Disbursed as of September 30, 2014 and 2013 are as follows (*in thousands*):

Direct Loan Programs	2014	2013
Direct Loans	\$ 2,875,621	\$ 3,190,763
UE - Subrogated Claims	56,708	52,356
MSED	179	179
Total	\$ 2,932,508	\$ 3,243,298

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2014 and 2013 are as follows (*in thousands*):

	2014				2013			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Subsidy Cost Allowance	\$ 641,807	\$ (4,832)	\$ 357	\$ 637,332	\$ 622,091	\$ (8,029)	\$ 357	\$ 614,419
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	-	-	-	-	-	-	-	-
(E) Subsidy Allowance Amortization	55,659	-	-	55,659	(3,790)	-	-	(3,790)
(F) Other	(75,683)	6,472	-	(69,211)	23,506	3,197	-	26,703
Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$ 621,783	\$ 1,640	\$ 357	\$ 623,780	\$ 641,807	\$ (4,832)	\$ 357	\$ 637,332
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	\$ 621,783	\$ 1,640	\$ 357	\$ 623,780	\$ 641,807	\$ (4,832)	\$ 357	\$ 637,332

Defaulted Guaranteed Loans as of September 30, 2014 and 2013 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): 2014				
UE	\$ 141,126	\$ 19,613	\$ (29,020)	\$ 131,719
Total	\$ 141,126	\$ 19,613	\$ (29,020)	\$ 131,719
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2013 (Restated)				
UE	\$ 138,801	\$ 23,433	\$ (27,904)	\$ 134,330
Total	\$ 138,801	\$ 23,433	\$ (27,904)	\$ 134,330

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In 2014, the UE Program experienced \$5.9 million in defaults on payments.

In 2013, the UE Program experienced \$3.8 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2014 and 2013 are as follows (*in thousands*):

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2014):		
UE	\$ 576,273	\$ 576,273
MSED	14,760	7,380
Israel	10,537,379	10,537,379
DCA	282,386	141,193
Ukraine	1,000,000	1,000,000
Egypt	1,250,000	1,250,000
MENA	2,745,911	2,745,911
Total	\$ 16,406,709	\$ 16,258,136
Guaranteed Loans Outstanding (2013):		
UE	\$ 656,726	\$ 656,726
MSED	14,760	7,380
Israel	10,921,749	10,921,749
DCA	276,315	138,157
Egypt	1,250,000	1,250,000
Tunisia	485,000	485,000
Total	\$ 13,604,550	\$ 13,459,012
New Guaranteed Loans Disbursed (2014):		
DCA	\$ 9,863	\$ 4,931
Ukraine	1,000,000	1,000,000
MENA	2,750,000	2,750,000
Total	\$ 3,759,863	\$ 3,754,931
New Guaranteed Loans Disbursed (2013):		
DCA	\$ 95,546	\$ 47,773
Tunisia	–	–
Total	\$ 95,546	\$ 47,773

Liability for Loan Guarantees as of September 30, 2014 and 2013 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, 2014:			
UE	\$ 980	\$ 147,263	\$ 148,243
MSED	–	(3,956)	(3,956)
Israel	–	1,019,745	1,019,745
DCA	–	71,888	71,888
Ukraine	–	314,874	314,874
Egypt	–	533,619	533,619
MENA	–	266,770	266,770
Total	\$ 980	\$ 2,350,203	\$ 2,351,183

Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2013:			
UE	\$ –	\$ 147,863	\$ 147,863
MSED	–	(661)	(661)
Israel	–	1,153,581	1,153,581
DCA	–	72,432	72,432
Egypt	–	460,855	460,855
Tunisia	–	12,783	12,783
Total	\$ –	\$ 1,846,853	\$ 1,846,853

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2014 and 2013 are as follows (*in thousands*):

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2014):					
DCA	\$ –	\$ 8,349	\$ –	\$ –	\$ 8,349
Ukraine	–	193,800	–	–	193,800
MENA	–	236,875	–	–	236,875
Total	\$ –	\$ 439,024	\$ –	\$ –	\$ 439,024

Subsidy Expense for New Loan Guarantees (2013) (Restated):					
DCA	\$ –	\$ –	\$ –	\$ 6,655	\$ 6,655
Tunisia	–	–	–	–	–
Total	\$ –	\$ –	\$ –	\$ 6,655	\$ 6,655

(continued on next page)

(continued)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2014):				
UE	\$ –	\$ –	\$ (7,914)	\$ (7,914)
Israel	–	–	19,169	19,169
DCA	–	–	(9,268)	(9,268)
Ukraine	–	–	118,729	118,729
Egypt	–	–	53,759	53,759
MENA	–	–	12,812	12,812
Total	\$ –	\$ –	\$ 187,287	\$ 187,287
Modifications and Reestimates (2013):				
UE	\$ –	\$ –	\$ (2,023)	\$ (2,023)
Israel	–	–	(224,970)	(224,970)
DCA	–	–	7,496	7,496
Egypt	–	–	3,174	3,174
Tunisia	–	–	772	772
Total	\$ –	\$ –	\$ (215,551)	\$ (215,551)

Total Loan Guarantee Subsidy Expense as of September 30, 2014 and 2013 are as follows (*in thousands*):

Loan Guarantee Programs	2014	2013
UE	\$ (7,914)	\$ (2,023)
Israel	19,169	(224,970)
DCA	(919)	14,150
Ukraine	312,529	–
Egypt	53,759	3,174
MENA (formerly Tunisia)	249,687	772
Total	\$ 626,311	\$ (208,897)

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 (%)
DCA	–	4.77%	(0.70)%	–	4.07%
Ukraine	–	19.80%	–	–	19.80%
MENA	–	9.75%	–	–	9.75%

Schedule for Reconciling Loan Guarantee Liability Balances as of September 30, 2014 and 2013 are as follows (*in thousands*):

2014: 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	\$ 72,432	\$ (661)	\$ 147,863	\$ 1,153,581	\$ 460,855	\$ –	\$ 12,783	\$ 1,846,853
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	1,830	1,136	940	–	–	–	–	3,906
(C) Interest Supplements Paid	–	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(5,199)	10	(8,341)	(224,970)	–	–	44	(238,456)
(F) Interest Accumulation on the Liability Balance	2,890	–	3,407	71,966	19,770	2,345	4,343	104,721
(G) Other	9,203	(4,441)	12,288	(1)	(765)	193,800	236,788	446,872
Ending Balance of the Loan Guarantee Liability Before Reestimates	\$ 81,156	\$ (3,956)	\$ 156,157	\$ 1,000,576	\$ 479,860	\$ 196,145	\$ 253,958	\$ 2,163,896
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(9,268)	–	(7,914)	19,169	53,759	118,729	12,812	187,287
Total of the Above Reestimate Components	(9,268)	–	(7,914)	19,169	53,759	118,729	12,812	187,287
Ending Balance of the Loan Guarantee Liability	\$ 71,888	\$ (3,956)	\$ 148,243	\$ 1,019,745	\$ 533,619	\$ 314,874	\$ 266,770	\$ 2,351,183

2013: Post-1991 Loan Guarantees								
	DCA	MSED	UE	Israel	Egypt	Tunisia	Total	
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	\$ 62,233	\$ (661)	\$ 155,921	\$ 1,297,606	\$ 438,855	\$ 29,876	\$ 1,983,830	
Add: Subsidy Expense for Guaranteed Loans Disbursed								
During the Reporting Years by Component:								
(A) Interest Supplement Costs	–	–	–	–	–	–	–	
(B) Default Costs (Net of Recoveries)	6,655	–	–	–	–	–	6,655	
(C) Fees and Other Collections	–	–	–	–	–	–	–	
(D) Other Subsidy Costs	–	–	–	–	–	–	–	
Total of the Above Subsidy Expense Components	\$ 6,655	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 6,655	
Adjustments:								
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–	
(B) Fees Received	–	–	–	–	–	–	–	
(C) Interest Supplements Paid	–	–	–	–	–	–	–	
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	
(E) Claim Payments to Lenders	–	–	–	–	–	–	–	
(F) Interest Accumulation on the Liability Balance	2,601	–	3,434	80,945	18,826	–	105,806	
(G) Other	(6,552)	–	(9,469)	–	–	(17,865)	(33,886)	
Ending Balance of the Loan Guarantee Liability Before Reestimates	\$ 64,936	\$ (661)	\$ 149,886	\$ 1,378,551	\$ 457,681	\$ 12,011	\$ 2,062,404	
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	
(B) Technical/Default Reestimate	7,496	–	(2,023)	(224,970)	3,174	772	(215,551)	
Total of the Above Reestimate Components	7,496	–	(2,023)	(224,970)	3,174	772	(215,551)	
Ending Balance of the Loan Guarantee Liability	\$ 72,432	\$ (661)	\$ 147,863	\$ 1,153,581	\$ 460,855	\$ 12,783	\$ 1,846,853	

Administrative Expense as of September 30, 2014 and 2013 are as follows (*in thousands*):

Loan Programs	2014	2013
DCA	\$ 16,222	\$ 16,988
Total	\$ 16,222	\$ 16,988

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. One country is in violation of Section 620q of the Foreign Assistance Act (FAA), owing \$347 thousand that is more than six months delinquent. Three countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing \$427.3 million that is more than one year delinquent.
2. The MSED Liquidating Account general ledger has a loan receivable balance of \$29 thousand. This includes a loan pending closure. This loan is being carried at 100% bad debt allowance.
3. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in FY 2014.
4. In FY 2014, Jordan was added to the Tunisia Loan Guarantee Program. This resulted in a name change to the Middle East Northern Africa (MENA) Loan Guarantee Program.
5. In FY 2014, activity resumed in the dormant Ukraine Loan Guarantee Program.

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, 2014 and 2013 are as follows (*in thousands*):

	2014	2013
Items Held for Use		
Office Supplies	\$ 2,361	\$ 3,854
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	8,594	13,136
Birth Control Supplies	24,830	19,006
Total Inventory and Related Property	\$ 35,785	\$ 35,996

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, 2014 and 2013 are as follows (*in thousands*):

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2014	Net Book Value 2013
Classes of Fixed Assets:					
Equipment	3 to 5 years	\$ 75,255	\$ (56,919)	\$ 18,336	\$ 19,721
Buildings, Improvements, and Renovations	20 years	89,358	(48,174)	41,184	23,071
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	–	–	–	–
Internal Use Software	3 to 5 years	115,117	(105,845)	9,272	14,790
Total PP&E		\$ 286,933	\$ (210,938)	\$ 75,995	\$ 64,785

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, 2014 and 2013 Leases consisted of the following (*in thousands*):

Entity as Lessee	2014	2013
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:	2014
Fiscal Year	Future Costs
2015	\$ 60,897
2016	60,904
2017	62,140
2018	5,875
2019	3,149
After 5 Years	3,436
Total Future Lease Payments	\$ 196,401

Operating lease payments total \$196 million in future lease payments of which \$131 million is for the USAID headquarters in Washington, D.C. The current lease agreements are for approximately 802,417 sq. feet and with

expiration dates of FY 2015, FY 2016, FY 2017, FY 2020 and FY 2021. The lessor, General Services Administration (GSA), 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, 2014 and 2013 Liabilities Covered and Not Covered by Budgetary Resources were as follows (*in thousands*):

	2014	2013 (Restated)
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable (Note 19)	\$ 42,412	\$ 42,534
Debt (Note 11)	481,272	481,000
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,059,883	2,391,590
Other Liabilities (Note 12)	660,643	538,086
Total Intragovernmental	3,244,210	3,453,210
Accounts Payable (Note 19)	1,712,240	1,868,920
Disbursements in Transit	20,497	5,568
Total Accounts Payable with Public	1,732,737	1,874,488
Loan Guarantee Liability (Note 6)	2,350,203	1,846,853
Other Liabilities with Public	551,667	492,341
Total Liabilities Covered by Budgetary Resources	\$ 7,878,817	\$ 7,666,892
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
IPAC Suspense	\$ (57,603)	\$ (29,203)
Unfunded FECA Liability (Note 13)	7,626	8,229
Other Unfunded Employment Related Liability	143	197
Other Liabilities (Note 12)	271,588	206,744
Total Intragovernmental (Note 12)	\$ 221,754	\$ 185,967
Accrued Annual Leave	51,914	49,514
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	51,914	49,514
Future Workers' Compensation Benefits (Note 13)	25,811	27,129
Debt - Contingent Liabilities for Loan Guarantees (Note 6)	980	–
Total Liabilities Not Covered by Budgetary Resources	300,459	262,610
Total Liabilities	\$ 8,179,276	\$ 7,929,502

NOTE II. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2014 and 2013 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt (*in thousands*):

Debt Due to Treasury	2013 Beginning Balance	Net Borrowing	2013 Ending Balance	Net Borrowing	2014 Ending Balance
Direct Loans	\$ 478,195	\$ 96	\$ 478,291	\$ –	\$ 478,291
DCA	109	2,600	2,709	272	2,981
Total Treasury Debt	\$ 478,304	\$ 2,696	\$ 481,000	\$ 272	\$ 481,272

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 2014, 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 \$2.1 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, 2014 and 2013 Other Liabilities consisted of the following (*in thousands*):

	2014	2013
Intragovernmental		
IPAC Suspense	\$ (57,603)	\$ (29,203)
Unfunded FECA Liability (Note 13)	7,626	8,229
Custodial Liability	5,836	6,034
Employer Contributions & Payroll Taxes Payable	3,941	2,975
Other Unfunded Employment Related Liability	143	197
Liability for Advances and Prepayments	650,866	529,077
Other Liabilities	271,588	206,744
Total Intragovernmental	\$ 882,397	\$ 724,053
Accrued Funded Payroll and Leave	24,032	21,905
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	51,914	49,514
Advances From Others	3,253	2,725
Deferred Credits	—	360
Foreign Currency Trust Fund	394,969	344,404
Capital Lease Liability (Note 9)	—	—
Other Liabilities	129,413	122,947
Total Liabilities With the Public	\$ 603,581	\$ 541,855
Total Other Liabilities	\$ 1,485,978	\$ 1,265,908

Intragovernmental Liabilities represent amounts due to other federal agencies. All remaining Other Liabilities are liabilities to non-federal entities.

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2014 and 2013 are indicated in the table below (*in thousands*).

Accrued Unfunded Workers' Compensation Benefits	2014	2013 (Restated)
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	\$ 25,811	\$ 27,129
Unfunded FECA Liability	7,626	8,229
Total Accrued Unfunded Workers' Compensation Benefits	\$ 33,437	\$ 35,358

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 2014, USAID's total FECA liability was \$33.4 million, comprised of unpaid FECA billings for \$7.6 million and estimated future FECA costs of \$25.8 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, 2014 a total of five cases were pending.

- The first case arises from a fatal automobile collision. The consolidated action asserts negligence against the United States (USAID and the Department of 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 a contract claim that USAID wrongfully withheld payment for invoices submitted under the terms of a "Hurricane Mitch" host country contract. An estimate of the amount or range of potential loss is \$2.2 million.

- The third case is a companion to the prior case, in which a contractor seeks compensation for efforts and expenses it claims to have incurred under a terminated host country contract. An estimate of the amount or range of potential loss is \$1.8 million.
- The fourth case is filed under the Federal Tort Claims Act, and alleges negligence on the part of USAID that resulted in arrest and incarceration of the claimants. Following the briefing, the court dismissed the complaint; thereafter the claimants appealed the dismissal. The case is currently pending before the appellate court. An estimate of the amount or range of potential loss is \$60 million.
- The fifth case is a claim under the Contracts Dispute Act with an estimated loss of \$6 million; USAID is currently reviewing the case.

