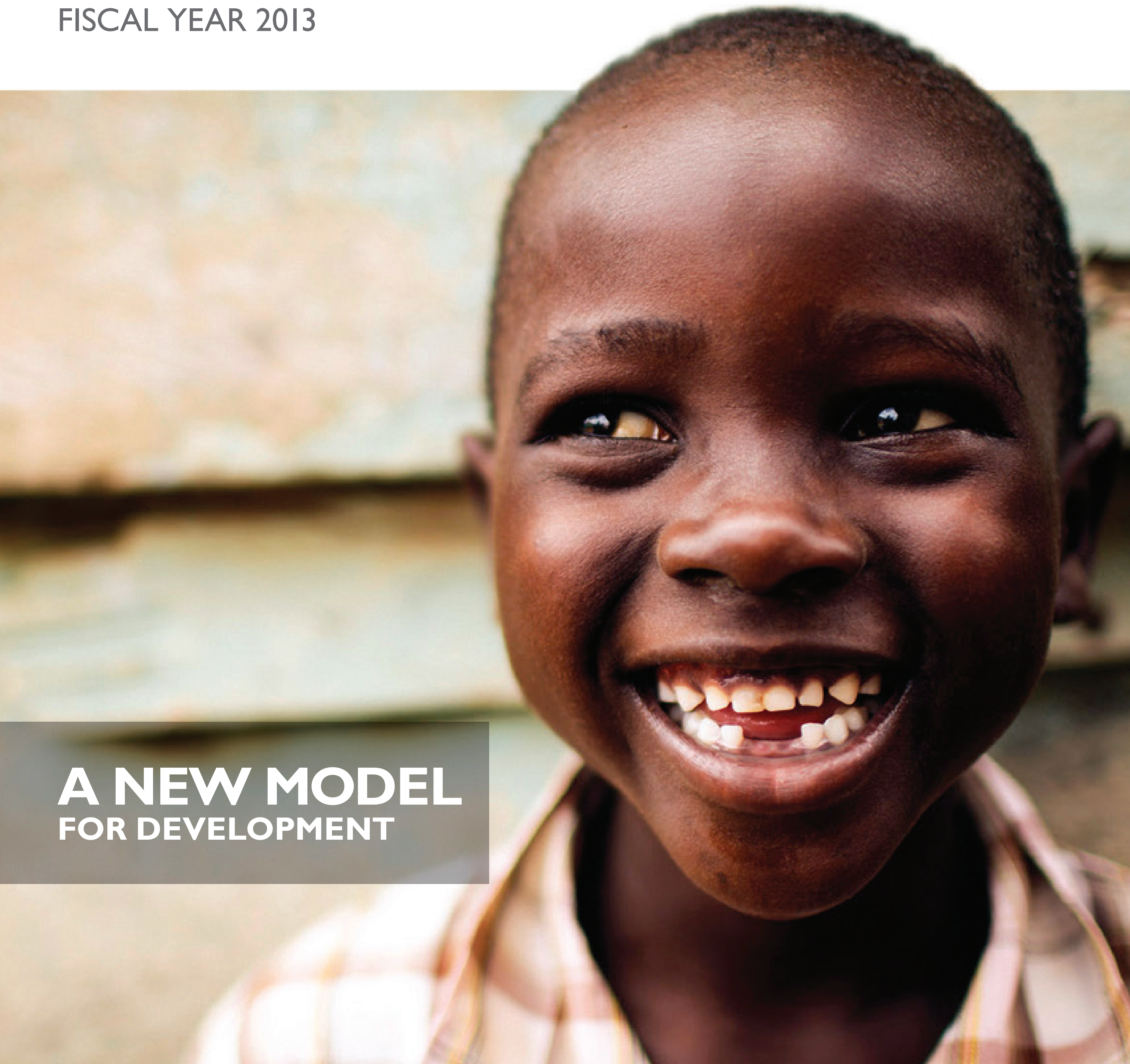
USAID
FROM THE AMERICAN PEOPLE

AGENCY FINANCIAL REPORT

FISCAL YEAR 2013



A NEW MODEL
FOR DEVELOPMENT

ABOUT THIS REPORT

The Reports Consolidation Act of 2000 authorizes federal agencies to consolidate various reports in order to provide performance, financial, and related information in a more meaningful and useful format. This report, along with the Annual Performance Report, satisfies the reporting requirements of 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;
- 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;
- American Recovery and Reinvestment Act (Recovery Act) of 2009 – requires reporting on agency allocation of Recovery Act funds to each state through individual programs;
- Government Performance and Results Act (GPRA) Modernization Act (GPRAMA) of 2010 – requires quarterly performance reviews of federal policy and management priorities;
- Improper Payments Elimination and Recovery Act (IPERA) of 2010 – requires agencies to improve agency efforts to reduce and recover improper payments;
- Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 – requires federal agencies to expand their efforts to identify, recover, and prevent improper payments.