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. INTRAGOVERNMENTAL 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 June 30, 2014. These objectives are consistent with the new 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. Intragovernmental Costs and Earned Revenue by Responsibility Segment for the years ended September 30, 2014 and 2013 are indicated in the table below (*in thousands*):

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Total	2013 Restated Total
Peace and Security												
Intragovernmental Costs	\$ 1,863	\$ 841	\$ 7,143	\$ 895	\$ 3,149	\$ -	\$ -	\$ 4,446	\$ -	\$ 3,910	\$ 22,247	\$ 33,828
Public Costs	79,117	21,660	187,953	4,036	48,716	-	-	127,626	28,634	153,837	651,579	661,263
Total Program Costs	80,980	22,501	195,096	4,931	51,865	-	-	132,072	28,634	157,747	673,826	695,091
Intragovernmental Earned Revenue	(198)	(20)	(515)	(82)	(358)	-	-	(477)	(204)	(411)	(2,265)	(3,270)
Public Earned Revenue	(27)	-	(70)	(11)	(49)	-	-	(65)	(22)	(53)	(297)	(26)
Total Earned Revenue	(225)	(20)	(585)	(93)	(407)	-	-	(542)	(226)	(464)	(2,562)	(3,296)
Net Program Costs	80,755	22,481	194,511	4,838	51,458	-	-	131,530	28,408	157,283	671,264	691,795
Governing Justly and Democratically												
Intragovernmental Costs	4,011	5,125	2,300	174	6,965	-	962	7,102	8,804	16,206	51,649	49,605
Public Costs	165,449	120,005	51,123	3,907	145,776	-	5,418	187,826	252,574	442,115	1,374,193	878,442
Total Program Costs	169,460	125,130	53,423	4,081	152,741	-	6,380	194,928	261,378	458,321	1,425,842	928,047
Intragovernmental Earned Revenue	(461)	(484)	(254)	(18)	(680)	-	(109)	(784)	(994)	(1,136)	(4,920)	(3,010)
Public Earned Revenue	(55)	(15)	(35)	(2)	(92)	-	(15)	(129)	(133)	(154)	(630)	(27)
Total Earned Revenue	(516)	(499)	(289)	(20)	(772)	-	(124)	(913)	(1,127)	(1,290)	(5,550)	(3,037)
Net Program Costs	168,944	124,631	53,134	4,061	151,969	-	6,256	194,015	260,251	457,031	1,420,292	925,010
Investing in People												
Intragovernmental Costs	81,962	18,064	2,763	14,380	1,857	15,137	3,145	7,676	12,563	11,480	169,027	163,582
Public Costs	586,436	185,190	79,373	123,627	25,837	580,004	17,002	124,213	358,004	418,421	2,498,107	2,722,732
Total Program Costs	668,398	203,254	82,136	138,007	27,694	595,141	20,147	131,889	370,567	429,901	2,667,134	2,886,314
Intragovernmental Earned Revenue	(9,087)	(2,026)	(314)	(4,163)	(193)	(1,719)	(357)	(798)	(1,289)	(1,129)	(21,075)	(29,745)
Public Earned Revenue	(1,229)	(275)	(43)	(3,709)	(26)	(233)	(49)	(108)	(175)	(132)	(5,979)	(13,694)
Total Earned Revenue	(10,316)	(2,301)	(357)	(7,872)	(219)	(1,952)	(406)	(906)	(1,464)	(1,261)	(27,054)	(43,439)
Net Program Costs	658,082	200,953	81,779	130,135	27,475	593,189	19,741	130,983	369,103	428,640	2,640,080	2,842,875

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Total	2013 Restated Total
Economic Growth												
Intragovernmental Costs	30,390	28,095	65	317,087	7,677	–	12,731	33,282	16,607	27,699	473,633	313,254
Public Costs	651,430	375,925	6,359	1,049,393	483,108	–	75,163	256,401	706,234	634,373	4,238,386	3,830,692
Total Program Costs	681,820	404,020	6,424	1,366,480	490,785	–	87,894	289,683	722,841	662,072	4,712,019	4,143,947
Intragovernmental Earned Revenue	(1,744)	(1,596)	(7)	(579,176)	(735)	–	(1,412)	(1,199)	(4,348)	(21,106)	(611,323)	(665,080)
Public Earned Revenue	(237)	(217)	(1)	–	(100)	–	(192)	(163)	(214)	(260)	(1,384)	(147,303)
Total Earned Revenue	(1,981)	(1,813)	(8)	(579,176)	(835)	–	(1,604)	(1,362)	(4,562)	(21,366)	(612,707)	(812,383)
Net Program Costs	679,839	402,207	6,416	787,304	489,950	–	86,290	288,321	718,279	640,706	4,099,312	3,331,564
Humanitarian Assistance												
Intragovernmental Costs	115	12,141	65,300	–	898	–	–	1,454	1,094	651	81,653	107,207
Public Costs	2,192	27,676	1,812,809	93,781	26,776	–	–	20,932	39,218	22,055	2,045,439	1,495,852
Total Program Costs	2,307	39,817	1,878,109	93,781	27,674	–	–	22,386	40,312	22,706	2,127,092	1,603,059
Intragovernmental Earned Revenue	(12)	(145)	(4,662)	–	(102)	–	–	(74)	(124)	(74)	(5,193)	(7,617)
Public Earned Revenue	(2)	(20)	(635)	–	(14)	–	–	(10)	(17)	(10)	(708)	(57)
Total Earned Revenue	(14)	(165)	(5,297)	–	(116)	–	–	(84)	(141)	(84)	(5,901)	(7,674)
Net Program Costs	2,293	39,652	1,872,812	93,781	27,558	–	–	22,302	40,171	22,622	2,121,191	1,595,385
Operating Unit Management												
Intragovernmental Costs	24,781	7,503	28,423	52,605	4,968	–	7,152	9,322	4,116	19,535	158,405	305,893
Public Costs	106,374	51,996	99,171	87,556	25,597	–	27,112	58,114	37,034	70,489	563,443	587,640
Total Program Costs	131,155	59,499	127,594	140,161	30,565	–	34,264	67,436	41,150	90,024	721,848	893,533
Intragovernmental Earned Revenue	(447)	(287)	–	(397)	(128)	–	(545)	(267)	(135)	(212)	(2,418)	(5,174)
Public Earned Revenue	(61)	(39)	(43)	(140)	(17)	–	(74)	(39)	(18)	(29)	(460)	(49)
Total Earned Revenue	(508)	(326)	(43)	(537)	(145)	–	(619)	(306)	(153)	(241)	(2,878)	(5,223)
Net Program Costs	130,647	59,173	127,551	139,624	30,420	–	33,645	67,130	40,997	89,783	718,970	888,310
Net Cost of Operations (Note 19)	\$1,720,560	\$ 849,097	\$ 2,336,203	\$ 1,159,743	\$ 778,830	\$ 593,189	\$ 145,932	\$ 834,281	\$ 1,457,209	\$ 1,796,065	\$ 11,671,109	\$ 10,274,939

NOTE 16. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

The Suborganization Program Costs/Program Costs by 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 2014 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).

Effective in FY 2013 the former Economic Growth, Agriculture and Trade (EGAT) Bureau was reclassified as E3. Schedule of Costs by Responsibility Segment as of September 30, 2014 and 2013 are indicated in the table below (*in thousands*):

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Consolidated Total	2013 Restated Consolidated Total
Peace and Security												
Counterterrorism												
Gross Costs	\$ 28,345	\$ 485	\$ 2,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,926	\$ -	\$ 33,849	\$ 37,706
Less: Earned Revenues	(86)	(1)	(7)	-	-	-	-	-	(13)	-	(107)	(112)
Net Program Costs	28,259	484	2,086	-	-	-	-	-	2,913	-	33,742	37,594
Combating Weapons of Mass Destruction (WMD)												
Gross Costs	-	-	518	-	30,107	-	-	-	-	-	30,625	28,441
Less: Earned Revenues	-	-	(1)	-	(296)	-	-	-	-	-	(297)	(277)
Net Program Costs	-	-	517	-	29,811	-	-	-	-	-	30,328	28,164
Stabilization Operations and Security Sector Reform												
Gross Costs	122	792	1	-	2,463	-	-	5,668	53	1,928	11,027	34,094
Less: Earned Revenues	(1)	(4)	-	-	(11)	-	-	-	-	(2)	(18)	(195)
Net Program Costs	121	788	1	-	2,452	-	-	5,668	53	1,926	11,009	33,899
Counternarcotics												
Gross Costs	2	-	2	-	-	-	-	126,388	-	29,145	155,537	174,119
Less: Earned Revenues	-	-	-	-	-	-	-	(541)	-	(132)	(673)	(668)
Net Program Costs	2	-	2	-	-	-	-	125,847	-	29,013	154,864	173,451
Transnational Crime												
Gross Costs	7	7,788	785	15	1,815	-	-	-	-	-	10,410	10,514
Less: Earned Revenues	-	-	(3)	-	(11)	-	-	-	-	-	(14)	(59)
Net Program Costs	7	7,788	782	15	1,804	-	-	-	-	-	10,396	10,455
Conflict Mitigation and Reconciliation												
Gross Costs	52,504	13,435	191,697	4,916	17,479	-	-	15	25,655	126,677	432,378	410,217
Less: Earned Revenues	(138)	(14)	(574)	(93)	(88)	-	-	-	(213)	(333)	(1,453)	(1,985)
Net Program Costs	52,366	13,421	191,123	4,823	17,391	-	-	15	25,442	126,344	430,925	408,232
Total Peace and Security	80,755	22,481	194,511	4,838	51,458	-	-	131,530	28,408	157,283	671,264	691,795

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Consolidated Total	2013 Restated Consolidated Total
Governing Justly and Democratically												
Rule of Law and Human Rights												
Gross Costs	13,818	29,158	1,144	236	34,815	–	2,243	71,279	32,810	17,534	203,037	278,308
Less: Earned Revenues	(41)	(113)	(10)	(6)	(190)	–	(44)	(317)	(137)	(45)	(903)	(1,086)
Net Program Costs	13,777	29,045	1,134	230	34,625	–	2,199	70,962	32,673	17,489	202,134	277,222
Good Governance												
Gross Costs	74,068	50,812	29,014	1,537	35,781	–	–	84,358	103,036	314,795	693,401	18,422
Less: Earned Revenues	(226)	(216)	(94)	(15)	(178)	–	–	(384)	(504)	(970)	(2,587)	(526)
Net Program Costs	73,842	50,596	28,920	1,522	35,603	–	–	83,974	102,532	313,825	690,814	187,896
Political Competition and Consensus-Building												
Gross Costs	41,181	15,296	8,271	1,537	21,885	–	–	12,266	40,166	93,661	234,263	153,080
Less: Earned Revenues	(154)	(60)	(89)	–	(115)	–	–	(65)	(165)	(138)	(786)	(965)
Net Program Costs	41,027	15,236	8,182	1,537	21,770	–	–	12,201	40,001	93,523	233,477	152,115
Civil Society												
Gross Costs	40,395	29,864	14,994	772	60,259	–	4,137	27,024	85,366	32,330	295,141	308,237
Less: Earned Revenues	(97)	(110)	(96)	–	(288)	–	(80)	(146)	(321)	(136)	(1,274)	(460)
Net Program Costs	40,298	29,754	14,898	772	59,971	–	4,057	26,878	85,045	32,194	293,867	307,777
Total Governing Justly and Democratically	168,944	124,631	53,134	4,061	151,969	–	6,256	194,015	260,251	457,031	1,420,292	925,010
Investing in People												
Health												
Gross Costs	441,940	103,812	21,440	27,026	18,077	595,107	20,147	53,724	190,717	170,422	1,642,412	1,511,628
Less: Earned Revenues	(9,658)	(1,882)	(80)	(447)	(178)	(1,952)	(406)	(712)	(688)	(549)	(16,552)	(18,821)
Net Program Costs	432,282	101,930	21,360	26,579	17,899	593,155	19,741	53,012	190,029	169,873	1,625,860	1,492,807
Education												
Gross Costs	209,299	92,049	14,414	98,565	6,186	–	–	59,699	132,500	219,030	831,742	741,702
Less: Earned Revenues	(595)	(394)	(54)	(965)	(27)	–	–	(194)	(659)	(543)	(3,431)	(3,739)
Net Program Costs	208,704	91,655	14,360	97,600	6,159	–	–	59,505	131,841	218,487	828,311	737,963
Social and Economic Services and Protection for Vulnerable Populations												
Gross Costs	17,159	7,393	46,281	12,417	3,430	35	–	18,466	47,350	40,449	192,980	632,984
Less: Earned Revenues	(63)	(25)	(222)	(6,461)	(13)	(1)	–	–	(117)	(169)	(7,071)	(20,879)
Net Program Costs	17,096	7,368	46,059	5,956	3,417	34	–	18,466	47,233	40,280	185,909	612,105
Total Investing in People	658,082	200,953	81,779	130,135	27,475	593,189	19,741	130,983	369,103	428,640	2,640,080	2,842,875
Economic Growth												
Macroeconomic Foundation for Growth												
Gross Costs	15,758	8,736	–	815,035	316,634	–	–	8,847	482,146	10,028	1,657,184	784,222
Less: Earned Revenues	(57)	(29)	–	(523,187)	(9)	–	–	(24)	(782)	(11)	(524,099)	(32,690)
Net Program Costs	15,701	8,707	–	291,848	316,625	–	–	8,823	481,364	10,017	1,133,085	751,532
Trade and Investment												
Gross Costs	22,809	17,059	–	8,609	5,696	–	6,910	14,905	12,838	29,422	118,248	160,635
Less: Earned Revenues	(58)	(66)	–	(96)	(29)	–	(129)	(104)	(55)	(101)	(638)	(949)
Net Program Costs	22,751	16,993	–	8,513	5,667	–	6,781	14,801	12,783	29,321	117,610	159,686
Financial Sector												
Gross Costs	5,972	1,401	–	53,133	9,147	–	3,908	2,814	12,168	11,529	100,072	367,311
Less: Earned Revenues	(18)	(5)	–	(52,210)	(60)	–	(68)	(20)	(76)	(16)	(52,473)	(241,709)
Net Program Costs	5,954	1,396	–	923	9,087	–	3,840	2,794	12,092	11,513	47,599	125,602
Infrastructure												
Gross Costs	73,883	18,437	–	10,770	65,103	–	10,514	8,544	59,372	398,475	645,098	773,192
Less: Earned Revenues	(235)	(82)	–	(199)	(287)	–	(197)	(30)	(247)	(20,573)	(21,850)	(3,068)
Net Program Costs	73,648	18,355	–	10,571	64,816	–	10,317	8,514	59,125	377,902	623,248	770,124
Agriculture												
Gross Costs	412,822	120,737	–	256,347	9,983	–	1,170	70,901	27,731	117,290	1,016,981	886,818
Less: Earned Revenues	(1,203)	(565)	–	(142)	(68)	–	(16)	(343)	(137)	(307)	(2,781)	(3,617)
Net Program Costs	411,619	120,172	–	256,205	9,915	–	1,154	70,558	27,594	116,983	1,014,200	883,201

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2014 Consolidated Total	2013 Restated Consolidated Total
Private Sector Competitiveness												
Gross Costs	29,317	40,423	–	2,539	63,152	–	3,845	36,109	84,929	63,290	323,604	374,674
Less: Earned Revenues	(92)	(229)	–	(10)	(291)	–	(54)	(176)	(342)	(223)	(1,417)	(1,721)
Net Program Costs	29,225	40,194	–	2,529	62,861	–	3,791	35,933	84,587	63,067	322,187	372,953
Economic Opportunity												
Gross Costs	16,096	5,920	–	22,486	9,587	–	61,547	12,573	25,376	29,946	183,531	175,300
Less: Earned Revenues	(58)	(34)	–	(332)	(38)	–	(1,140)	(58)	(2,834)	(130)	(4,624)	(524,025)
Net Program Costs	16,038	5,886	–	22,154	9,549	–	60,407	12,515	22,542	29,816	178,907	(348,725)
Environment												
Gross Costs	105,164	191,307	6,424	197,561	11,483	–	–	134,991	18,280	2,091	667,301	621,795
Less: Earned Revenues	(261)	(803)	(8)	(3,000)	(53)	–	–	(608)	(88)	(4)	(4,825)	(4,604)
Net Program Costs	104,903	190,504	6,416	194,561	11,430	–	–	134,383	18,192	2,087	662,476	617,191
Total Economic Growth	679,839	402,207	6,416	787,304	489,950	–	86,290	288,321	718,279	640,706	4,099,312	3,331,564
Humanitarian Assistance												
Protection, Assistance and Solutions												
Gross Costs	–	24,791	1,752,475	–	27,652	–	–	21,516	40,312	22,672	1,889,418	1,430,191
Less: Earned Revenues	–	(94)	(4,910)	–	(116)	–	–	(82)	(141)	(84)	(5,427)	(6,890)
Net Program Costs	–	24,697	1,747,565	–	27,536	–	–	21,434	40,171	22,588	1,883,991	1,423,301
Disaster Readiness												
Gross Costs	2,307	15,026	125,634	93,781	–	–	–	870	–	–	237,618	172,713
Less: Earned Revenues	(14)	(71)	(387)	–	–	–	–	(2)	–	–	(474)	(783)
Net Program Costs	2,293	14,955	125,247	93,781	–	–	–	868	–	–	237,144	171,930
Migration Management												
Gross Costs	–	–	–	–	22	–	–	–	–	34	56	156
Less: Earned Revenues	–	–	–	–	–	–	–	–	–	–	–	(1)
Net Program Costs	–	–	–	–	22	–	–	–	–	34	56	155
Total Humanitarian Assistance	2,293	39,652	1,872,812	93,781	27,558	–	–	22,302	40,171	22,622	2,121,191	1,595,385
Operating Unit Management												
Crosscutting Management and Staffing												
Gross Costs	794	7	–	–	898	–	–	–	4	413	2,116	3,580
Less: Earned Revenues	(10)	–	–	–	(7)	–	–	–	–	–	(17)	(29)
Net Program Costs	784	7	–	–	891	–	–	–	4	413	2,099	3,551
Program Design and Learning												
Gross Costs	41,002	9,869	10,765	39,825	5,023	–	18,787	11,216	17,916	30,996	185,399	173,017
Less: Earned Revenues	(132)	(57)	(27)	(247)	(30)	–	(400)	(52)	(73)	(83)	(1,101)	(1,132)
Net Program Costs	40,870	9,812	10,738	39,578	4,993	–	18,387	11,164	17,843	30,913	184,298	171,885
Administration and Oversight												
Gross Costs	89,359	49,624	116,829	100,336	24,644	–	15,477	56,218	23,231	58,615	534,333	716,936
Less: Earned Revenues	(366)	(270)	(16)	(290)	(108)	–	(219)	(252)	(81)	(158)	(1,760)	(4,062)
Net Program Costs	88,993	49,354	116,813	100,046	24,536	–	15,258	55,966	23,150	58,457	532,573	712,874
Total Operating Unit Management	130,647	59,173	127,551	139,624	30,420	–	33,645	67,130	40,997	89,783	718,970	888,310
Net Cost of Operations (Note 19)	\$ 1,720,560	\$ 849,097	\$ 2,336,203	\$ 1,159,743	\$ 778,830	\$ 593,189	\$ 145,932	\$ 834,281	\$ 1,457,209	\$ 1,796,065	\$ 11,671,109	\$ 10,274,939

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, 2014 and

2013. USAID's total budgetary resources were \$24.2 billion and \$23.8 billion for the years ended September 30, 2014 and 2013, respectively.

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

	2014	2013
Category A, Direct	\$ 1,469,266	\$ 1,607,893
Category B, Direct	11,854,936	10,042,276
Category A, Reimbursable	35,635	39,356
Category B, Reimbursable	486,881	524,617
Total	\$ 13,846,718	\$ 12,214,142

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

The Agency had \$0.3 million and \$2.7 million in borrowing authority in FY 2014 and FY 2013, 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 2014, there is \$2.2 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. 113-76 provides USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, now 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, 2014 and 2013 were \$20.6 billion and \$18.2 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, 2013 because submission of the Budget for FY 2015, which presents the execution of the FY 2014 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 2015.