Since FY 2007, the U.S. Agency for International Development (USAID) has elected to continue the production of three separate reports in lieu of a consolidated Performance and Accountability Report (PAR).

- Agency Financial Report (AFR) – provides complete details on relevant financial results;
- Annual Performance Report (APR) – provides complete details on performance results [to be submitted in conjunction with the Congressional Budget Justification in February 2014];
- Joint Department of State and USAID Summary of Performance and Financial Information Report – summarizes the AFR and APR in a brief, user-friendly format [available February 2014].

All three reports will be available at *http://www.usaid.gov/results-and-data/progress-data*.

There are three major sections to this report. The first section, Management's Discussion and Analysis (MD&A), provides an overview of financial results, a high-level discussion of program performance, management assurances on internal control and financial management systems compliance; and other management information, initiatives, and issues. The second section, Financial Section, provides the financial details, including the independent auditor's report, audited financial statements, and a message from the CFO. The third section, Other Information, includes the schedule of spending; a statement prepared by the OIG summarizing what the OIG considers to be the most serious management and performance challenges facing the Agency; tables summarizing the financial statement audit and management assurances; and a detailed report on Agency efforts to reduce and recover improper payments.

***(Cover)* In Kalangala, a town on Uganda's Bugala Island, residents like this boy benefit from a USAID program that guarantees local bank loans to spark private investment, which in turn helps improve access to clean water, better health care, and a more robust island economy.**

PHOTO: BOBBY NEPTUNE / USAID

This report is available at: *http://www.usaid.gov/results-and-data/progress-data/agency-financial-report*

TABLE OF CONTENTS

A Message from the Administrator

Management's Discussion and Analysis

3 Mission and Organizational Structure

6 Program Performance Overview

26 Analysis of Financial Statements

- 30 Limitations of the Financial Statements

31 Analysis of Systems, Controls, and Legal Compliance

- 31 Management Assurances
- 38 Goals and Supporting Financial System Strategies

40 Other Management Information, Initiatives, and Issues

Financial Section

49 A Message from the Acting Chief Financial Officer

51 Independent Auditor's Report

75 Financial Statements and Notes

121 Required Supplementary Information

Other Information

129 Schedule of Spending

131 Inspector General's Statement of Most Serious Management and Performance Challenges for USAID

147 Summary of Financial Statement Audit and Management Assurances

149 Improper Payments Elimination and Recovery Act Reporting Details

Appendices

161 Appendix A. Performance Indicators Data Notes

168 Appendix B. Abbreviations and Acronyms

A MESSAGE FROM THE ADMINISTRATOR

Rajiv Shah

Over four years ago, President Barack Obama set forth a new vision of a robust and results-oriented U.S. Agency for International Development (USAID) that would lead the world in development. In the years since, we have seized upon this challenge, advancing an ambitious reform effort that is not only transforming the way we work around the world, but also the kind of results we can deliver.

Under the leadership of President Obama, we helped launch new global partnerships to dramatically accelerate and scale up efforts in food security, child survival, and access to energy. Taken together, these high-impact efforts formed the foundation for a new model of development that brings new public-private partnerships, a greater emphasis on innovation, and a relentless focus on results. It is a model that recognizes that the problems we face—from ending extreme poverty to mitigating climate change—are solvable. But solving them requires a meaningful commitment from all parts of our society.

Although most of us work far from home, our work remains first and foremost for our home: for the markets we open to American businesses, the skills of our young people we help build, and the threats to our shores that we help prevent. By advancing broad-based economic growth, democracy, and human progress around the world, we help create new jobs today and better position American companies for the markets of the future. Most important, we never stop working toward the day when our efforts will no longer be needed.

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

After more than two years, the USAID Forward reform agenda has touched upon every part of our Agency—from budget to talent management. In each area of reform, we set aspirational targets that have established a common language for success, challenged our partners, and encouraged us to step out of our comfort zone.

We re-established our policy bureau and budget capabilities from scratch, giving us greater control over how, when, and where we spend our resources. These decisions allowed us to better focus our efforts where the needs and potential impact are greatest. Since 2010, regional bureaus have reduced program areas by 29 percent; Feed the Future agriculture programs have been phased out of 22 countries; and USAID global health program areas have been phased out of 23 countries.