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 “Depart-

ment 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 \$11.9 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.

2013	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 23,814,776	\$ 12,214,142	\$ (381,293)	\$ 10,266,172
Funds Reported in SBR, Not Attributed to USAID in the President’s Budget	(11,902,000)	(6,582,000)	–	(4,825,000)
Other Differences	369,224	767,858	381,293	679,828
Budget of the U.S. Government	\$ 12,282,000	\$ 6,400,000	\$ –	\$ 6,121,000

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, 2014 and 2013 are indicated in the table below (*in thousands*):

	2014	2013 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred (Note 19)	\$ 13,846,718	\$ 12,214,142
Spending Authority From Offsetting Collections (Note 19)	(1,559,029)	(1,529,293)
Downward Adjustments of Obligations	(557,534)	(639,888)
Offsetting Receipts	(241,127)	(381,293)
Net Obligations	11,489,028	9,663,668
Other Resources Used to Finance Activities	67,380	40,445
Resources Used to Finance Activities	11,556,408	9,704,113
Resources Used to Finance Items Not Part of Net Cost of Operations	661,803	996,691
Total Resources Used to Finance Net Cost of Operations	12,218,211	10,700,804
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(217,951)	(221,236)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(329,151)	(204,629)
Net Cost of Operations (Note 19)	\$ 11,671,109	\$ 10,274,939

USAID restated the FY 2013 financial statements due to correction of error. Correction of the error resulted in a \$38 million decrease to Obligations Incurred, a \$4 million increase in Spending Authority from Offsetting Collections, and an \$85 million decrease in Net Cost of Operations.

NOTE 19. RESTATEMENT OF FY 2013 PRINCIPAL FINANCIAL STATEMENTS (IN THOUSANDS)

During FY 2014, M/CFO conducted an extensive reconciliation to bring the cumulative general ledger into agreement with the underlying detailed transactions that are summarized in the subsidiary ledgers. The CFO determined that the reconciliation was necessary to correct differences caused by the historical use of accounting systems that lacked full integration and legacy systems that were non-USSGL-compliant. The reconciliation methodology successfully aligned with the underlying transactions the general ledger balances that represent the Agency's obligations, expenditures, and fund availability reported to Congress, OMB, Treasury, and other external parties. USAID also used a comprehensive Web-based cash reconciliation process implemented in FY 2013 to bring Treasury cash balances into agreement with its general ledger cash balances.

As required by FASAB SFFAS 21, the Agency has restated the FY 2013 reported balances to reflect the impact of the reconciliation adjustments. Because USAID increased its FY 2013 Fund Balance with Treasury ending balance by \$352.8 million, USAID's Fund Balance with Treasury general ledger FY 2014 ending balance was greater than Treasury's by approximately \$158 million. USAID made a temporary adjustment to its FY 2014 Fund Balance with Treasury ending balance to bring its financial statement Fund Balance with Treasury into agreement with Treasury. USAID intends to further research and permanently resolve this difference in FY 2015. The effect of the restatement on each of the four principal statements is detailed in the following illustrative Schedule of Summary of Changes. Pro Forma Balances as of September 30, 2013 (*in thousands*):

	2013 As Stated	Effect: Increase/(Decrease)	2013 Restated
BALANCE SHEET			
ASSETS:			
Fund Balance with Treasury (Note 2)	\$ 30,810,158	\$ 352,834	\$ 31,162,992
Accounts Receivable (Note 3)	40,133	(173)	39,960
Advances (Note 4)	518,363	36,188	554,551
Total Change in Assets	\$ 31,368,654	\$ 388,849	\$ 31,757,503
LIABILITIES:			
Accounts Payable (Note 10)	1,612,876	304,146	1,917,022
Federal Employees and Veteran's Benefits (Note 13)	26,047	1,082	27,129
Other Liabilities (Notes 10, 12 and 13)			
NET POSITION:			
Unexpended Appropriations	22,745,711	3,133,607	25,879,318
Cumulative Results of Operations	4,017,092	(3,049,986)	967,106
Total Change in Net Position	\$ 26,762,803	\$ 83,621	\$ 26,846,424
STATEMENT OF NET COST/ CHANGES IN NET POSITION			
Net Cost of Operations:	10,359,618	(84,679)	10,274,939
Total Change in Net Cost Operations (Notes 15 and 16)	\$ 10,359,618	\$ (84,679)	\$ 10,274,939
Total Change in Liabilities and Net Position	\$ 28,401,726	\$ 388,849	\$ 28,790,575

(continued on next page)

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	2013 As Stated	Effect: Increase/(Decrease)	2013 Restated
STATEMENT OF BUDGETARY RESOURCES			
Budgetary Resources:			
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,524,943	4,350	1,529,293
Total Resources	\$ 1,524,943	\$ 4,350	\$ 1,529,293
Status of Budgetary Resources:			
Obligations Incurred	12,252,505	(38,363)	12,214,142
Unapportioned	2,718,700	42,713	2,761,413
Total Budgetary Resources	\$ 14,971,205	\$ 4,350	\$ 14,975,555
Change in Obligated Balance:			
Obligations Incurred	12,252,505	(38,363)	12,214,142
Outlays (Gross) (-)	(11,317,038)	(359,957)	(11,676,995)
Obligated Balance, End of Year			
Unpaid Obligations, End of Year (Gross)	18,601,481	(398,320)	18,203,161
Total Change in Unpaid Obligations, End of Year	\$ 18,601,481	\$ (398,320)	\$ 18,203,161
Change in Uncollected Payments, Federal Sources (+ or -)	(26,935)	(12,053)	(38,988)
Change in Obligated Balance:			
Outlays (Gross) (-)	11,317,038	359,957	11,676,995
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,421,422)	10,599	(1,410,823)
Outlays, Net (Discretionary and Mandatory)	\$ 9,895,616	\$ 370,556	\$ 10,266,172

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION



(Preceding page) A woman charges a mobile device in Kenya. The company M-KOPA SOLAR sells such products, as well as solar panels and lighting designed for underserved consumers.

PHOTO: GEORGINA GOODWIN / M-KOPA SOLAR



(Above) Solar Sister, a USAID-supported venture, recruits, trains, and supports female entrepreneurs in Africa to sell affordable solar lighting and other green products such as mobile phone chargers and fuel-efficient cookstoves.

PHOTO: JAMES AKENA FOR SOLAR SISTER

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2014

(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	\$ 485,142	\$ 7,959	\$ 9,512	\$ 3,433	\$ 2,310,995	\$ 410,161	\$ 5,127,175	\$ 8,713	\$ 45,912	\$ 1,862,105	\$ 1,036,386	\$ 256,306	\$ 11,563,799
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(1,169)	-	-	331	-	-	-	-	(7,460)	-	45,133	-	36,835
Unobligated Balance Brought Forward, October 1, as Adjusted	483,973	7,959	9,512	3,764	2,310,995	410,161	5,127,175	8,713	38,452	1,862,105	1,081,519	256,306	11,600,634
Recoveries of Prior Year Unpaid Obligations	97,053	268	16,187	1,507	55,247	45,353	281,572	3,551	2,884	168	27,015	26,729	557,534
Other Changes in Unobligated Balance (+ or -)	(2,418)	-	(320)	382	(91,301)	(5,000)	(184,771)	681	(9)	(1)	33,027	332,201	82,471
Unobligated Balance from Prior Year Budget Authority, Net	578,608	8,227	25,379	5,653	2,274,941	450,514	5,223,976	12,945	41,327	1,862,272	1,141,561	615,236	12,240,639
Appropriations (Discretionary and Mandatory)	1,133,721	-	-	(4,498)	2,490,003	1,800,965	4,610,676	(6,127)	(17,339)	6	425,280	-	10,432,687
Borrowing Authority (Discretionary and Mandatory) (Note 11)	-	-	-	-	-	-	-	-	-	273	-	-	273
Contract Authority (Discretionary and Mandatory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	28,152	-	-	(541)	(38,157)	331	(298,661)	-	5,071	585,854	1,061,134	215,846	1,559,029
Total Budgetary Resources	\$ 1,740,481	\$ 8,227	\$ 25,379	\$ 614	\$ 4,726,787	\$ 2,251,810	\$ 9,535,991	\$ 6,818	\$ 29,059	\$ 2,448,405	\$ 2,627,975	\$ 831,082	\$ 24,232,628
Status of Budgetary Resources:													
Obligations Incurred:	1,458,997	1,678	7,316	(5,949)	2,755,248	2,021,666	5,440,007	(3,484)	130	261,449	1,296,798	612,862	13,846,718
Unobligated Balance, End of Year:	-	-	-	-	-	-	-	-	-	-	-	-	-
Apportioned	244,679	6,549	18,655	3,531	1,950,607	227,767	4,099,209	7,503	8,769	222,517	736,121	164,395	7,690,302
Exempt from Apportionment	-	-	-	-	-	-	-	-	-	-	-	-	-
Unapportioned	36,805	-	(592)	3,032	20,932	2,377	(3,225)	2,799	20,160	1,964,439	595,056	53,825	2,695,608
Total Unobligated Balance, End of Year	281,484	6,549	18,063	6,563	1,971,539	230,144	4,095,984	10,302	28,929	2,186,956	1,331,177	218,220	10,385,910
Total Budgetary Resources	\$ 1,740,481	\$ 8,227	\$ 25,379	\$ 614	\$ 4,726,787	\$ 2,251,810	\$ 9,535,991	\$ 6,818	\$ 29,059	\$ 2,448,405	\$ 2,627,975	\$ 831,082	\$ 24,232,628

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

For the Year Ended September 30, 2014

(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	\$ 578,519	\$ 1,465	\$ 548,267	\$ 5,121	\$ 4,003,023	\$ 1,322,020	\$ 10,377,157	\$ 34,429	\$ 113,132	\$ 3,867	\$ 887,965	\$ 726,516	\$ 18,601,481
Adjustment to Unpaid Obligations, Start of Year (+ or -)	-	-	-	-	-	-	-	-	-	-	(398,320)	-	(398,320)
Obligations Incurred	1,458,997	1,678	7,316	(5,949)	2,755,248	2,021,666	5,440,007	(3,484)	130	261,449	1,296,798	612,862	13,846,718
Outlays (Gross) (-)	(1,253,455)	(2,011)	(356,197)	12,337	(2,090,807)	(1,527,338)	(3,815,901)	(8,774)	(79,439)	(261,086)	(1,028,459)	(489,483)	(10,900,613)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	-	-	-	-	-	-	(32,119)	-	-	-	-	-	(32,119)
Recoveries of Prior Year Unpaid Obligations (-)	(97,053)	(268)	(16,187)	(1,507)	(55,247)	(45,353)	(281,572)	(3,551)	(2,884)	(168)	(27,015)	(26,729)	(557,534)
Unpaid Obligations, End of Year	687,008	864	183,199	10,002	4,612,217	1,770,995	11,687,572	18,620	30,939	4,062	730,969	823,166	20,559,613
Uncollected Payments:													
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(8,011)	-	-	(35)	38	(202)	(2,156)	(39)	(1,006)	-	(55,969)	-	(67,380)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	-	-	-	-	-	-	-	-	-	-	(12,053)	-	(12,053)
Change in Uncollected Payments from Federal Sources (+ or -)	(14,491)	-	-	-	(136)	(157)	2,141	-	-	35	53,275	-	40,667
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	-	-	-	-	-	-	-	-	-	-	-	-	-
Uncollected Payments, Federal Sources, End of Year (-)	(22,502)	-	-	(35)	(98)	(359)	(15)	(39)	(1,006)	35	(14,747)	-	(38,766)
Budget Authority and Outlays, Net:													
Budget Authority, Gross (Discretionary and Mandatory)	1,161,873	-	-	(5,039)	2,451,846	1,801,296	4,312,015	(6,127)	(12,268)	586,133	1,486,414	215,846	11,991,989
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(13,661)	-	-	(372)	(16,738)	(176)	(6,634)	(52)	(5,071)	(585,888)	(1,034,450)	(7,880)	(1,670,922)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	(14,491)	-	-	-	(136)	(157)	2,141	-	-	35	41,222	-	28,614
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget Authority, Net (Discretionary and Mandatory)	1,133,721	-	-	(5,411)	2,434,972	1,800,963	4,307,522	(6,179)	(17,339)	280	493,186	207,966	10,349,681
Outlays, Gross (Discretionary and Mandatory)	1,253,455	2,011	356,197	(12,337)	2,090,807	1,527,338	3,815,901	8,774	79,439	261,086	1,028,459	489,483	10,900,613
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(13,661)	-	-	(372)	(16,738)	(176)	(6,634)	(52)	(5,071)	(585,888)	(1,034,450)	(7,880)	(1,670,922)
Outlays, Net (Discretionary and Mandatory)	1,239,794	2,011	356,197	(12,709)	2,074,069	1,527,162	3,809,267	8,722	74,368	(324,802)	(5,991)	481,603	9,229,691
Distributed Offsetting Receipts (-)	-	-	-	-	-	-	-	-	-	-	(241,127)	-	(241,127)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 1,239,794	\$ 2,011	\$ 356,197	\$(12,709)	\$ 2,074,069	\$ 1,527,162	\$ 3,809,267	\$ 8,722	\$ 74,368	\$ (324,802)	\$ (247,118)	\$ 481,603	\$ 8,988,564

MAJOR FUNDS

Operating Funds

1000 Operating Expenses of USAID

Program Funds

1010 Special Assistance Initiative
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
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 Africa Development Assistance
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 Latin America / Caribbean Disaster Recovery
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 Special Assistance Initiatives
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 and Child Survival
1121 Democracy Fund
1154 Andean Counterdrug Initiative (ACI)
2278 Commodity Credit Corporation
2750 Millennium Challenge Corporation

OTHER INFORMATION



(Preceding page) Pakistani students attend class at a school in Mingora, the capital of Swat Valley. USAID works to increase girls' access to education in countries throughout the world.

PHOTO: AAMIR QURESHI / AFP



(Above) Students in Kenya walk past a mural illustrating how to report gender-based violence. USAID supports these kinds of efforts to help change attitudes about such violence.

PHOTO: COSMAS KAVINDA / USAID

SCHEDULE OF SPENDING

The **Schedule of Spending** (SOS) is an annual statement designed to present an overview of agency spending and the public's desire for a transparent view of how federal money is being spent. Specifically, it outlines the total amount of federal funds available to spend by the agency and how the funds were spent. The SOS enables the reader to clearly review USAID's spending and provide the public with a high level view of who benefits from federal funds. 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 because of the different reporting requirements associated with the report and website. All information entered on the SOS is not necessarily a requirement for the website. For instance, obligations under \$3 thousand are not required to be entered in USASpending.gov however, there are no monetary limitations placed on obligations for the SOS and SBR. Consequently, a percentage of USAID obligations will not be reported on the website.

SCHEDULE OF SPENDING

For the Years Ended September 30, 2014 and 2013

(in thousands)

	2014	2013 (Restated)
What Money is Available to Spend?		
Total Resources	\$ 24,232,628	\$ 23,814,776
Less Amount Available but Not Agreed to be Spent	(7,690,302)	(8,839,221)
Less Amount Not Available to be Spent	(2,695,608)	(2,761,413)
Total Amounts Agreed to be Spent	\$ 13,846,718	\$ 12,214,142
How was the Money Spent/Issued?		
Category:		
Personnel Compensation and Benefits		
Benefits for Former Personnel	\$ 6,169	\$ 5,347
Other Personnel Compensation	73,153	84,597
Personnel Benefits	226,298	214,618
Personnel Compensation, Full-Time Permanent	412,346	395,944
Personnel Compensation, Other Than Full-Time Permanent	174,101	161,541
Special Personal Services Payments	10,169	(2,645)
Total Personnel Compensation and Benefits	\$ 902,236	\$ 859,402
Contractual Services and Supplies		
Advisory and Assistance Services	\$ 413,375	\$ 273,974
Communication, Utilities, and Miscellaneous Charges	24,187	24,547
Medical Care	4,519	570
Operation and Maintenance of Equipment and Storage of Goods	18,559	23,178
Operation and Maintenance of Facilities	9,053	9,670
Other Services	56,586	88,834
Printing and Reproduction	3,479	1,678
Purchase of Goods and Services from Government Accounts	278,239	256,932
Rental Payments to GSA	54,070	37,992
Rental Payments to Others	67,608	60,560
Research and Development Contracts	20,154	4,027
Subsistence and Support of Persons	16	-
Supplies and Materials	11,470	13,792
Transportation of Things	18,041	17,138
Travel and Transportation of Persons	109,939	81,663
Total Contractual Services and Supplies	\$ 1,089,295	\$ 894,555
Acquisition of Assets		
Equipment	\$ 59,055	\$ 55,934
Investments and Loans	7,934	12,364
Land and Structures	145,612	169,678
Total Acquisition of Assets	\$ 212,601	\$ 237,976
Grants and Fixed Charges		
Claims and Indemnities	\$ 7,891	\$ 11,253
Grants, Subsidies, and Contributions	10,174,833	8,813,819
Interest and Dividends	3	24,673
Refunds	(1,523)	(5,153)
Total Grants and Fixed Charges	\$ 10,181,204	\$ 8,844,592
Other Funds		
Other Funds	1,461,382	1,377,617
Total Other Funds	\$ 1,461,382	\$ 1,377,617
Total Amounts Agreed to be Spent	\$ 13,846,718	\$ 12,214,142
Who did the Money go to?		
Category:		
Educational Institutions	\$ 212,409	\$ 167,525
For Profit	2,504,212	2,648,959
Government	3,907,681	1,783,366
Individuals	840,357	795,431
Non Profit	5,197,169	4,604,718
Other	1,184,890	2,214,143
Total Amounts Agreed to be Spent	\$ 13,846,718	\$ 12,214,142

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

According to USAID's Inspector General (IG), the most serious management and performance challenges facing the Agency are in the following 10 areas:

- Work in Nonpermissive Environments
- Lack of Focus
- Weak Management of Human Resources
- Unreliable Performance Data
- Limited Sustainability
- Inadequate Risk Mitigation for Local Solutions
- Cumbersome Design and Procurement Processes
- Uncertain Budget Environment
- Decentralized Management of Information Technology and Information Security
- Backlog of Audits of U.S.-Based, For-Profit Entities

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.



Office of Inspector General

OCT 15 2014

MEMORANDUM FOR THE ADMINISTRATOR

FROM: Michael Carroll /s/
Acting Inspector General

SUBJECT: Most Serious Management and Performance Challenges for the
U.S. Agency for International Development (USAID)

This memorandum transmits the Office of Inspector General's statement on the most serious management and performance challenges for the U.S. Agency for International Development in fiscal year 2014. The Reports Consolidation Act of 2000 (Public Law 106–531) requires that agency performance and accountability reports include a statement prepared by each agency's inspector general summarizing the most serious management and performance challenges facing the agency and an assessment of the agency's progress in addressing those challenges.

In identifying USAID's most serious management and performance challenges in 2014, we relied on our knowledge of the Agency's operations and programs, the results of our audit work, and a survey of USAID staff.¹ Our analysis identified five new challenges: a lack of Agency focus, weak management of human resources, cumbersome procurement processes, uncertain budget environment, and unreliable performance data. The first four were from the survey; the last was from our audit reports. It distills last year's category of performance management and reporting into the underlying element: data.

We have discussed the management and performance challenges drawn from our reports and summarized in this statement with the responsible USAID officials. In addition, as described in the footnote below, we validated our survey results with senior Agency officials. If you have any questions or wish to discuss this document further, I would be happy to meet with you.

Attachment

¹ OIG surveyed a sample of USAID employees—Foreign Service officers, Civil Service officers, and Foreign Service Nationals—in Washington and overseas. Nearly 1,000 completed the survey. We validated the responses by surveying senior USAID officials, asking to what extent they agreed. Responses from 59 senior officials give us confidence that our results are valid.

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Statement by the Office of the Inspector General on USAID's Most Serious Management and Performance Challenges²

Fiscal Year 2014

USAID faces extensive management challenges. It must deliver tailored programs worldwide with measurable results for the U.S. taxpayer. It must design and deliver assistance so that results live on after funding ends. It must coordinate with the Departments of State and Defense in conflict settings, where it promotes economic opportunity and individual rights to help quell emerging threats.

The Office of Inspector General (OIG) helps the Agency assess how well it is meeting these challenges. To prepare this statement on management challenges, we supplemented our audits of program effectiveness with surveys. We asked those at all levels of the organization to identify challenges and then surveyed senior managers to validate the results. The following challenges, in order of importance, come from our knowledge of the Agency's work, audit and other reports, and our surveys:

- Work in Nonpermissive Environments
- Lack of Focus (New in 2014)
- Weak Management of Human Resources (New in 2014)
- Unreliable Performance Data (New in 2014)
- Limited Sustainability
- Inadequate Risk Mitigation for Local Solutions
- Cumbersome Design and Procurement Processes (New in 2014)
- Uncertain Budget Environment (New in 2014)
- Decentralized Management of Information Technology and Information Security
- Backlog of Audits of U.S.-Based, For-Profit Entities

Each section on a recurring challenge includes a summary of USAID's progress on it.

Work in Nonpermissive Environments

USAID assists countries from Afghanistan to Haiti to Yemen that are experiencing conflict, insecurity, instability, and weak governance. These environments and working conditions—sometimes necessitating flak jackets and combat helmets and travel where there are no roads—make it extremely difficult to oversee projects and to recruit local Foreign Service National (FSN) employees, who may be under threat from insurgents. Yet the U.S. Government has invested substantial resources in these countries, particularly in Afghanistan, Iraq, and Pakistan to combat the threat of terrorism and address the causes of instability, and OIG helps USAID account for its program results and funds.

Afghanistan. In an attempt to overcome travel and oversight restrictions, the mission uses on-site monitors and third parties to provide on-the-ground information.

² USAID OIG coordinates closely with the Special Inspector General for Afghanistan Reconstruction in planning and reporting to ensure efficiency. USAID also coordinates with the Government Accountability Office.

- USAID’s Afghan Civilian Assistance Program II sought to help rebuild the lives of Afghan civilian victims of confrontations between international military forces and Taliban insurgents. OIG found³ that methods for verifying program beneficiaries were weak. When it could, USAID relied on the International Security Assistance Force, which is led by the North Atlantic Treaty Organization, to certify names on a list submitted by the implementer. Alternatively, the program implementer would use the U.S. Government’s System for Award Management, a database that lists parties suspended from doing business with the U.S. Government, to determine beneficiaries’ eligibility. However, this database is unlikely to include names of rural Afghan villagers, who are often program beneficiaries. During the period tested for the audit, the implementer checked for 5,412 names in the database, which contained none of them. As a last resort, the implementer turned to local district officials and village leaders, who introduced implementer staff to individuals said to be victims’ family members. Due to security concerns, the State Department’s regional security officer did not allow the audit team to travel to villages to verify that those who received assistance were the intended beneficiaries.

Iraq. U.S. Embassy Baghdad evacuated all nonessential employees on June 15, 2014, because of the expansion of the so-called Islamic State. The following examples illustrate challenges encountered prior to this development.

- USAID/Iraq’s \$75 million civil society project seeks to strengthen the civil society sector to help Iraq become a more participatory democracy. While the project reported successes in building the organizational capacity of more than 80 local civil society organizations, the project faced setbacks. OIG’s audit⁴ of the project found that a subpartner implementing three of five components ceased its operations in Iraq, significantly affecting the project’s ability to achieve its intended results. The subpartner explained that it left because Iraq required considerable attention from senior staff and entailed security risks and costs.
- USAID/Iraq’s \$156.7 million Administrative Reform Project was designed to improve public institutions’ ability to serve Iraqis. OIG auditors⁵ found that ministry employees had not received fiscal management training that the implementer was supposed to provide. The implementer could not retain an adviser who was responsible for fiscal management training on a continuous basis because of the security situation in Iraq. Moreover, site visits by the contracting officer’s representative, which were not documented, were limited to some project events in the International Zone (a restricted area in Baghdad) and certain ministries because of security restrictions.

Pakistan. During the past few months, the unsettled security situation caused by military operations near the border has been further inflamed by ongoing political protests against the legitimacy of the government in power. These events have led to frequent and ongoing restrictions on personnel movements.

- USAID’s \$22.7 million agricultural policy research program was designed to build local capacity, better inform policy decisions, and promote science and innovation in agriculture.

³ *Audit of USAID/Afghanistan’s Afghan Civilian Assistance Program II*, Report No. F-306-14-003-P, June 10, 2014.

⁴ *Audit of USAID/Iraq’s Broadening Participation Through Civil Society Project*, Report No. 6-267-14-006-P, February 12, 2014.

⁵ *Audit of USAID/Iraq’s Administrative Reform Project*, Report No. 6-267-14-004-P, December 15, 2013.

According to an OIG audit,⁶ the implementer had to reschedule training events because of security concerns. Rescheduling doubled the time for arranging events and increased the costs of rebooking venues and air tickets.

Yemen. Staff in Yemen were evacuated twice, most recently on August 6, 2013. Furthermore, travel is restricted to Sanaa even though programs are being implemented throughout the country.

- USAID’s \$124 million livelihoods project delivered mixed results. The OIG audit of the project⁷ found that the mission was slow to introduce the project to various officials in the Yemeni Government because of the revolution in that country and personnel evacuations. After the revolution, staffing and security challenges slowed progress. Although project staff used third-party monitors, the project did not use their findings to improve the project.

Libya. USAID staff were evacuated on July 26, 2014, and have not returned. Libya had just one USAID country officer to oversee all program implementation.

Tunisia. Since the U.S. Embassy was evacuated in September 14, 2012, USAID has been permitted to maintain only one permanent country officer in-country.

Syria. USAID operates its Syrian humanitarian programs from neighboring countries because of the ongoing conflict. USAID and all its implementers have had difficulty implementing programs because of border closures and the security of Syrian volunteers and staff carrying out program activities. Because USAID does not currently have its own monitoring mechanisms, it relies entirely on implementers to monitor the effectiveness of programs.⁸

West Bank and Gaza. The mission operated with limited staffing from July 9 to August 7, 2014, because of continued threats of rocket fire from Gaza. During this period, the U.S. Government pledged to provide approximately \$47 million to help address the humanitarian situation in Gaza. USAID/West Bank and Gaza staff work in an uncertain security situation with restricted access and politically sensitive permits and approvals. Furthermore, because of travel restrictions on USAID’s direct-hire staff entering Gaza, the mission relies heavily on implementing partners to manage their projects and monitor and evaluate their own progress.⁹

- USAID/West Bank and Gaza’s \$23 million Enterprise Development for Global Competitiveness Project, known as the Compete Project, was delayed because of funding problems. Members of the U.S. Congress withheld funds for the Palestinian Authority in 2011 and 2012. The USAID mission’s lengthy vetting process—required to comply with Executive Order 13224, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism”—also delayed implementation. The delay caused activities to lose momentum. For example, the contractor lost most of its original staff during the first year because of funding problems, and that increased administrative and support costs associated with starting, stopping, and restarting activities.

⁶ *Audit of USAID/Pakistan’s Pakistan Strategy Support Program*, Report No. G-391-14-004-P, July 30, 2014.

⁷ *Audit of USAID/Yemen’s Community Livelihoods Project*, Report No. 6-279-14-001-P, October 7, 2013.

⁸ *Survey of Selected USAID Syria-Related Activities*, Report No. 6-276-14-001-S, December 1, 2013.

⁹ *Audit of USAID/West Bank and Gaza’s Palestinian Community Assistance Program*, Report No. 6-294-13-006-P, February 7, 2013.

Haiti. Because of poor-quality infrastructure and the rural locations of many USAID projects, site visits to project locations are difficult, and corruption makes program administration and management challenging. Additionally, chronic shortages of skilled staff and difficulty coordinating with the Department of State have complicated operating in Haiti.

- USAID/Haiti’s health infrastructure program made limited progress in improving Haitians’ health and nutrition by building and renovating health facilities. OIG’s audit¹⁰ found (1) a lack of engineering and contracting staff with construction expertise, (2) a lack of policies and procedures for managing large, complex construction projects, and (3) challenges with key personnel. From July 2012 to August 2013, during a critical phase of the program, USAID/Haiti did not have a mission director. Additionally, a health reconstruction coordinator funded by the State department assumed duties that mission staff believed exceeded the person’s mandate to coordinate efforts by the mission and other agencies. The delays hampered construction designed to improve Haitians’ medical care.
- USAID/Haiti’s \$55 million project to build new settlements in the Northern and St. Marc development corridors did not achieve its goals within budget or on schedule. An OIG audit¹¹ found that one factor in the delay was a shortage of willing partners. USAID/Haiti planned to develop 11,000 sites and services and partner with nongovernmental organizations to fund the construction of houses on these sites, but the mission had difficulties finding partners for the construction projects. The organizations were reluctant to deal with the land tenure and construction challenges in Haiti. Work stoppages due to unrest were another factor.

Somalia. Widespread violence and the presence of terrorists have made areas of the country inaccessible to USAID and made it difficult to monitor the humanitarian assistance that it supports in Somalia.

- OIG’s audit¹² of September 2013 addressed the challenges associated with prohibiting support to a terrorist organization.

South Sudan. South Sudan has seen a continuation of conflict. While insecurity and travel restrictions continue to impede project implementation and monitoring, reduced staff, frequent USAID staff turnover, and inadequate handover procedures have exacerbated the situation. In addition, the South Sudanese Government’s dearth of experienced employees remains an impediment to USAID’s efforts to bring about lasting development in the young nation.

- In South Sudan, USAID’s program to improve civil society and local government capacity failed to meet its main goals. An OIG audit¹³ requested by USAID found that the program implementer evacuated staff from insecure areas along the border between Sudan and South Sudan, leaving behind incomplete and unmonitored USAID investments and was unable to complete training and capacity building for local government entities.

¹⁰ *Audit of USAID/Haiti’s Health Infrastructure*, Report No. 1-521-14-008-P, April 25, 2014.

¹¹ *Audit of USAID/Haiti’s New Settlement Construction Activities*, Report No. 1-521-14-007- P, April 14, 2014.

¹² *Audit of USAID’s Compliance With Executive Order 13-536 Prohibiting Support to Al-Shabaab*, Report No. 4-649-13-011-P, September 17, 2013.

¹³ *Audit of USAID/South Sudan’s Programs Implemented by Mercy Corps*, Report No. 4-668-12-009-P, May 25, 2012.

USAID reported developing three action plans for fiscal year (FY) 2015 progress on work in nonpermissive environments. The Office of Human Resources reportedly identified necessary training and staff care services for work in nonpermissive environments, and plans to issue policy on mandatory training. The Bureau for Policy, Planning and Learning plans to adapt the program cycle to meet requirements in nonpermissive environments, including shorter time frames, increased flexibility and adaptability, and improved learning. In addition, the Agency's Non-Permissive Environment Working Group is drafting a policy for Agency review and approval to fund and create a new operating unit within the Office of Security to provide training specific for nonpermissive environments.

Lack of Focus

The Agency's many initiatives and priorities, coupled with external mandates, divert missions' attention from core responsibilities and dilute USAID's long-term vision. The number and pace of USAID leadership initiatives and priorities overwhelm staff, who said the Agency has not aligned new initiatives with current strategies and policies, considered field realities, or ensured the success of each initiative before introducing new ones. Many staff members expressed the need for clearer guidance. They also wanted better communication and coordination among all Washington bureaus, offices, and field missions to avoid confusion and excessive or redundant requirements.

External mandates and influences from Congress, the President, and the State Department frequently focus USAID on short-term, political goals instead of sustainable development objectives. Congressional earmarks and diplomatic goals also dictate USAID's activities and constrain its ability to develop programs tailored to each country. Staff confusion about interagency roles and responsibilities also clouds USAID's identity and mission and leads to duplication of effort between USAID and other federal agencies.

Countering trafficking in persons (C-TIP) is one example. C-TIP is a federal mandate, embodied in the Trafficking Victims Protection Act 2003 (Public Law No. 108-193) and 2005 (Public Law No. 109-164); the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008; and Executive Order 13627, "Strengthening Protections Against Trafficking in Persons in Federal Contracts." OIG reviewed USAID's rollout of its C-TIP policy.¹⁴ The review reported: "The implementation plan does not take into account the level of effort required for certain C-TIP activities or their impact on other activities," and "Mission and bureau staff expressed concern over the number of crosscutting policies they are required to implement and integrate into programming."

USAID reportedly established the Administrator's Leadership Council management system to track core objectives and priorities, and encourage Agency-wide coordination and collaboration. USAID plans to improve policy and strategy clarity, information flow, staff awareness of and the ability to implement directives by enhancing internal communications and organizing outreach campaigns for guidance and Agency activities.

¹⁴ *Review of USAID's New Counter-Trafficking in Persons Program*, Report No. 9-000-14-001-S, November 27, 2013.

Weak Management of Human Resources

USAID's management of its human resources, the backbone of all its operations and programs, is a serious management challenge. USAID continually experiences a shortage of experienced, highly skilled personnel, familiar with USAID guidelines, standards, and processes, for both programming and support functions. The Agency is unable to recruit and hire sufficiently qualified candidates effectively or retain enough quality staff in Washington or overseas. Consequently, the remaining staff shoulder extra responsibilities—a situation that may encourage more high-quality staff to leave.

Surveyed USAID employees gave their managers low ratings and noted the lack of recourse in addressing poor managers. Many said that USAID promotes based on technical rather than management ability, resulting in midlevel managers who are not prepared or trained to be supervisors and continue to focus on technical issues. Many managers do not delegate tasks, recognize employees' strengths and contributions, or encourage innovation. Others either micromanage projects or focus on administrative tasks, such as reporting to upper-level managers, and do not mentor, train, or motivate their staff. USAID's new hires felt discouraged and sidelined upon entering the Agency. In addition, managers reported difficulty firing or improving the performance of underperforming direct-hire and Foreign Service National (FSN) staff.

Survey respondents were also concerned that USAID does not effectively manage or utilize the experience and skills of its Foreign Service officers (FSOs) and FSNs. FSOs' 1- to 4-year rotation cycles do not align with 5-year Country Development Cooperation Strategies, contracts, and grants, preventing FSOs from seeing projects through to completion. FSOs are also not always assigned to programs that fit their technical backgrounds. FSNs, who make up about 57 percent of USAID staff, also feel that USAID does not fully utilize their skills and experiences. Many are frustrated with their inability to take part to a greater degree in program decision making, particularly when they feel more competent and knowledgeable about the programs than their FSO managers. Staff attributed the high turnover of quality FSNs at some missions to their lack of professional development, limited opportunities for promotion, and low compensation.

USAID is realigning its Office of Human Capital and Talent Management (HCTM) to better support the Agency's strategic talent management priorities and to improve human resource management and operations. USAID also plans to evaluate resources needed by HCTM to meet and sustain Agency priorities and customer service improvements.

Unreliable Performance Data

Reliable data enable Agency managers to direct programs, adjust implementation, and analyze program impact. They allow Congress to assess the results of USAID activities against the funds spent. They help OIG determine program effectiveness and identify waste, fraud, and abuse.

OIG found several problems with performance data reported by USAID since 2012. Because USAID has not taken effective comprehensive, Agency-wide action to address data problems, we believe unreliable data merits standing as a management challenge. Examples of weaknesses follow.