Since the launch of our evaluation policy, 186 high-quality evaluations were completed for both ongoing and completed programs, and they are available on our Web site or through a mobile app. Half of these evaluations have led to mid-course corrections to increase the development impact and one-third has led to budget changes.

A new emphasis on supporting and strengthening local solutions has enabled us to shift $1.4 billion in funding to local institutions, firms, and organizations in 2012 alone—helping strengthen self-sufficiency. When we partner with developing country institutions, we use sophisticated tools to access their financial management capacity and safeguard U.S. resources.

We continue to mobilize a new generation of innovators and scientists through our Development Innovation Ventures Fund and the Higher Education Solutions Network. In the last three years, we have launched five Grand Challenges for Development to generate game-changing new ideas in maternal and child health, childhood literacy, clean energy, water, and open government. For example, through *All Children Reading*, nearly three dozen organizations—half of them local—are pioneering a range of novel approaches to education, from helping children in India learn to read with same language subtitling on movies and TV to bringing fully stocked e-readers to rural Ghana.

We are also focusing on working more effectively with a range of partners, from faith-based organizations to private sector companies. A new emphasis on leveraging private sector resources has enabled us to dramatically expand our Development Credit Authority—unlocking a record $525 million last year in commercial capital to empower entrepreneurs around the world. In 2012, we significantly increased our contributions to public-private partnerships, in turn leveraging an additional $383 million in resources from our private sector partners.

We have made great strides in laying a foundation for success and institutionalizing these reforms as a core part of our Agency, but we know a lot of work remains. We continue to work hard to meet serious management and performance challenges across the Agency. As the Statement by the Office of Inspector General reports, we face challenges in six areas, including work in non-permissive environments, sustainability, local solutions, and performance management and reporting.

For example, we face daunting challenges in implementing programs in countries like Afghanistan, Pakistan, Iraq, and Somalia, and we have focused intensely over the past several years on improving our ability to work in these non-permissive environments. As a result, we are launching a new Working Group on non-permissive environments to help us manage risk effectively. Three sub-groups will focus on compiling a compendium of best practices, developing a monitoring toolkit, and preparing training that focuses on our human capital. We look forward to delivering these new tools—which are contingent on funding—to our team in order to strengthen our efforts and better protect our staff, regardless of the environment in which we work.

FOOD AID REFORM

There is perhaps no better example of our commitment to the bedrock principles of effectiveness and efficiency than the food aid reform package proposed in this past year's budget request, which would enable us to feed four million more hungry children every year with the same resources, while maintaining the valuable contribution of American agriculture to this mission.

This proposal would increase the flexibility that our Food for Peace program has to respond to emergencies and strengthen food security by enabling us to use a wider range of life-saving tools, including increased local and regional purchase, food vouchers, and transfers. Buying food locally can speed the arrival of aid by as many as 14 weeks. It can also cost much less—as much as 50 percent less for cereals alone. In complex environments, like Syria and Somalia, these flexible tools are invaluable.

The President's proposal maintains the majority of our emergency food aid funds for the purchase and transport of American commodities. That means we're going to keep working with soy, wheat, pulse, and rice farmers and processors across America who help feed hungry children from Bangladesh to the Sahel—often in the form of specialized high nutrition products.

We made great strides this year toward these reform goals, and we will continue to work with Congress and our partners to achieve the reforms needed to feed millions more vulnerable people around the world.

DELIVERING MEANINGFUL RESULTS

Across our work, we are moving from a traditional approach of top-down development to a new model that engages talent and innovation everywhere to achieve extraordinary goals. Although this letter only focuses on specific efforts, USAID is delivering meaningful results across a range of priorities, from improving global education, to advancing land tenure rights, to empowering women and girls, to expanding access to mobile and electronic payments for millions of families.

FEED THE FUTURE INITIATIVE

As one of the President's first foreign policy acts, Feed the Future represented a fundamentally new approach to food security that placed smallholder farmers, especially women, at the center of country-led efforts to transform agriculture and break the vicious cycle of poverty and hunger.

This year, we released the second Feed the Future Progress Report, which highlighted the results of this new approach. We helped 7.5 million farmers adopt improved technologies or management practices. To address the root causes of hunger and undernutrition, we have taken an integrated nutrition approach to reduce stunting by 20 percent in Feed the Future countries—a target that will prevent two million children from suffering the devastating condition of stunting over the next five years. Last year alone, we reached 12 million children through nutrition programs.