- In Indonesia, USAID sought to help district governments be more effective in providing public services in sectors including health and education. OIG’s audit¹⁵ of a related program found, for items tested, that results data reported were not always supported, accurate, or reported during the correct reporting period. For example, only 36 of the 109 achievements reported for one indicator occurred during that quarter. The program also reported achievements based on unsubstantiated verbal reports from the field.
- In Kenya, USAID did not adequately verify the quality of tuberculosis data collected by its partners and submitted to a division of the Ministry of Public Health and Sanitation, even after partners reported implausible numbers on patients tested. The mission also relied exclusively on the division’s data quality assessment without reviewing it.¹⁶
- In Tajikistan, OIG audited a family farming program designed to provide more food, increase household income, and improve nutrition.¹⁷ The audit team found that reported results were not reliable. Tests of data on 15 of 20 performance indicators disclosed that results for 14 were not supported. For example, results on the indicator *Number of members of producer organizations and community-based organizations receiving U.S. Government assistance* were based on estimates, rather than on actual results.

USAID bureaus and operating units are working to improve performance monitoring by providing training on USAID’s data quality standards—data validity, integrity, precision, reliability, and timeliness—and the practice of using site visits and data quality assessments to identify issues related to these standards. This includes formal classroom training and targeted online training materials.

In addition, the Bureau of Policy, Planning and Learning has created guidance and tools to help operating units improve data quality assurance and procedures, including the Performance Management Plan Toolkit, templates for data quality assessments, and interactive webinars on data quality. The Policy, Planning and Learning Bureau also developed standardized mission orders to improve data quality practices and consistency across all missions.

Limited Sustainability

USAID has launched several efforts to address sustainability throughout the project cycle. Yet increasing the likelihood that benefits will continue after USAID assistance ends also requires the commitment of the recipient. Recipients sometimes fail to deliver on promises and commitments of resources essential to maintain project achievements. In other cases, the arrangements that need to be made are not. Ensuring sustainability requires sufficient planning and continuing oversight.

Examples of difficulties in managing projects for sustainability follow.

- In Mozambique, USAID initiated a \$111 million HIV/AIDS services project in 2011 to improve the quality of health services and integrate HIV and related primary health care.

¹⁵ *Audit of USAID/Indonesia’s Kinerja Program*, Report No. 5-497-14-001-P, November 5, 2013.

¹⁶ *Audit of USAID Kenya’s Tuberculosis Activities*, Report No. 4-615-14-001-P, October 22, 2013.

¹⁷ *Audit of USAID/Central Asian Republics’ Family Farming Program for Tajikistan*, Report No. 5-176-14-002-P, January 13, 2014.

OIG found¹⁸ that the project continued to subsidize operating expenses—per diem for drivers transporting medical products and fuel for their vehicles, health-care workers’ salaries, utilities, and more—because it had not developed a strategy to transfer the support function to the Mozambican Government.

- In Albania, USAID implements a project to strengthen the justice sector. OIG’s audit¹⁹ of the project identified sustainability challenges. The project’s crowning achievement was installing digital audio recording capability in courts. This allowed judges to move hearings from their private chambers to public courtrooms, thus increasing transparency and accountability. Yet the Ministry of Justice’s director of information technology (IT) said funds were lacking to sustain the court IT infrastructure on which digital audio recording depends.
- In Peru, USAID’s activity to improve maternal and child health and family planning in selected locations worked through community institutions like local boards to disseminate information about healthy behaviors—such as washing hands, disposing of waste, and boiling water—and to monitor prenatal and infant care. The implementer was expected to choose a local organization to continue giving technical assistance to community institutions after the activity ended and to document the planned transfer of responsibility. OIG’s audit²⁰ found that the sustainability of the activity was not addressed adequately because the implementer did not choose a local partner organization or prepare a written transfer plan.

According to USAID, the agency will improve project sustainability through the use of new tools to help missions integrate sustainability analysis into all projects. USAID also recently launched the Local Systems Framework to provide practical steps toward locally-owned, -led, and -sustained development, and to strengthen its measures and risk management.

Inadequate Risk Mitigation for Local Solutions

USAID seeks to program 30 percent of mission assistance through partner-country systems. That means providing funding to and relying on government ministries, local NGOs, and local for-profit firms to implement programs. OIG believes the risk inherent in this initiative makes it a management challenge for USAID.

- In Pakistan, USAID’s \$960 million assistance program²¹ relies on the Government of Pakistan and its provincial governments for implementation. To reduce risks for this program, the mission took some risk mitigation measures: it did preaward assessments and used fixed-amount reimbursement agreements. Yet OIG’s audit²² found that USAID did not reassess government implementing entities before giving them more money or validate that training improved their capacity, reintroducing risk.

¹⁸ *Audit of USAID/Mozambique’s Clinical HIV/AIDS Services Strengthening Project in Sofala, Manica, and Tete Provinces*, Report No. 4-656-14-003-P, January 15, 2014.

¹⁹ *Audit of USAID’s Albanian Justice Sector Strengthening Project*, Report No. 9-182-13-004-P, September 13, 2013.

²⁰ *Audit of USAID/Peru’s Health Policy and Healthy Communities and Municipalities II Activities*, Report No. 1-527-14-010-P, May 15, 2014.

²¹ This program is part of the Enhanced Partnership with Pakistan Act of 2009 (Public Law 111-73).

²² *Audit of USAID/Pakistan’s Government-to-Government Assistance Program*, Report No. G-391-14-002-P, December 20, 2013.

- In Pakistan, the mission's effort to use a local implementer on a basic education program did not succeed, an OIG audit reported.²³ Following the guidance of the Enhanced Partnership with Pakistan Act, in April 2012 the mission selected a local Pakistani firm to implement reading instruction. Seven months later, however, the mission terminated the agreement for lack of progress. Six months into implementation, the local implementer had not set up an office or hired staff because it had received no payment from USAID. The bank had rejected the mission's checks because the implementer had given the mission an incorrect account number.
- In Afghanistan, USAID transferred the \$307 million Tarakhil power plant, designed to increase the power supply in the Kabul area, to the Afghan Government in June 2010. For 2 years after that, USAID provided support through a \$27.7 million contract to train power plant staff to operate and maintain the plant. OIG's audit²⁴ found that the plant still depended on external and technical assistance to make needed repairs because the training that staff received did not prepare them to run the plant. Further, the audit concluded that the Afghan Government's utility company was not using the plant as intended (it was not used regularly but as an emergency back-up supply) or supporting the power plant as promised.
- OIG's review of risk assessments conducted in Honduras, Barbados, and Trinidad and Tobago²⁵ revealed that the missions did not perform detailed testing of the countries' financial management systems to determine their operating effectiveness and assess their internal controls. Because the testing was not completed, OIG questioned the basis on which conclusions were made and risk levels assigned.
- In West Bank and Gaza, an OIG audit found that 37 of 66 preaward survey recommendations regarding implementers for USAID's Peace and Reconciliation Program remained open for more than 18 months, and the mission closed others without documenting corrective action. While the mission made efforts to train implementers on USAID performance, vetting, and financial requirements, there was no evidence that mission staff undertook periodic organizational capacity reassessments to help implementers improve.²⁶

According to USAID, it has made progress on this challenge. It revised and reissued Automated Directives System Chapter 220, which officials said fully integrates the Public Financial Management Risk Assessment Framework process and expands the description of risk management practices that apply to government-to-government assistance. The chapter also elaborates on procedures for designing, negotiating, and implementing programs that provide funds directly to partner governments. USAID plans to operationalize ADS 220 through worldwide webinars and training courses. USAID also plans to work with government audit institutions and private sector auditors and accountants to improve accountability and transparency.

²³ *Audit of USAID/Pakistan's Sindh Basic Education Program*, Report No. G-391-14-003-P, March 21, 2014.

²⁴ *Review of Sustainability of Operations at Afghanistan's Tarakhil Power Plant*, Report No. F-306-14-002-S, June 19, 2014.

²⁵ *Review of Stage 2 Risk Assessments for the Latin America and Caribbean Region Under Local Solutions*, Report No. 1-598-14-014-S, September 30, 2014.

²⁶ *Audit of USAID/West Bank and Gaza's Peace and Reconciliation Program*, Report No. 6-294-13-016-P, September 15, 2013.

Cumbersome Design and Procurement Processes

Complex procurement processes and requirements limit USAID's ability to program or implement activities in a timely manner, with some projects taking up to 2 years to design and fund. USAID staff requested more flexible procurement mechanisms. For example, centrally managed awards have strict deadlines for processing task orders that many missions cannot meet because they do not yet know what their budgets will be. USAID staff also said the Agency's efforts to reform procurement by advancing local solutions have not streamlined the process, but made it more inefficient.

USAID also has a shortage of contracting staff able to design and administer awards effectively and efficiently, recommend appropriate mechanisms, apply consistent language and provisions in contracts and agreements, and provide technical support. Staff said they are overwhelmed with the number of awards they manage, leading to long delays in designing programs and approving new awards. In addition, contracting staff receive pressure from missions to bend procurement rules and requirements to approve awards quickly, leading to errors, weak terms and conditions, and poorly drafted statements of work, program descriptions, and evaluation criteria that require additional time later to amend or resolve.

The Agency's efforts to work more with local partners further complicate procurement, especially given current staff levels and resources. Contracting staff cannot ensure under current conditions that organizations new to U.S. procurement requirements and processes use funds properly, heightening the risk of fraud, waste, and abuse.

Uncertain Budget Environment

The unpredictability of and delays in the annual budget process make it difficult to initiate large, multiyear programs. Unforeseen funding increases or decreases lead missions to pad, suspend, or end projects, according to survey respondents. Delays in receiving funds force missions to obligate funds hastily before they expire, a practice that can lead to poor implementation and programs with limited long-term impact. USAID employees called for more flexible timing of programs, decoupling them from the unpredictable budget process—for example, not forcing agricultural programs designed around growing seasons to be implemented according to budgeting cycles.

Discretionary funding, which represents a small part of many missions' budgets, is often inadequate to address development challenges not covered by earmarks or other funding streams. According to staff, certain activities, such as promoting health and combating climate change and AIDS, receive ample budgets, while funds for education and democracy and governance continue to decrease without commensurate reductions in expected outcomes. Funding for operating expenses is also inadequate for hiring and training enough contracting and agreement officers to provide sufficient program oversight. In addition, priority countries, particularly critical priority countries, receive more funds than they can absorb or USAID staff can obligate prudently. Staff from the missions with excess funding struggle to design and implement efficient, sustainable programs.

USAID acknowledges the challenge of an uncertain budget environment that requires making difficult trade-offs among competing priorities when it receives appropriations below the President's budget request. USAID indicates it is educating staff across the agency on the budget

and appropriations calendar, congressional directives, and special notification requirements that may delay fund availability.

Decentralized Management of Information Technology and Information Security

The Federal Information Security Management Act of 2002 (FISMA) requires agencies to develop, document, and implement an agency-wide information security program to protect their information and information systems. USAID has developed and documented the majority of the information security policies and procedures required under FISMA, but the Agency's decentralized management of information technology and information security makes it a challenge to ensure that those policies and procedures are implemented.

- In November 2012 and October 2013, OIG reported that USAID had not established an effective risk management program.²⁷ The lack of an effective risk management program, combined with a substantial number of open recommendations from prior FISMA audits represents a significant deficiency in systems security, including USAID's financial systems. In response to this significant deficiency, USAID developed a three-phase action plan, expected to be complete in December 2014.
- USAID continues to face challenges in implementing Homeland Security Presidential Directive 12 (HSPD-12), which requires agencies to implement a common identification standard for federal employees and contractors. In 2008 OIG reported that USAID lacked the resources to comply with this U.S. Government-wide directive. In 2009 USAID reported that the Agency met the requirements for credentials that allow access to buildings at headquarters, and in March 2014 the Agency reported that it had completed the deployment of Personal Identification Verification card readers for USAID/Washington Windows desktops and laptops. Nevertheless, complying with HSPD-12 overseas, where USAID is following the direction of the State Department, will continue to be a challenge because USAID's progress depends on State's. According to the FYs 2014-2017 State-USAID Joint Strategic Plan, the target date for fully complying with HSPD-12 is September 30, 2017.
- In January 2013, OIG reported that USAID did not implement selected controls over its badges to prevent unauthorized access to facilities by former employees. To address the issue, Office of Security officials said they reemphasized the need to train sponsors on their responsibility to return badges, reviewed monthly reports on direct hires and personal service contractors who left the Agency to ensure their access was deactivated, and automatically deactivated badge access after a period of nonuse. Nonetheless, until staff responsible for requesting badges (sponsoring official/office) ensure that those badges, when no longer needed, are returned, USAID will continue to have challenges in retrieving badges.

Backlog of Audits of U.S.-Based, For-Profit Entities

Audits of USAID's for-profit contractors traditionally are conducted by the Defense Contract Audit Agency (DCAA) under a reimbursable agreement with USAID. In the past, USAID has

²⁷ *Audit of USAID's Fiscal Year 2012 Compliance With the Federal Information Security Management Act of 2002*, Report No. A-000-13-003-P, November 14, 2012, and *Audit of USAID's Fiscal Year 2013 Compliance With the Federal Information Security Management Act of 2002*, Report No. A-000-14-001-P, October 15, 2013.

not made timely requests for many of these audits due to insufficient funds. DCAA also has been slow to respond to audit requests. As a result, as of September 30, 2014, USAID continues to have a backlog of about 157 incurred-cost audits; in FY 2013, the backlog was about 210.

To clear the backlog, the Agency has taken or plans to take the following actions. First, it provided increased funding for incurred-cost audits and proposes to create a working capital fund to finance future audits, setting aside a small percentage of program funds each time a contract award is made. Second, USAID is using contracts with public accounting firms to augment DCAA's audit efforts. Third, USAID has funded a liaison position at DCAA to monitor audits requested by USAID, facilitate resolution of problems with those audits (e.g. taking action on delayed audits), and see that USAID receives periodic status reports. Finally, DCAA has dedicated six virtual incurred-cost teams at field offices to conduct USAID's incurred-cost audits.

During FY 2014, USAID focused on completing incurred-cost audits for contractors with the largest dollar awards. These efforts have resulted in the completion of 97 audits. USAID established and exceeded its goal during FY 2014 to fund 60 percent of complete audit submissions provided by contractors and accepted by the Office of Acquisition and Assistance. USAID actually funded all submissions submitted and accepted during FY 2014. USAID also established a goal of clearing the backlog of incurred-cost audits within the next 4 years.

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 a disclaimer of opinion on the financial statements with one material weakness. Table 2 shows the Agency has a qualified Federal Managers' Financial Integrity Act (FMFIA)

Assurance Statement with two material weaknesses and one non-conformance with financial management system requirements. In addition, the Agency has determined that it lacks substantial compliance with the Federal Financial Management Improvement Act (FFMIA). 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: Disclaimer

Restatement: Yes

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
USAID does not reconcile its Fund Balance with Treasury Account with the U.S. Treasury's balance and resolve reconciling 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: Qualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
USAID continues to have large unreconciled differences and outstanding suspense items older than 60 days	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: Qualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Management's implementation of its information security policies and procedures is not effective	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

(continued on next page)

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES (continued)

Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance: Systems do not conform to financial management system requirements

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
USAID's lack of an effective risk management program represents a significant deficiency to enterprise-wide security including USAID's financial systems	1	0	0	0	0	1
Total non-conformances	1	0	0	0	0	1

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. System Requirements	Lack of substantial compliance noted	Lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial 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 material weakness 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.

IMPROPER PAYMENTS INFORMATION ACT (AS AMENDED BY IPERA AND IPERIA) REPORTING DETAILS

To improve the integrity of the Federal Government's payments and the efficiency of its programs and activities, Congress enacted the Improper Payments Information Act (IPIA) of 2002. The IPIA required federal agencies to:

- Review their programs and activities annually;
- Identify programs that may be susceptible to significant improper payments;
- Perform testing of programs considered high risk;
- Develop and implement corrective action plans for high risk programs.

The Office of Management and Budget (OMB) Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments* (Appendix C), provides requirements for identification and reporting. OMB Circular A-136, *Financial Reporting Requirements*, provides the final reporting tables for IPIA and Recapture of Improper Payments reporting.

On July 22, 2010, Congress passed the Improper Payments Elimination and Recovery Act (IPERA), which amended the IPIA and generally repealed the Recovery Auditing Act. Under IPERA, federal agencies are required to identify programs and areas that may be susceptible to improper payments every three fiscal years and to annually prepare an accurate estimate using a methodology approved by OMB of the amount of improper payments made. These estimates are to be included with the annual financial statement information of the agency. Further, agencies are to provide a description of the causes of improper payments, planned actions to correct each cause, and expected completion date. In addition, the agency is required to report

on the actions taken to recover overpayments, the amounts recovered, reasons why certain overpayments are deemed uncollectible, if applicable, and a summary of how recovered amounts have been allocated. IPERA's purpose is to reduce improper payments through different avenues. The reporting requirements make agencies more accountable, with increased documentation of results and processes aimed to reduce improper payment rates.

A more recent law, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), also amended IPIA and facilitates improvement by requiring greater oversight and review of high priority programs.

USAID is dedicated to reducing fraud, waste, and abuse by adequately reviewing and reporting programs susceptible to improper payments under IPIA (as amended by IPERA) and 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 the 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.

USAID'S PROCESS

The process for complying with the IPIA (as amended by IPERA) consists of four steps:

1. *Risk Assessment* - Review all programs and activities to identify those susceptible to significant improper payments;
2. *Statistical Sampling* - Obtain a statistically valid estimate of the annual amount of improper payments in programs and activities for those programs identified as susceptible to significant improper payments;
3. *Corrective Actions* - Implement a plan to reduce erroneous payments;
4. *Improper Payment Reporting* - Report estimates of the annual amount of improper payments in programs and activities and progress in reducing them.

The Bureau for Management, Office of the Chief Financial Officer (M/CFO) is responsible for reviewing Agency payments and for reporting erroneous payments annually. The above four-step process was conducted for the 12-month reporting period July 1, 2013, through June 30, 2014.

IPIA (AS AMENDED BY IPERA) REPORTING

I. RISK ASSESSMENT

In FY 2014, M/CFO implemented its IPIA program review and risk assessment strategy by extracting the Agency's worldwide disbursement data files from its financial system, Phoenix, from

July 1, 2013, to June 30, 2014. M/CFO identified programs most susceptible to improper payments through the results of the risk assessment. USAID has 27 program areas considered to be susceptible to improper payments. The Agency's risk assessment consisted of weighting, scoring, and rating each of USAID's 27 programs based on risk factors—probability and impact of risk—and by assigning risk ratings. The ratings, which were based on similar risk factors as the prior reporting period, consisted of:

- Total value of disbursements;
- Total number of disbursement transactions (by accounting line);
- Total number of unique contractors and vendors;
- Total value of cancelled and returned payments;
- Total value of interest payments;
- Degree of maturity or stability;
- Critical Priority Country (CPC) program payments;
- Percentage of total CPC dollars;
- Total value of known duplicate payments;
- Prior year significant risk indicators;
- Prior year Federal Managers' Financial Integrity Act (FMFIA) report concerns;
- Program payment complexity.

Based on the results of applying the aforementioned risk factors, M/CFO populated a risk matrix with qualitative data and risk conditions for each program. The qualitative data were used in conjunction with the scoring criteria to assign a risk score to each risk condition. M/CFO used the risk condition scores and weighting formulas to determine the risk score and identify programs at high risk of susceptibility to significant erroneous payments. As a result, no program met the IPERA significant erroneous payments threshold defined as annual erroneous payments in the program exceeding both 1.5 percent of program payments

ANALYSIS OF SAMPLES BY PROGRAM AREA

(Dollars in Millions)

Code	Description	Samples Selected	Total Accounting Lines	Total Dollar Amount
A11	Health	292	763	\$ 6,358
A18	Agriculture	240	352	767
A27	Administration and Oversight	240	1,997	1,096
Totals		772	3,112	\$ 8,221

and \$10 million or \$100 million regardless of percentage. However, based on the risk assessment results, M/CFO deemed Health, Agriculture, and Administration and Oversight as programs susceptible to erroneous payments.

II. STATISTICAL SAMPLING

The objective of sampling the three mentioned programs for the period July 1, 2013, through June 30, 2014, did not change from the prior year. Therefore, the objective was to select:

- A statistically valid random sample of sufficient size to yield an estimate with a 90 percent confidence interval of plus or minus 1.5 percentage points around the estimate of the percentage of erroneous payments;
- A sample from the population that allows each item an opportunity for selection;
- A representative sample to reach a conclusion on the error rate by projecting the results of the sample to the population and calculating the estimated amount of improper payments made in those programs (gross total of both over and underpayments (i.e., not the net of over and underpayments)).

An analysis of the samples selected, total accounting lines, and total dollar amounts by program area can be found in the chart above.

The sample size was determined using the formula provided in Part I of OMB Circular A-123, Appendix C. The error rate was based on prior year reported percentage of erroneous payments and thus met the precision requirements specified in Part I of

OMB Circular A-123, Appendix C. The formula is seen below:

$$n \geq \frac{2.706(1-P)}{\left(\frac{.025}{P}\right)^2 P}$$

Where n is the required minimum sample size and P is the estimated percentage of erroneous payments.

III. CORRECTIVE ACTIONS

OMB has defined three categories of reporting improper payments: (1) Administrative and Documentation errors, (2) Authentication and Medical Necessity errors, and (3) Verification errors.

The root cause of amounts identified within the category of Administrative and Documentation errors represented mathematical errors, erroneous payments of interest for non-late payments and the selection of the incorrect prompt payment type code, erroneous non-payment of interest for late payment, payments to the wrong vendor, payments for disallowed costs, lack of supporting documentation, or other incorrect payments to vendors.

To address the root causes of payment errors, M/CFO and the field mission accounting stations have identified improvements and corrective actions to reduce or eliminate occurrences of root causes. The corrective actions include:

- The recalculation of invoice for arithmetical accuracy;
- A review of payment instructions to ensure the proper vendor and vendor code are selected;

- A review of contractor bank information for validity and agreement to the financial management system (Phoenix) prior to payment;
- An assessment of risk and review of management controls to ensure they are operating as intended;
- Performance of periodic reviews of agreements and contracts on terms of payments;
- Periodic reviews of processed payments;
- Improper payment training for Accounts Payable staff.

USAID has 27 programs and considers each to be susceptible to improper payments at some level. These programs continue to be analyzed, reconciled, and closely monitored by M/CFO to ensure compliance with Appendix C and Agency policies and governing agreements. These efforts ensure that the error rate for these programs continues to be less than IPERA's significant erroneous payments error rate of 1.5 percent. The Agency emphasizes internal controls by developing strict guidelines and procedures for payments in an effort to eliminate improper payments. In addition, the Agency has skilled and experienced staff who have adopted a more consistent and reliable method for assessing and evaluating improper payments.

In a continuing effort to reduce improper payments, M/CFO staff members are actively engaged in the ongoing identification, sampling, testing, and implementation of the necessary internal controls. In addition, ongoing training is provided to staff for meeting the President's goal of eliminating improper payments. Additionally, work objectives related to eliminating improper payments are incorporated in relevant staff work plans to ensure compliance with IPIA and Appendix C.

STATUS/PROJECT REVIEWS OF GRANTS

The following grant audit and resolution process serves to reduce improper payments by determining that grantees have adequate oversight and accountability. The Agency reviews audit reports relating to audits of grantees and sub-grantees for resolution of audit findings. The audits are

performed by external auditors and the ensuing reports are submitted to the Office of Inspector General (OIG), grantees, and sub-grantees.

Prior to making an award, USAID Contracting Officers follow the Federal Acquisition Regulation (FAR) Part 9 policies, standards, and procedures pertaining to prospective contractors' responsibility, debarment, suspension, and ineligibility (e.g., contractors submit certifications and information regarding responsibility matters, pre-award surveys may be conducted, etc.).

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires an audit of federal awards, including sub-awards, meeting certain requirements. This process may identify excess billings or unallowable amounts. The auditor's report is sent to the federal audit clearinghouse for submission to the USAID OIG. Upon determination of identified questioned costs, the USAID OIG will issue recommendations in a formal result of audit findings and direct those findings to the Agency for negotiations with the grant recipient or contractor and issuance of a demand payment request.

If the findings are procedural, the Agency asks the recipient to provide a corrective action plan with a time line for correcting the deficiencies. The Agency follows up on the action plan until the deficiencies are corrected; it asks the audit firm to include a follow-up on the implementation of the corrective action plan to ascertain if the deficiencies were corrected appropriately.

The procedure described above occurs prior to award issuance and throughout the life of the grant. If too many risks are identified during a review of an audit report for a potential grantee, an award may not be made until the potential grantee has implemented sufficient corrective actions.

IV. IMPROPER PAYMENT REPORTING

Table 1 on the following page reflects the outlays, improper payment percentage, and improper payment amounts for the FY 2013 and FY 2014 reporting periods. In addition, this table depicts estimates and improper payment reduction outlooks for FY 2015 through FY 2017.

TABLE I. IMPROPER PAYMENT REDUCTION OUTLOOK*(Dollars in Millions)*

Program Areas	PY Outlays ^(a)	PY IP % ^{(b),(c)}	PY IP ^{(d),(e)}	CY Outlays ^(a)	CY IP % ^(b)	CY IP	CY Over-payments	CY Under-payments
A11 – Health	\$ 1,000	0.1095%	\$ 1.10	\$ 6,358	0.0005%	\$ 0.01	\$ 0.01	\$ –
A18 – Agriculture	747	0.0000%	–	767	0.0065%	0.05	0.05	–
A27 – Administration and Oversight	359	0.0000%	–	1,096	0.0001%	0.01	0.01	–
All Other Program Areas ^(e)	7,317	0.0000%	4.55	6,819	0.0109%	0.75	0.75	–
Totals (rounded)	\$ 9,423	0.0599%	\$ 5.65	\$ 15,040	0.0055%	\$ 0.82	\$ 0.82	\$ –

Program Areas	CY +1 Est. Outlays ^(d)	CY +1 IP % ^(d)	CY +1 IP ^(d)	CY +2 Est. Outlays ^(d)	CY +2 IP % ^(d)	CY +2 IP ^(d)	CY +3 Est. Outlays ^(d)	CY +3 IP % ^(d)	CY +3 IP ^(d)
A11 – Health	\$ 6,676	0.0005%	\$ 0.03	\$ 7,010	0.0000%	\$ –	\$ 7,360	0.0000%	\$ –
A18 – Agriculture	805	0.0000%	–	846	0.0000%	–	888	0.0000%	–
A27 – Administration and Oversight	1,151	0.0007%	0.01	1,208	0.0000%	–	1,269	0.0000%	–
All Other Program Areas ^(e)	7,160	0.0000%	–	7,518	0.0000%	–	7,894	0.0000%	–
Totals (rounded)	\$ 15,792	0.0003%	\$ 0.04	\$ 16,582	0.0000%	\$ –	\$ 17,411	0.0000%	\$ –

(a) Source of the outlays is disbursements from USAID's financial system, Phoenix, for the OMB Circular A-123 reporting period of July 1, 2013 through June 30, 2014.

(b) The improper payment rates of 0.0599 percent and 0.0055 percent for high risk programs for FY 2013 and FY 2014, respectively, were calculated by dividing total gross improper payments by total outlays for each fiscal year based upon the results of the statistical samples. The improper payment error rate for each program for FY 2013 and FY 2014 was calculated by dividing the improper payment amount by the outlays for just the program areas.

(c) Improper payment amounts for years prior to FY 2011 include interest payments properly made and returned by Treasury, or canceled transactions that did not reach any recipient. Also included as improper payments for years prior to FY 2011 were amounts reported as questioned costs in the Consolidated Audit and Compliance System (CACs), prior to concurrence and finalization of the amounts to be recovered. USAID, the Agency's OIG, and OMB reevaluated these types of transactions and agreed that they are no longer considered improper payments and are not reported as such in FY 2011 and beyond. However, these transactions are still included in improper payment amounts prior to FY 2011 and are carried forward when current and prior year amounts are combined.

(d) It is estimated that the improper payment rate will reduce by 0.04 percent each year within each program area until improper payments are reduced to zero percent. A reduction rate of zero percent is estimated for FY 2016 and FY 2017.

(e) Prior year's Improper Payment Reduction Outlook table identified all of USAID's 27 program areas. For FY 2014, the Agency elected to show only the three program areas that were actually tested for significant improper payments; the remaining 24 program areas are shown as All Other Program Areas. Only one program area (A11) is the same as the prior year.

V. RECAPTURE OF IMPROPER PAYMENTS REPORTING

The IPIA (as amended by IPERA) and recovery auditing review process is an ongoing activity under Appendix C. 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 efforts are sufficient to meet the Agency's need and requirements based on historical overpayment rates and amounts. The processes USAID has in place are outlined below.

- 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 (as amended by IPERA) and Payment Recapture test of transactions, with test steps designed to determine, at a minimum, that:
 - The recipients were eligible for payment from the U.S. Government;
 - USAID headquarters and overseas field missions 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 quarterly data calls to obtain other improper payments identified through other processes, including USAID OIG audits, OMB Circular A-133 audits, and contract and grant close-outs. This results in the leverage of efforts performed by the USAID OIG, Regional Inspectors General, and the Defense Contract Audit Agency (DCAA) in identifying overpayments and the status 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 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 time line for correcting the deficiencies. The Agency follows up on the corrective action plan until the deficiencies are corrected and implemented appropriately.

The Agency continues to identify potential improper payments through post-payment methods and prepayment initiatives. 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 Do Not Pay Portal to assist in the identification of improper payments.

TABLE 2. PAYMENT RECAPTURE AUDIT REPORTING*(Dollars in Millions)*

Program Area	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)
N/A ^(f)	Contracts	\$ 3,606	\$ 3,606	\$ 6	\$ -	0.00%	\$ 6	100.00%	\$ -	0.00%
N/A ^(f)	Grants and Cooperative Agreements	8,424	8,424	3	-	0.00%	3	100.00%	-	0.00%
N/A ^(f)	Other	3,010	3,010	1	-	0.00%	1	100.00%	-	0.00%
	Totals	\$ 15,040	\$ 15,040	\$ 10	\$ -	0.00%	\$ 10	100.00%	\$ -	0.00%

Program Area	Type of Payment (contract, grant, benefit, loan, or other)	Amounts Identified for Recovery (PYs) ^(f)	Amounts Recovered (PYs) ^(f)	Cumulative Amounts Identified for Recovery (CY + PYs) ^(f)	Cumulative Amounts Recovered (CY + PYs) ^(f)	Cumulative Amounts Outstanding (CY + PYs) ^(f)	Cumulative Amounts Determined Not to be Collectable (CY + PYs) ^(f)
N/A ^(f)	Contracts	\$ 462	\$ 460	\$ 468	\$ 460	\$ 8	\$ -
N/A ^(f)	Grants and Cooperative Agreements	68	55	71	55	16	-
N/A ^(f)	Other	34	31	35	31	4	-
	Totals	\$ 564	\$ 546	\$ 574	\$ 546	\$ 28	\$ -

TABLE 3. PAYMENT RECAPTURE AUDIT TARGETS*(Dollars in Millions)*

Program Area	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Identified	CY Amount Recovered	CY Recovery Rate (Amount Recovered/Amount Identified)	CY + 1 Recovery Rate Target	CY + 2 Recovery Rate Target	CY + 3 Recovery Rate Target
N/A ^(f)	Contracts	\$ 6	\$ -	0.00%	95.00%	95.00%	95.00%
N/A ^(f)	Grants and Cooperative Agreements	3	-	0.00%	95.00%	95.00%	95.00%
N/A ^(f)	Other	1	-	0.00%	95.00%	95.00%	95.00%
	Totals	\$ 10	\$ -	0.00%			

(f) Previously issued Agency Financial Reports (AFR) from FY 2004 through FY 2010 served as the basis for prior years' improper payment amounts. As the Agency's IPIA program has evolved during that period, different types of payments may be included in some years, but not others (see footnote (c) for an example of this). Further, not all improper payment amounts were able to be identified by source or payment type. When identification was not possible, amounts were recorded as coming from the "Other" source and were classified as "Contract" payments. Starting with FY 2011, data on sources of improper payments are maintained and reported under the proper category.

TABLE 4. AGING OF OUTSTANDING OVERPAYMENTS*(Dollars in Millions)*

Program Area	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Outstanding (0 - 6 months)	CY Amount Outstanding (6 months - 1 year)	CY Amount Outstanding (over 1 year)
N/A ^(f)	Contracts	\$ -	\$ 6	\$ 6
N/A ^(f)	Grants and Cooperative Agreements	-	3	4
N/A ^(f)	Other	-	1	3
Totals		\$ -	\$ 10	\$ 13

TABLE 5. DISPOSITION OF RECAPTURED FUNDS*(Dollars in Millions)*

Program Area	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
N/A ^(f)	Contracts	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ -
N/A ^(f)	Grants and Cooperative Agreements	-	-	-	3	-	-
N/A ^(f)	Other	-	-	-	1	-	-
Totals		\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -

TABLE 6. OVERPAYMENTS RECAPTURED OUTSIDE OF PAYMENT RECAPTURE AUDITS*(Dollars in Millions)*

Agency Source	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY) ^(f)	Amount Recovered (PY) ^(f)	Cumulative Amount Identified (CY + PYs) ^(f)	Cumulative Amount Recovered (CY + PYs) ^(f)
IPIA Samples	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recovery Audit Sample	-	-	1	1	1	1
OIG Reviews	9	-	10	3	19	3
Other	1	1	3	3	4	4
Totals	\$ 10	\$ 1	\$ 14	\$ 7	\$ 24	\$ 8

(f) Previously issued AFRs from FY 2004 through FY 2010 served as the basis for prior years' improper payment amounts. As the Agency's IPIA program has evolved during that period, different types of payments may be included in some years, but not others (see footnote (c) for an example of this). Further, not all improper payment amounts were able to be identified by source or payment type. When identification was not possible, amounts were recorded as coming from the "Other" source and were classified as "Contract" payments. Starting with FY 2011, data on sources of improper payments are maintained and reported under the proper category.

VI. ACCOUNTABILITY

USAID currently has plans to ensure that responsible personnel are held accountable for reducing and recovering improper payments. Below is a summary of the requirements in place.

- Existing control process and implementation of OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting*, requirements continue to ensure that the Agency's internal control over financial reporting and systems are well documented, sufficiently tested, and properly assessed. In turn, improved internal controls enhance safeguards against improper payments, fraud, and waste, and better ensure that the Agency's resources continue to be used effectively and efficiently to meet the intended program objectives. The Internal Control Program Team will continue to monitor internal controls throughout FY 2014 and subsequent years.
- M/CFO developed, implemented, and established sufficient procedures in lieu of a Payment Recapture Audit Program. The overall plan for the performance of recovery audits and review of recovery activities is intended to assist in successfully implementing recovery auditing as part of an overall program of effective internal control over payments. The Payment Recapture Program includes the planning, testing, documentation of results, and reporting phases. The program provides procedures to:
 - Facilitate adherence to the requirements of the Recovery Audit Act and Appendix C, with emphasis on identifying and preventing overpayments to contactors, and OMB Circular A-136;
 - Provide direction in terms of determining the nature and extent of the test work, including the means to capture results;
 - Perform tests, reviews, and evaluation of results;
 - Facilitate annual reporting on the payment recapture program in the Agency Financial Report (AFR);
 - Ensure all steps are carried out to the satisfaction of USAID.

- Continued adherence to OMB's guidance for reporting Recapture of Improper Payments information in the AFR.