In Bangladesh, farmers are using a new fertilizer technique that led to the first-ever rice surplus in the nation's poorest region. In Haiti, improved planting techniques have helped increase corn yields by 360 percent and rice by almost 120 percent. Far from fleeting, these efforts are quietly and powerfully changing the face of poverty and hunger. Since 2005, we have seen poverty rates fall by an average of 5.6 percent and stunting by an average of 6 percent across all Feed the Future countries.

Last year, the President led global food security efforts to the next stage, introducing the New Alliance for Food Security and Nutrition. Today, it is a $3.75 billion public-private partnership that has encouraged reforms from nine African governments and commitments from more than 70 global and local companies. In Tanzania, Yara International is constructing a fertilizer terminal at the nation's largest port, and in Ethiopia, Dupont is expanding seed distribution to reach 30,000 smallholder maize farmers and increase productivity by 50 percent.

At the same time, governments have committed to serious market-oriented reforms. Tanzania removed its export ban on staple commodities, Mozambique eliminated permit requirements for inter-district trade, and Ethiopia no longer imposes export quotas on commercial farm outputs and processed goods.

GLOBAL HEALTH

Thanks to strong bipartisan support, we are on track to provide life-saving health assistance to more people than ever before, as we work to achieve the end of preventable child and maternal death and an AIDS-free generation.

Around the world, we are seeing real results of global partnerships to accelerate progress toward these goals. We recently celebrated with Ethiopia as the country successfully achieved Millennium

Development Goal 4, reducing child mortality by two-thirds and helping millions more children survive and thrive. In September, the Joint United Nations Programme on HIV/AIDS also reported that new HIV infections among children have fallen 52 percent since 2001, putting us within reach of Millennium Development Goal 6.

To build on this incredible progress, we are aligning our budgets to the areas of greatest need across our global health portfolio. Now, 90 percent of our bilateral maternal and child resources is programmed in the 24 priority countries that account for 70 percent of maternal and child deaths in the developing world. Within those countries, we are realigning our portfolios to help address the highest priority gaps and needs identified in country-owned plans.

Since we helped launch the Child Survival Call to Action in June 2012, more than 175 countries, 200 civil society organizations, and 220 faith-based organizations have pledged to accelerate progress on newborn, child, and maternal survival. We also formed more than half a dozen new partnerships with private sector companies to deepen their engagement in ending preventable child and maternal deaths. At the same time, more than half a dozen countries—including those that have the highest rates of child death—created evidence-based business plans and data-driven report cards to track their progress.

POWER AFRICA

In June, the President announced Power Africa, a new public-private partnership to double access to power on the continent and connect American investors and entrepreneurs to business opportunities abroad. The President announced more than $7 billion toward Power Africa—a commitment that will leverage over $14.5 billion in financing and investment from private sector partners.

With an initial set of six partner countries, Power Africa focuses on completing projects quickly and efficiently, while encouraging countries to make energy sector reforms critical to their success.

In Ethiopia, for example, Power Africa is supporting the first independent power producer geothermal plant in the country, a project that will pave the way for future private sector investment in Ethiopia and provide enough power to reach tens of thousands of people.

In Tanzania, Power Africa is financing the construction of three renewable energy plants, the first phase in a series of biomass and solar mini-grid projects to expand access for the more than 85 percent of Tanzanians that lack access to the grid.

HUMANITARIAN ASSISTANCE

We remain committed to helping the innocent men, women, and children affected by the ongoing crisis in Syria. Today, we provide life-saving aid for 4.2 million people in all 14 governorates across the country, as well as more than two million people who have fled the violence into neighboring countries. While we are primarily focused on emergency medical care and food assistance, we also help provide safe drinking water, shelter repair, and psychosocial support.

We also continue to meet global humanitarian needs around the world. This past summer, we responded quickly to address the humanitarian crises that erupted in South Sudan. By September, nearly 72,000 people had received food and other life-saving emergency assistance. In the Sahel, we reached more than three million people with a range of activities from treating malnutrition to providing food and cash assistance for vulnerable households.

RESILIENCE

While we remain the world's leader in humanitarian response, we are increasingly focused on ensuring communities can better withstand and bounce back from shocks—like droughts, floods, and conflict—that push the most vulnerable people into crisis again and again.

In the Horn of Africa and the Sahel, we are at the forefront of international efforts to build resilience in the face of recurrent crises. Although our work is still in the early stages, we are already starting to see results. In Ethiopia, we are using new underground water mapping technology to improve access to water for over 137,000 individuals. In Kenya, 71 vulnerable communities in arid regions have new community-led plans in place to help them on the path from dependence to resilience. All told, we aim to directly benefit 11 million people across both regions.

DEMOCRACY, HUMAN RIGHTS, AND GOVERNANCE

Across the world, we are strengthening democracy, human rights, and governance (DRG) with a new emphasis on harnessing the power of technology and partnership to catalyze progress. Our efforts are guided by a new strategy we released in June to better elevate and integrate DRG into our broader mission.

In Kenya, for example, we supported a grassroots movement called "Yes Youth Can," which brought together young people who had witnessed an explosion of violence in their communities after the 2007 election. As the 2013 elections approached, they stood together—one million strong—and helped carry their nation forward in peace.

In partnership with young leaders around the world, we are also helping build the global movement to combat human trafficking. Last year, we launched the Challenge Slavery Tech Contest, which grew an online community of over 2,000 students and invited them to submit innovative solutions.

We continue to work across North Africa and the Middle East to help local citizens realize their democratic aspirations. In Tunisia, we have continued to support civil society and the government to implement the Decree on Associations, one of the most progressive non-governmental organization laws in the region, which was put in place in the wake of the revolution. We are also preparing to support Tunisia's next round of elections, anticipated for early 2014. And in Yemen, we supported orientation briefings for every delegate to the National Dialogue Conference—including special consultations for female delegates—so they could understand the process and their role within it.

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, USAID received an unmodified audit opinion. We acknowledge the conclusions of the audit report and have prepared a plan to address one material weakness as well as four significant deficiencies identified by the audit. In addition, the auditor concluded 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 Office of Inspector General 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 section of this report. I hereby certify that the financial and performance data in the FY 2013 AFR are reliable and complete.

CONCLUSION—ENDING EXTREME POVERTY

This is an important moment in development. Today, we have new tools and fundamentally new approaches that enable us to achieve progress that was simply unimaginable in the past: the eradication of extreme poverty and its most devastating corollaries, including widespread hunger and preventable child death.

In the 2013 State of the Union address, the President gave voice to this vision when he called upon our Nation to join with the world in ending extreme poverty in the next two decades. "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," President Obama told the country.

As we step forward to answer the President's call with renewed energy and focus, we remain committed to engaging the American people and serving their interests by leading the world to end extreme poverty.

Rajiv Shah
Administrator
December 16, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the Mutema banana scheme in southeastern Zimbabwe, a USAID-backed program helps hundreds of smallholder farmers increase their productivity by partnering with a commercial buyer and installing modern technologies, including the micro-jet irrigation systems seen here. PHOTO: FINTRAC, INC.

"Maama" Tina owns a shop in Kasekula town on Bugala Island, Uganda. A USAID program that guarantees local bank loans for private investment has helped improve the island's infrastructure, and Maama Tina's income has doubled as a result. PHOTO: BOBBY NEPTUNE / USAID

MISSION AND ORGANIZATIONAL STRUCTURE

MISSION STATEMENT

USAID's mission is to advance broad-based economic growth, democracy, and human progress in developing countries.

Today with the strong backing of the Obama Administration, the Agency is building on its legacy as one of the world's premier development agencies and making new progress toward its ultimate goal: creating the conditions where U.S. assistance is no longer needed.[1]

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

USAID has elected to produce an Agency Financial Report (AFR), Annual Performance Report (APR), and Summary of Financial and Performance Information report as an alternative to the consolidated Performance and Accountability Report (PAR). The Agency will include its FY 2013 APR with its Congressional Budget Justification and will post it along with the Summary report on the Agency's Web site at *http://www.usaid.gov/results-and-data/progress-data/annual-performance-report* by February 17, 2014.

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 80 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 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).

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 2013, the Agency's mission was supported by 3,858

[1] This statement was formulated by the USAID Senior Leadership Team in support of the Mission Statement included in the FY 2007-2012 Department of State and USAID Strategic Plan (*http://www.usaid.gov/qddr*).

There is no escaping our obligations: our moral obligations as a wise leader and good neighbor in the inter-dependent 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

permanent and non-permanent direct hire employees, including 2,143 in the Foreign Service and 1,715 in the Civil Service. Additional support came from 4,223 Foreign Service Nationals, and 1,339 other non-direct hire employees (not counting institutional support contractors). Of these employees, 2,860 are based in Washington, D.C., and 6,561 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:

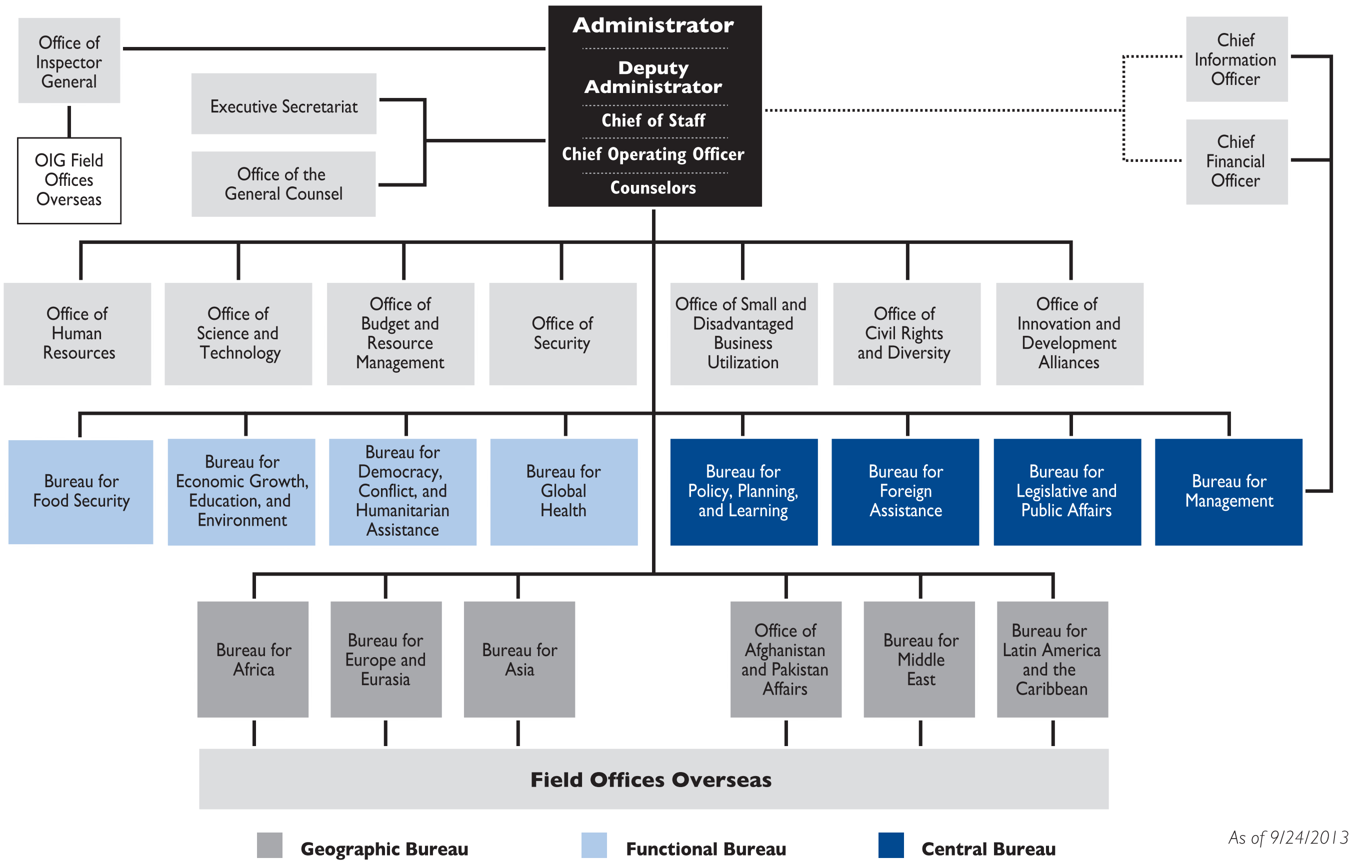
- Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), which provides expertise in democracy and governance, conflict management and mitigation, and humanitarian assistance;
- Bureau for Economic Growth, Education, and Environment (E3), which provides expertise in economic growth, trade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

Central bureaus include:

- Bureau for Policy, Program, and Learning (PPL), which oversees all program, policy, and development and promotes a learning environment;
- Bureau for Management (M), which administers centralized support services for the Agency's worldwide operations;
- 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);
- Bureau for Legislative and Public Affairs (LPA), which manages the Agency's outreach programs to promote understanding of USAID's mission and programs.

In addition to these bureaus, USAID has 10 independent offices that are responsible for discrete Agency functions that include human capital management, diversity programs, security, and partnerships. These offices are: (1) the Office of the Executive Secretariat, (2) the Office of Civil Rights and Diversity, (3) the Office of the General Counsel, (4) the Office of Small and Disadvantaged Business Utilization, (5) the Office of Security, (6) the Office of Innovation and Development Alliances, (7) the Office of Human Resources, (8) the Office of Science and Technology, and (9) the Office of Budget and Resource Management. Finally, (10) 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

Three years ago, President Barack Obama and then-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 first-ever Presidential Policy Directive on Global Development (PPD-6) and the Quadrennial Diplomacy and Development Review (QDDR), they set forth a vision of an empowered and robust Agency that could lead the world in solving the greatest development challenges of the day.