VII. AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

The internal controls, information systems, and other infrastructure are sufficient to reduce improper payments to the levels targeted by USAID. The Agency's financial management system, Phoenix, is in a "steady state" phase that entails ongoing maintenance and support, implementing enhancements and initiatives, developing interfaces between Phoenix and other systems, and extending Phoenix as an integral component of Agency operations and program management. In November 2013, the Phoenix system was upgraded to a new version to comply with ongoing federal financial initiatives such as Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and System for Award Management (SAM). The new version of Phoenix also includes software enhancements that improve payment operations management and offer increased usability within Phoenix in support of the Agency's disbursement processes. Agency employees with authorized access to Phoenix are able to continuously monitor, review, analyze, and reconcile financial data. This process culminates in reducing the risk of improper payments.

The Agency continued using the Global Acquisition and Assistance System (GLAAS). GLAAS is a worldwide, Web-based system that manages awards throughout USAID's acquisition and assistance lifecycle, including reporting and administration. GLAAS supports E-Government initiatives, and streamlines and automates acquisition and assistance processes and procedures. GLAAS helps to ensure quality control with automated funds availability validations and gives users easy access to templates and Agency-standard forms.

In 2010, USAID implemented Documentum/ Agency Secure Image and Storage Tracking System (ASIST), which is the Agency's standard application for electronic document management. The transition to ASIST was an ideal time to develop an effective risk management and internal control

system for implementing an efficient paperless payment environment. This system is capable of providing global access to stored documents using the Agency's Web-based information network. The system streamlines the voucher payment process and helps mitigate the risk of improper payments.

VIII. BARRIERS

The Agency has not identified any barriers that may limit its corrective actions in reducing improper payments.

IX. ADDITIONAL COMMENTS

The Agency offers the following additional comments:

- The availability of the Agency's financial data in Phoenix has enhanced internal controls and transparency of the entire Agency's financial activities. It allowed implementation of procedures where current financial data are subject to various monthly reviews and cross referenced with other internal and external reports, including:
 - Funds returned from Treasury;
 - Late payment interest abstracted from Phoenix for the entire Agency;
 - Several other systems reports and tools to aid in the identification and review of possible worldwide erroneous/duplicate payments.
- Internal and external payable reviews by M/CFO 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 Do Not Pay (DNP) Initiative. These activities include the review of Treasury-issued reports that contain possible payment DNP matches that include, but are 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 re-evaluated existing IPIA (as amended by IPERA) review processes and further refined the IPIA (as amended by IPERA) approach and strategy for FY 2014; specifically:
 - Provided revised and updated training to staff associated with payments;
 - Provided in-depth information on testing transactions;
 - Reached out to missions worldwide for improper payment information;
 - Reduced mission data calls from quarterly to three times a year.

In summary, the Agency considers actions to minimize improper payments as ongoing activities that should be performed continuously.

X. AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

The IPERIA 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 2014, 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 identifies 10 matches for a vendor named "Smith." For each possible match, M/CFO determined 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* includes all payments screened by DNP Initiative or other USAID internal databases (M/CFO), as appropriate, that are disbursed by, or on behalf of USAID;

- *Payments stopped* include payments that were intercepted or were not disbursed due to the DNP Initiative;
- *Improper payments reviewed and not stopped* include 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.

In conclusion, the DNP Initiative did not identify any USAID improper payments. During FY 2014, there were 8 correct vendor matches and 711 incorrect vendor matches. All 8 correct vendor matches were proper payments.

TABLE 7. IMPLEMENTATION OF THE DO NOT PAY INITIATIVE TO PREVENT IMPROPER PAYMENTS

(Dollars in Millions)

	Number (#) of Payments Reviewed for Improper Payments	Dollars (\$) of Payments Reviewed for Improper Payments	Number (#) of Payments Stopped	Dollars (\$) of Payments Stopped	Number (#) of Improper Payments Reviewed and Not Stopped	Dollars (\$) of Improper Payments Reviewed and Not Stopped
Between July 1, 2013 to June 30, 2014 for all databases ^(g)	64,429	\$ 4,265	–	\$ –	–	\$ –
Reviews with the DMF Only	All reviewed with DMF and SAM	All reviewed with DMF and SAM	All reviewed with DMF and SAM	All reviewed with DMF and SAM	All reviewed with DMF and SAM	All reviewed with DMF and SAM

(g) 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).

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 on March 14, 2013 in OMB Management Procedures Memorandum 2013-02. 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, and 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. USAID’s workplace strategy addresses the requirements of Freeze the Footprint by maintaining a net-zero footprint for domestic office and warehouse space. USAID’s strategic plan results in the more efficient use of workspace and increased occupancy rates for office space.

In 1996, USAID’s Washington-based operations consolidated into the Ronald Reagan Building (RRB). Nearly 20 years later, the interior space is beyond the designated service life and exceeds the original design capacity. In 2011, USAID undertook a two-year pilot project to create a workplace on a portion of the 7th floor of the

RRB that is more flexible and modern, enhances access to technology, and matches the types of spaces to the actual workflows of the operational units. This approach is intended 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 is now expanding the pilot project to include the remaining space on the 7th floor. This effort is helping USAID to achieve higher utilization rates while creating a more modern work environment and supporting the goals of Freeze the Footprint.

The tables below contain the Freeze the Footprint square footage comparison of FY 2012 baseline to net changes in square footage in FY 2013; 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, 2013, the latest reporting period for the Federal Real Property Profile. The General Service Administration (GSA) Occupancy Agreements data are current as of February 20, 2014, as provided by GSA. The net increase in the baseline square footage was acknowledged by GSA as due to a remeasurement of existing space, and as such does not equate to acquisition of new space.

FREEZE THE FOOTPRINT BASELINE COMPARISON

(Square Footage in Millions)

	FY 2012 Baseline	FY 2013 (CY-1)	Change (FY 2012 Baseline - FY 2013)
GSA Occupancy Agreements	0.782714	0.786089	0.003375
Owned and Direct Lease Buildings	0.003545	0.003545	0.0
Total	0.786259	0.789634	0.003375

REPORTING OF OPERATION AND MAINTENANCE COSTS

(Dollars in Millions)

	FY 2012 Reported Cost	FY 2013 (CY-1)	Change (FY 2012 Baseline - FY 2013)
Owned and Direct Lease Buildings	\$0.152092	\$0.152092	\$0.0

APPENDICES



(Preceding page) USAID and partners lead a group of officials from Lower Mekong countries to examine a community forest in northern Thailand. The goal is to better manage forest resources and fight poverty.

PHOTO: RICHARD NYBERG / USAID



(Above) Radhika B.K. sells ginger to the Annapurna Organic company through her women's cooperative. She is one of nine thousand ginger farmers to benefit from this USAID project in Nepal.

PHOTO: USAID NEAT

APPENDIX A.

PERFORMANCE INDICATORS

DATA NOTES

1. Results from funds requested for a given fiscal year frequently occur after the fiscal year for which they were requested. Therefore, funds requested for FY 2013 can be expected to also impact targets for FY 2014 and possibly beyond, just as results for FY 2012 were achieved using a combination of funding from current and previous fiscal years.
2. Data Quality: Performance data, verified using data quality assessments (DQA), must meet standards of validity, integrity, precision, reliability, and timeliness. Each operating unit must document the methodology used to conduct the DQAs. DQA and data source records are maintained in the Performance Management Plans; missions certify via the Performance Plan and Report (PPR) that a DQA has occurred within the last three years. (For details, refer to USAID's Automated Directives System (ADS) Chapter 203.3.5, <http://www.usaid.gov/ads/200/203>).
3. Data Source: FY 2013 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS Info).
4. Data Source: For FY 2013, countries reporting results included Azerbaijan, Côte d'Ivoire, the Democratic Republic of Congo (DRC), Georgia, Kenya, Peru, Rwanda, and Sudan.
5. Data Source: Semi-Annual and Annual Progress Reports as captured in the U.S. Government FACTS Info reporting system. Most of the 36 President's Emergency Plan for AIDS Relief (PEPFAR) operating units contribute to the treatment data. The 36 operating units include Angola, Botswana, Burundi, Cambodia, Cameroon, Caribbean Region, Central American Regional Programs, Central Asian Republics, China, Côte d'Ivoire, DRC, the Dominican Republic, Ethiopia, Ghana, Guyana, Haiti, India, Indonesia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Russia, Rwanda, South Africa, South Sudan, Swaziland, Tanzania, Thailand, Uganda, Ukraine, Vietnam, Zambia, and Zimbabwe. HIV/AIDS results are achieved jointly by the Department of State (State), USAID, and other U.S. Government agencies, such as the Department of Health and Human Services (HHS), Department of Defense (DoD), and the Peace Corps.
6. Data Quality: The data are verified through triangulation with annual reports by the Joint United Nations (UN) Programme on HIV/AIDS (UNAIDS) and the World Health Organization (WHO) that identify numbers of people receiving treatment. Country reports by UN agencies such as the United Nations Children's Fund (UNICEF) and the UN Development Programme indicate the status of such human and social indicators as life expectancy and infant and under-five mortality rates.
7. Data Source: Semi-Annual and Annual Progress Reports are captured in the U.S. Government FACTS Info reporting system. Most of the 36 operating units contribute to the care and support data. The 36 operating units include Angola, Botswana, Burundi, Cambodia, Cameroon, Caribbean Region, Central American Regional Programs, Central

- Asian Republics, China, Côte d'Ivoire, DRC, the Dominican Republic, Ethiopia, Ghana, Guyana, Haiti, India, Indonesia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Russia, Rwanda, South Africa, Sudan, Swaziland, Tanzania, Thailand, Uganda, Ukraine, Vietnam, Zambia, and Zimbabwe. HIV/AIDS results are achieved jointly by State, USAID, and other U.S. Government agencies, such as HHS, DoD, and the Peace Corps.
8. **Data Quality:** Data are verified through triangulation with population-based surveys of care and support for orphans and vulnerable children; program monitoring of provider-supported activities; targeted program evaluations; and management information systems that document data from patient care management, facility, community, and program management systems.
 9. **Data Source:** WHO Report, Global Tuberculosis Control. FY 2013 Treatment Success Rate trends have been reported for the following 28 countries: Afghanistan, Bangladesh, Cambodia, DRC, Ethiopia, Georgia, Ghana, India, Indonesia, Kazakhstan, Kenya, Kyrgyz Republic, Malawi, Mozambique, Namibia, Nigeria, Philippines, Russia, South Africa, South Sudan, Tajikistan, Tanzania, Turkmenistan, Uganda, Ukraine, Uzbekistan, Zambia, and Zimbabwe.
 10. **Data Quality:** The USAID Tuberculosis Program examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 11. **Data Source:** WHO Report, Global Tuberculosis Control. This calculation includes tuberculosis case notification for the following 28 priority countries: Afghanistan, Bangladesh, Cambodia, DRC, Ethiopia, Georgia, Ghana, India, Indonesia, Kazakhstan, Kenya, Kyrgyz Republic, Malawi, Mozambique, Namibia, Nigeria, Philippines, Russia, South Africa, South Sudan, Tajikistan, Tanzania, Turkmenistan, Uganda, Ukraine, Uzbekistan, Zambia, and Zimbabwe.
 12. **Data Quality:** The USAID Tuberculosis Program examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 13. **Data Source:** USAID program information. The 19 President's Malaria Initiative (PMI) focus countries are Angola, Benin, DRC, Ethiopia, Ghana, Guinea, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, Zambia, and Zimbabwe.
 14. **Data Source:** This indicator is for the number of Neglected Tropical Disease (NTD) treatments delivered for the following countries: Burkina Faso, Cameroon, Ghana, Guinea, Haiti, Indonesia, Mali, Nepal, Niger, Sierra Leone, Tanzania, Togo, and Uganda.
 15. **Data Quality:** The USAID NTD Program verifies all third-party data collected at the national level for this indicator.
 16. **Data Source:** FY 2010-2013 results, and out-year targets for FY 2014 have been projected based on Demographic Health Survey (DHS) and Census Bureau data for the following 28 USAID Maternal and Child Health (MCH) priority countries: Afghanistan, Bangladesh, Benin, Cambodia, DRC, Ethiopia, Ghana, Guatemala, Haiti, India, Indonesia, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, Philippines, Rwanda, Senegal, South Sudan, Tanzania, Uganda, Yemen, and Zambia.
 17. **Data Quality:** The USAID Knowledge Management Services (KMS) Project examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 18. **Data Source:** FY 2010-2013 results and out-year targets for FY 2014 have been projected based on DHS and Census Bureau data for the following 28 USAID-assisted countries: Afghanistan, Bangladesh, Benin, Cambodia, DRC, Ethiopia, Ghana, Haiti, India, Indonesia, Kenya, Liberia, Madagascar,

- Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, Philippines, Rwanda, Senegal, South Sudan, Tanzania, Uganda, Yemen, and Zambia.
19. Data Quality: The USAID KMS Project examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 20. Data Source: FY 2013 results and FY 2014 targets have been projected using DHS and Reproductive Health Survey (RHS) data for the following USAID-assisted countries: Armenia, Bangladesh, Benin, Bolivia, Cambodia, Ethiopia, Ghana, Guatemala, Guinea, Haiti, India (Uttar Pradesh), Kenya, Jordan, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, Peru, Philippines, Rwanda, Senegal, Tanzania, Uganda, and Zambia. FY 2013 results and FY 2014 targets are based on the number of countries receiving \$2 million or more in family planning/reproductive health in FY 2008 and with two or more RHS or DHS data points available at the time of reporting.
 21. Data Quality: The USAID Office of Population and Reproductive Health examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 22. Data Source: DHS and RHS data for the following USAID-assisted countries: Armenia, Bangladesh, Benin, Bolivia, Cambodia, Ethiopia, Ghana, Guatemala, Guinea, Haiti, India (Uttar Pradesh), Kenya, Jordan, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, Peru, Philippines, Rwanda, Senegal, Tanzania, Uganda, and Zambia.
 23. Data Quality: The USAID KMS Project examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 24. Data Source: DHS, WHO/UNICEF Multiple Indicator Cluster Surveys (MICS), or other survey results, as reported through the FY 2013 PPR module in the U.S. Government FACTS Info reporting system. This data presentation is based on the following list of countries with a minimum of two data points for comparison (FY 2013 target and FY 2013 result): Ghana, Indonesia, Liberia, and Mozambique. In line with global WHO Joint Monitoring Program (JMP) trends, a .98 percent average rate of change was used to extrapolate out-year targets for the percent of households using an improved water source.
 25. Data Quality: The USAID MCH Program reviews and verifies data submitted by USAID operating units through the FY 2013 PPR.
 26. Data Source: DHS, WHO/UNICEF MICS, or other survey results, as reported through the FY 2013 PPR module in the U.S. Government FACTS Info reporting system. This data presentation is based on the following list of countries with a minimum of two data points for comparison (FY 2013 target and FY 2013 result) in the FY 2013 PPR: Burkina Faso, Indonesia, and Liberia.
 27. Data Quality: The USAID MCH Program reviews and verifies data submitted by USAID operating units through the FY 2013 PPR.
 28. Data Source: DHS and RHS, Micronutrient Initiative, and Census Bureau data (for population weights) for the following USAID Nutrition Program and Feed the Future (FTF) priority countries: Bangladesh, Cambodia, Ethiopia, Ghana, Guatemala, Haiti, Kenya, Liberia, Malawi, Mali, Mozambique, Nepal, Rwanda, Senegal, Tanzania, Uganda, and Zambia.
 29. Data Quality: The USAID KMS Project examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
 30. Data Source: DHS, MICS, RHS, and Census Bureau (for population weights) for the following USAID Nutrition Program and FTF priority countries: Bangladesh, Cambodia, Ethiopia, Ghana, Guatemala, Haiti, Kenya, Liberia, Malawi, Mali, Mozambique, Nepal, Rwanda, Senegal, Tanzania, Uganda, and

Zambia. FY 2013 and prior year results were recalculated based on country with at least two survey data points. Population-weighted rolling averages are based on the new data projections for FY 2012 and FY 2013; out-year targets for FY 2014 have also been estimated based on this population-weighted rolling average methodology.

31. Data Quality: The USAID KMS Project examines all third-party data for this indicator and triangulates them with a variety of sources to verify their quality, validity, and reliability.
32. Data Source: UN Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics (UIS), which is responsible for collecting global education data. The USAID targets and results are based on a sub-sample of 10 countries across regions: Ethiopia, Ghana, Guatemala, Honduras, Mali, Pakistan, Senegal, Tanzania, Yemen, and Zambia.
33. Data Quality: Data come from the acknowledged third-party organization (in this case a multilateral) responsible for collecting and maintaining global education data. Each country reports its country-level data to the UIS, which reviews all data for errors. Due to lags at each stage, there is a two-year delay in reporting. Problems with reliability remain with all global education data, and data are often delayed or missing for countries. However, this is the most straightforward and widely-used indicator for assessment and interpretation.
34. Data Source: FY 2013 PPRs from Afghanistan, Armenia, Ethiopia, Haiti, Madagascar, Malawi, Mauritania, Tanzania, West Bank and Gaza, and USAID's Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA), as captured in the U.S. Government FACTS Info reporting system.
35. Data Source: World Bank's World Development Indicators: Government cash surplus/deficit as a percent of gross domestic product (GDP). Countries monitored for this indicator are: Afghanistan, Armenia, Bosnia and Herzegovina, Bulgaria, Egypt, El Salvador, Georgia, Ghana, Honduras, India, Indonesia, Jordan, Kazakhstan, Lebanon, Nicaragua, Pakistan, Philippines, and Ukraine.
36. Data Quality: World Development Indicators are part of the World Bank's annual compilation of data about development. There is usually a one-year time delay in data reported such that data reported for FY 2013 reflect achievements in the 2012 calendar year. Calendar year 2012 data are not yet available for FY 2013 results. Before publication, the data undergo a rigorous review and validation process by World Bank technical staff and country-level committees of statistical agencies. Prior year data are updated in light of new information. The USAID Economic Analysis and Data Service Project examines the data after public release and notifies the World Bank if erroneous data are published. This is a more accurate calculation than the average that was used in prior years. Updated numbers reflect the new calculation method.
37. Data Source: World Bank's World Development Indicators: Inflation, consumer prices (annual percentage). This indicator is monitored for 32 countries that received USAID assistance in the Macroeconomic Foundation for Growth Program Area funded in FY 2006-2008.
38. Data Quality: World Development Indicators are part of the World Bank's annual compilation of data on development. Before publication, the data undergo a rigorous review and validation process by World Bank technical staff and country-level committees of statistical agencies. The USAID Economic Analysis and Data Service Project examines the data after public release and notifies International Monetary Fund or World Bank if erroneous data are published. Calculation is the percent of USAID-assisted countries with inflation rates at or below 5 percent or making progress toward that benchmark.