To meet these high expectations and approach its mission with renewed capacity, the Agency has undertaken an ambitious reform agenda called USAID Forward. It focused on seven key areas:

- Budget Management;
- Policy Capacity;
- Local Solutions (formerly Implementation and Procurement Reform);
- Monitoring and Evaluation;
- Innovation;
- Science and Technology;
- Talent Management.

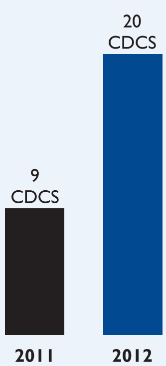
In each area, the Agency set aspirational targets that established a common language for success, challenged its partners, and encouraged it to step out of its comfort zone. Although the Agency is measuring progress according to these specific indicators, they serve as proxies for USAID's underlying development goals. Ultimately, each reform falls into one of the following three separate but mutually reinforcing principles that the Agency believes defines good development work today.

1 DELIVER RESULTS ON A MEANINGFUL SCALE THROUGH A STRENGTHENED USAID

As the PPD-6 explained, 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, it has to pursue a more strategic, focused, and results-oriented approach. That means:

- Designing country and sector development strategies and projects to better align U.S. Government resources with the priorities of its partner countries;

COUNTRY DEVELOPMENT COOPERATION STRATEGIES: STRATEGIC PLANNING IN PERU



INCREASE IN USAID CDCS SINCE 2011

One CDCS per country

During the five decades that USAID has provided development assistance to Peru, the country has made tremendous progress—from reduced maternal and infant mortality rates to more effective and accountable institutions. The key challenges facing Latin America today remain in security, economic growth, and the environment. In response, USAID/Peru worked closely with the Government of Peru to develop a Country Development Cooperation Strategies (CDCS) with one clear, common goal for the next five years: strengthen Peru's stability and democracy through increased social and economic inclusion and reductions in illicit cocoa cultivation and the illegal exploitation of natural resources. To achieve this goal, USAID/Peru is focusing its efforts geographically to maximize impact in the five regions of the country with the greatest concentration of illegal activities. These include the San Martin region where the regional government has taken the lead by their own initiative to manage USAID programs in health, education, and alternative development with technical assistance from USAID staff. Focusing geographically allows USAID to achieve a more concentrated, holistic development impact and the team approach has been so successful in building local capacity and reducing overall costs that USAID/Peru plans to replicate the model in other regions.

- 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.

2 PROMOTE SUSTAINABLE DEVELOPMENT THROUGH HIGH-IMPACT PARTNERSHIPS

In order to achieve long-term, sustainable development, USAID has to support the institutions, private sector partners, and civil society organizations that serve as engines of growth and progress for their own nations. The Agency must develop the capabilities of its partners to direct their own development by:

- Investing directly in partner governments and local organizations where the capacity exists, and strengthening it where there are gaps, so they can provide for their own citizens;
- Forging high-impact, 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

For centuries, some of the greatest successes in development have come from extending the reach of science and technological breakthroughs to those who lacked access. At USAID, there is a strong history of partnership with the scientific community that helped pioneer these innovations, from helping usher in the Green Revolution with

USAID HAS FORMED NEW PARTNERSHIPS ACROSS THE GLOBE

Public-private partnerships provide a convening platform to bring together new parties and mobilize more resources to transform lives. This is what USAID has done through its partnership with the World Cocoa Foundation and the Sustainable Trade Initiative. Over a five-year lifespan, Feed the Future's Africa Cocoa Initiative (ACI) will leverage a total of $11 million in investments from its principal partners including key chocolate-producing companies such as Cargill, Hershey Company, Kraft Foods, Nestle, and Mars. The ACI aims to double cocoa productivity and train 100 thousand farmers throughout West Africa. The ACI is providing farmer productivity training, introducing higher-yielding tree stock, and working with agro-dealer networks to improve access to fertilizer, inputs, and extension support.

ACHIEVING SUSTAINABLE DEVELOPMENT THROUGH LOCAL SOLUTIONS

From FY 2010 to FY 2012, the percent of global mission funding awarded to local institutions increased from 9.71% to 14.30%.