39. Data Source: FY 2013 PPRs from Bosnia-Herzegovina, Egypt, Georgia, South Sudan, and West Bank and Gaza as captured in the U.S. Government FACTS Info reporting system.
40. Data Source: World Bank, Doing Business Report. Countries monitored for this indicator are: Afghanistan, Georgia, Kazakhstan, Burkina Faso, Kenya, Haiti, Botswana, Macedonia, Colombia, Ghana, Tajikistan, Indonesia, and Guatemala. The values are the average time to comply with export procedures (days) and the time to comply with import procedures (days). Global reporting of this data started in FY 2005 but did not cover all listed countries until 2008.
41. Data Quality: The World Bank Doing Business Project provides objective measures of business regulations and their enforcement across 183 economies. Before publication, the data undergo a rigorous review and validation process by World Bank technical staff. The USAID Economic Analysis and Data Service Project examines data after public release and notifies the World Bank if erroneous data are published. Prior year numbers are often updated/corrected post publication.
42. Data Source: World Bank, Doing Business Report. The number of documents needed to export goods across borders is reported by country under the Trading Across Borders topic. Countries monitored for this indicator are: Afghanistan, Georgia, Kazakhstan, Burkina Faso, Kenya, Haiti, Botswana, Macedonia, Colombia, Ghana, Tajikistan, Indonesia, and Guatemala.
43. Data Quality: The World Bank Doing Business Project provides objective measures of business regulations and their enforcement across 183 economies. Before publication, the data undergo a rigorous review and validation process by World Bank technical staff. The USAID Economic Analysis and Data Service Project examines data after public release and notifies the World Bank if erroneous data are published.
44. Data Source: World Bank, World Development Indicators: Domestic credit to the private sector (as a percentage of GDP). This indicator is monitored for 38-41 countries receiving USAID technical assistance in the Financial Sector Program Area in FY 2006-2008, to allow for a lag in observable impact. These figures represent the percent of countries receiving USAID assistance in this program area providing domestic credit to the private sector equal to 60 percent or more of GDP plus those under that benchmark increasing the percent provided over the preceding year.
45. Data Quality: World Development Indicators are one of the World Bank's annual compilations of data about development. There is usually a one-year time delay in data reported such that data reported for FY 2011 reflected achievements in the 2010 calendar year, for example. Before publication, the data undergo a rigorous review and validation process by World Bank technical staff and country-level committees of statistical agencies. Prior year data are updated in light of new information. The USAID Economic Analysis and Data Service Project examines the data after public release and notifies the World Bank if erroneous data are published. This is a more accurate calculation than the average that was used in prior years. Updated numbers reflect the new calculation method.
46. Data Source: FY 2013 PPRs from Georgia, Haiti, Pakistan, and Uganda as captured in the U.S. Government FACTS Info reporting system. Operating unit contractors and grantees identify infrastructure supported with USAID funding and estimate using reasonable methods the number of beneficiaries of this infrastructure.
47. Data Source: FY 2013 PPRs for Afghanistan, Haiti, Madagascar, and South Sudan, as reported in FACTS Info.
48. Data Quality: Performance data, verified using DQAs, must meet standards of validity, integrity, precision, reliability, and timeliness. Each operating unit must document the

methodology used to conduct the DQAs. DQA and data source records are maintained in the Performance Management Plans; missions certify via the PPR that a DQA has occurred within the last three years. (For details, refer to USAID's ADS Chapter 203.3.5, <http://www.usaid.gov/policy/ads/200/203.pdf>). Limitations of this indicator include consistently estimating the number of beneficiaries of transport services across different countries and programs.

49. Data Source: FY 2013 Performance Reports for Azerbaijan, Bangladesh, Bosnia and Herzegovina, Burkina Faso, Cambodia, Ethiopia, Georgia, Ghana, Guinea, Honduras, Indonesia, Iraq, Jamaica, Kenya, Kyrgyz Republic, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Nigeria, Pakistan, Paraguay, Rwanda, Senegal, Somalia, South Sudan, Sri Lanka, Tajikistan, Tanzania, Timor-Leste, Turkmenistan, Uganda, Uzbekistan, West Bank and Gaza, Zambia, Zimbabwe, Asia Middle East Regional, State Western Hemisphere Regional, USAID Bureau for Food Security (BFS), USAID Office of Development Partners (ODP), USAID Office of Innovation and Development Alliances (IDEA), and USAID West Africa Regional, as reported in FACTS Info.
50. Data Source: FY 2013 Performance Reports for Bangladesh, Burundi, Cambodia, Georgia, Ghana, Honduras, Indonesia, Kenya, Liberia, Mozambique, Rwanda, Senegal, Somalia, Tajikistan, Tanzania, Uganda, Zambia, Zimbabwe, and USAID BFS, as reported in FACTS Info.
51. Data Source: Global Competitiveness Index (GCI) is a yearly report published by the World Economic Forum. Fewer countries were included in earlier reports. This is a product of data available from the GCI. Its reports, beginning in 2008-2009, contained data for 51 to 56 of the 64 countries that received USAID assistance in this program area. Though there was a small difference in the number of countries included in the index each year, USAID believes the difference is not great enough to discredit year-to-year comparisons.
52. Data Quality: GCI data represent the best available estimates at the time the GCI report is prepared. They are validated in collaboration with leading academics and a global network of partner institutes.
53. Data Source: World Bank's Consultative Group to Assist the Poor (CGAP) annual Financial Access report. Data are based on a survey of financial regulators in over 140 countries. The indicator is an average of those countries receiving USAID microenterprise assistance for which there is data.
54. Data Quality: CGAP's Financial Access team checks the robustness of the data by comparing with previously reported data, following up when there are large discrepancies, cross-checking values with other World Development Indicators and International Financial Statistics, and conducting checks for internal consistency and rationality.
55. Data Source: FY 2013 PPRs from Bangladesh, Brazil, Bolivia, Cambodia, China, Colombia, Ecuador, Georgia, Honduras, India, Indonesia, Kenya, Mexico, Nepal, Panama, Peru, Uganda, Ukraine, Vietnam, State Oceans and International Environment and Scientific Affairs, State Western Hemisphere Regional, USAID Bureau of Economic Growth, Education and Environment (E3), USAID Europe Regional, USAID Eurasia Regional, USAID Africa Regional, USAID Central Africa Regional, USAID West Africa Regional, USAID Regional Development Mission for Asia, USAID South Asia Regional, and USAID Central America Regional, as reported in FACTS Info. Prior to FY 2011, data were collected through E3/Global Climate Change's (GCC) online reporting tool. Starting in FY 2011, data are collected through Foreign Assistance PPR, as reported in FACTS Info. All USAID and State operating units receiving direct GCC funding for Sustainable Landscapes or Clean Energy are required to apply this indicator to their GCC programs. Accordingly, reporting on it has increased in FY 2013 and should continue in FY 2014.

56. Data Quality: Performance data, verified using DQAs, must meet standards of validity, integrity, precision, reliability, and timeliness. Each operating unit must document the methodology used to conduct the DQAs. DQA and data source records are maintained in the Performance Management Plans; missions certify via the PPR that a DQA has occurred within the last three years. (For details, refer to USAID's ADS Chapter 203.3.5, <http://www.usaid.gov/policy/ads/200/203.pdf>). Missions are encouraged to use the Agriculture, Forestry and Land Use greenhouse gas emissions calculator to increase the quality of the data under the Sustainable Landscapes pillar of the GCC strategy.
57. Data Source: FY 2013 Performance Reports from Bangladesh, Bolivia, Brazil, Cambodia, China, Colombia, Ecuador, Ethiopia, Georgia, Guatemala, Guinea, Haiti, Honduras, Indonesia, Kenya, Liberia, Malawi, Mozambique, Namibia, Nepal, Nicaragua, Paraguay, Peru, Philippines, Rwanda, Sierra Leone, South Sudan, Tanzania, Uganda, USAID Central Africa Regional, USAID Regional Development Mission for Asia, USAID South America Regional, USAID Southern Africa Regional, USAID West Africa Regional, USAID E3, State Bureau for Oceans and International Environment and Scientific Affairs, and State Western Hemisphere Regional Bureau, as reported in FACTS Info.
58. Data Source: State, Bureau of Population, Refugees and Migration.
59. Data Quality: A weakness of this indicator is its inability to assess the quality and impact of gender-based violence (GBV) program activities. Data for the indicator are reviewed by the Bureau's gender, monitoring, and budget officers.
60. Data Source: USAID's Office of U.S. Foreign Disaster Assistance (OFDA) proposal tracking system (abacus) and field monitoring reports, as available.
61. Data Quality: A weakness of this indicator is its inability to assess the quality of protection activities.
62. Data Source: USAID's Office of Food for Peace (FFP) Summary Request and Beneficiary Tracking Table.
63. Data Quality: DQAs are not required for emergency programs, but FFP nonetheless conducts them as a development best practice. DQAs are done on the data from the previous fiscal year, so FFP's next DQA will be done in FY 2015 drawing on FY 2014 data.
64. Data Source: Internal awards tracking systems (abacus) and other sources, including implementing partner reports, and verbal or written reports from regional teams.
65. Data Quality: A weakness of this indicator is its inability to reflect appropriate identification and targeting of eligible beneficiaries or the quality of humanitarian assistance activities.
66. Data Source: Internal award tracking system (abacus), third-party reporting, international organization reporting, non-governmental organization reports, individual contacts, etc.
67. Data Quality: The implementation or application of training is likely to follow some years after U.S. Government inputs. The numerator will necessarily be a subjective estimate initially, although improved data collection mechanisms in the future can improve on data access and reporting.
68. Data Source: Internal award tracking system (abacus), and implementing partner quarterly reports.
69. Data Quality: The rigor, length, and quality of the training varies among countries. Without established criteria to standardize "training," this indicator may be subject to some over-reporting.

APPENDIX B.

SUMMARY OF FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) DEFINITIONS AND REPORTING

DEFICIENCY CATEGORY	OPERATIONS	FINANCIAL REPORTING
Material Weakness (FMFIA Section 2)	A significant deficiency, or combination of significant deficiencies, that is significant enough to report outside the Agency, such as the Office of Management and Budget (OMB) and Congress. Generally, such a weakness would: (1) significantly impair the organization's ability to achieve its objectives; (2) result in the use of resources in a way that is inconsistent with Agency mission; (3) violate statutory or regulatory requirements; (4) result in a significant lack of safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets; (5) impair the ability to obtain, maintain, report, and use reliable and timely information for decision making; or (6) permit improper ethical conduct or a conflict of interest.	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, will not be prevented or detected.
Significant Deficiency (FMFIA Section 2)	A deficiency or a combination of deficiencies in internal control that, in management's judgment, should be communicated to the next level of management because they represent significant weaknesses in the design or operation of an administrative, programmatic, operational, accounting, or financial internal control that could adversely affect the Agency's overall internal control objectives.	A control deficiency ¹ , or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report external financial data reliability in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements, or other significant financial reports, that is more than inconsequential will not be prevented or detected.
Nonconformance (FMFIA Section 4)	Instances in which financial management systems do not substantially conform to established financial systems requirements.	

¹ A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A design deficiency exists when a control necessary to meet the control objective is missing or an existing control is not properly designed, so that even if the control operates as designed, the control objective is not always met. An operation deficiency exists when a properly designed control does not operate as designed or when the person performing the control is not qualified or properly skilled to perform the control deficiency.

APPENDIX C.

ABBREVIATIONS AND ACRONYMS

A

A&A	Acquisition and Assistance
AARAD	Acquisition and Assistance Review and Approved Document
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
ALC	Administrator's Leadership Council
APG	Agency Priority Goal
APR	Annual Performance Report
ART	Antiretroviral Therapy
ASIST	Agency Secure Image and Storage Tracking System
ATDA	Accountability of Tax Dollars Act

B

BFS	Food Security Bureau
BPA	Blanket Purchase Agreement
BRM	Office of Budget and Resource Management

C

C-TIP	Countering Trafficking in Persons
CACS	Consolidated Audit and Compliance System
CAP	Cross-Agency Priority
CDCS	Country Development Cooperation Strategy
CEQ	Council on Environmental Quality
CFO	Chief Financial Officer
CGAP	Consultative Group to Assist the Poor
CHCO	Chief Human Capital Officer

CIF	Capital Investment Fund
CIO	Chief Information Officer
COO	Chief Operating Officer
CPC	Critical Priority Country
CRA	Credit Reform Act
CY	Current Year

D

DCA	Development Credit Authority
DCAA	Defense Contract Audit Agency
DCFO	Deputy Chief Financial Officer
DCHA	Democracy, Conflict, and Humanitarian Assistance Bureau
DEC	Development Experience Clearinghouse
DHS	Demographic Health Survey
DMF	Death Master File
DNP	Do Not Pay
DoD	Department of Defense
DOL	Department of Labor
DOTS	Direct Observed Treatment Short-course
DPT	Diphtheria, Pertussis, and Tetanus
DQA	Data Quality Assessment
DRC	Democratic Republic of Congo
DRG	Democracy, Human Rights, and Governance

E

E3	Economic Growth, Education, and Environment Bureau
eCART	Enhanced Web-based Cash Reconciliation Tool
EFSP	Emergency Food Security Program
EGAT	Economic Growth, Agriculture and Trade Bureau
ESF	Economic Support Fund

F

FA	Foreign Assistance Bureau
FAA	Foreign Assistance Act
FACTS	Foreign Assistance Coordination and Tracking System
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FEHB	Federal Employees Health Benefits Act
FEGLI	Federal Employees Group Life Insurance Act
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FFP	Office of Food for Peace
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FRPP	Federal Real Property Profile
FSN	Foreign Service National
FSO	Foreign Service officers
FSSI	Federal Strategic Sourcing Initiative
FTF	Feed the Future
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GBV	Gender-based Violence
GCC	Global Climate Change
GCD	Grand Challenge for Development
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GH	Global Health Bureau
GHI	Global Health Initiative

GLAAS	Global Acquisition and Assistance System
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Act Modernization Act
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

H

HCTM	Office of Human Capital and Talent Management
HHS	Department of Health and Human Services
HIV/AIDS	Human Immune Deficiency Virus/Acquired Immune Deficiency Syndrome
HSPD-12	Homeland Security Presidential Directive 12

I

ICPT	Internal Control Program Team
IDA	International Disaster Assistance
IDEA	Office of Innovation and Development Alliances
IG	Inspector General
IGT	Intragovernmental Transactions
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology

J

JMP	Joint Monitoring Program
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K

KMS	Knowledge Management Services
KYFC	Kayah State. The Kayah Youth Forum Committee

L

LAB	U.S. Global Development Lab
LEAD	Leveraging Effective Application of Direct Investments
LEI	Leadership Effectiveness Index
LPA	Legislative and Public Affairs Bureau

M

M	Management Bureau
M/CFO	Office of the Chief Financial Officer
MAPPR	Mission Agreement Project Pipeline Reporting
MCC	Millennium Challenge Corporation
MCH	Maternal and Child Health
MCPR	Modern Contraceptive Prevalence Rate
MCRC	Management Control Review Committee
MD&A	Management's Discussion and Analysis
MDG	Millennium Development Goal
MENA	Middle East Northern Africa
MICS	Multiple Indicator Cluster Survey
MOV	Maintenance of Value
MSED	Micro and Small Enterprise Development
MW	Megawatts

N

N/A	Not Applicable
NER	Net Enrollment Rate
NET	Noor Education Trust
NFC	National Finance Center
NGO	Non-Governmental Organization
NPR	National Public Radio
NTD	Neglected Tropical Disease

O

OAPA	Office of Afghanistan and Pakistan Affairs
OCO	Overseas Contingency Operation
ODP	Office of Development Partners
OFDA	Office of U.S. Foreign Disaster Assistance
OHR	Office of Human Resources
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OST	Office of Science and Technology
OTI	Office of Transition Initiatives

P

PALT	Procurement Action Lead Time
PAR	Performance and Accountability Report
PEPFAR	President's Emergency Plan for AIDS Relief
PFMRAF	Public Financial Management Risk Assessment Framework
PIO	Performance Improvement Officer
PMI	President's Malaria Initiative
PP&E	Property, Plant and Equipment
PPD-6	Presidential Policy Directive on Global Development
PPL	Policy, Planning, and Learning Bureau
PPR	Performance Plan and Report
Pub. L.	Public Law
PY	Prior Year

Q

QDDR	Quadrennial Diplomacy and Development Review
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R

RHS	Reproductive Health Survey
RRB	Ronald Reagan Building

S

SAM	System for Award Management
SAI	Supreme Audit Institutions
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SMS	Short Messaging Services
SOS	Schedule of Spending
SPEED	Support Program for Economic and Enterprise Development
SPFI	Summary of Performance and Financial Information
SSAE	Statement on Standards for Attestation Engagements
State	Department of State

T

Treasury	Department of the Treasury
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U

U.S.	United States
U.S.C.	United States Code
UE	Urban and Environmental
UIS	UNESCO Institute for Statistics
ULO	Unliquidated Obligations
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USSGL	U.S. Standard General Ledger

W

WFP	World Food Program
WHO	World Health Organization
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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