	FY 2010	FY 2011	FY 2012
Host Country Government	4.03%	6.49%	6.79%
Local Organizations	5.68%	6.50%	7.51%
Total Increase	**9.71%**	**12.99%**	**14.30%**

USAID INVESTS IN MOBILE MONEY INITIATIVE

USAID's investment in Afghanistan's Mobile Money initiative has helped to improve transparency and mitigate corruption in the disbursement of public sector employee pay. USAID's $5 million Mobile Money initiative will convert 400 thousand Afghan civil servants and security personnel salaries currently being paid in cash onto the mobile phone; facilitate bill payment for the 750 thousand electricity customers; and encourage USAID implementing partners to use mobile money. In the past year, USAID worked closely with the Central Bank to reduce regulatory barriers to entry so now all four mobile operators have established mobile money capabilities. With USAID's support, Etisalat, a regional mobile telephone and Internet service provider, and the Afghan electricity utility have come together to provide upwards of 110 thousand households with the opportunity to pay their electricity bills via their mobile phone.

400,000
SALARIES

750,000
ELECTRICITY BILLS

higher-yielding wheat and rice seeds to helping scale up the use of oral rehydration therapy to save tens of millions of lives from diarrheal diseases. Today, the Agency is working to capture this legacy by:

- Investing in new technologies and research to source and scale game-changing development 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.

USAID has made great strides over the last several years in laying a foundation for success and institutionalizing these reforms as a core part of the Agency.

FORWARD PROGRESS

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

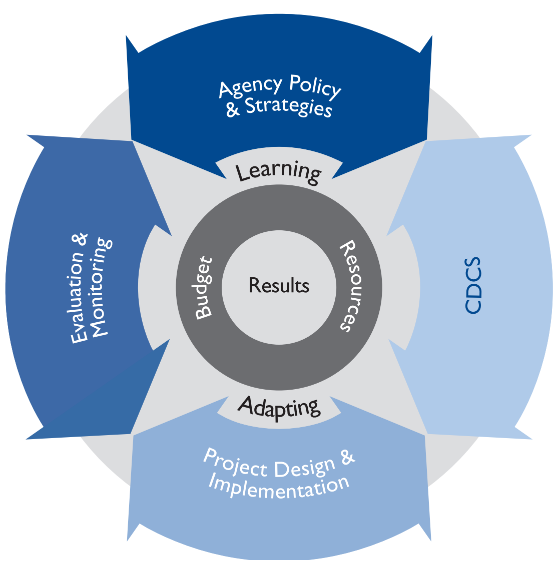
- Is testing what works and what doesn't through rigorous evaluations and making changes as needed. The Agency has completed 186 high-quality evaluations since 2011 and is making all of these evaluations publicly available so that all involved can learn and improve together.
- Is fostering a culture of innovation and using its convening power to source and scale new and creative solutions. The Agency has sponsored four Grand Challenges, with 50 percent of applicants coming from the developing world.
- Is 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 two years.
- Is beginning a critical shift in the way it delivers assistance and has substantially strengthened both its Development Credit Authority (DCA) and public-private partnerships. The Agency leveraged an additional $383 million of non-U.S. Government money toward its development goals through public-private partnerships over the last year alone.
- Is renewing its internal capacity to make sure it has the right people with the right skills in the right places. It has 1,100 new staff and has filled nearly all the vacant positions it had in its missions in Africa.
- Has re-established its policy bureau and budget office, giving the Agency greater control over how, when, and where to spend its resources.
- In 2012, moved money to its bureaus three months earlier than the year before, allowing its missions to better manage and plan their programs; undertook a systematic review of its existing policies to help break institutional barriers and remove onerous reporting requirements; provided its missions with greater flexibility to work with local civil society and private sector organizations; created a sophisti-

cated risk-based assessment tool to determine the financial management capacity of partner country governments; and standardized project design guidelines.

To learn more on the progress of USAID Forward, see the 2013 USAID Forward Progress Report, which can be found at *http://www.usaid.gov/sites/default/files/documents/1868/2013-usaid-forward-report.pdf*.

DISCIPLINE OF DEVELOPMENT

In 2011, USAID introduced the Program Cycle as the foundational framework for evidence-based development. The Program Cycle applies components of the Managing for Results Framework to the USAID context to reinforce the linkage 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. USAID missions and offices utilize each project's Performance Management Plans 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.

QUALITY EVALUATION

To ensure country programs and strategies are actually 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 has completed 186 high-quality evaluations worldwide that are helping it make smarter decisions. More than 50 percent of completed evaluations led its staff to make mid-course corrections and more than one-third led to budgetary changes. See the map on the following page for a breakdown of the 186 evaluations.

The Agency's commitment to evaluation isn't just to improve its work. It is also to ensure that it is delivering results and being more accountable to its stakeholders. To ensure these data are publicly available, the Agency has built an accessible Web site 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*.

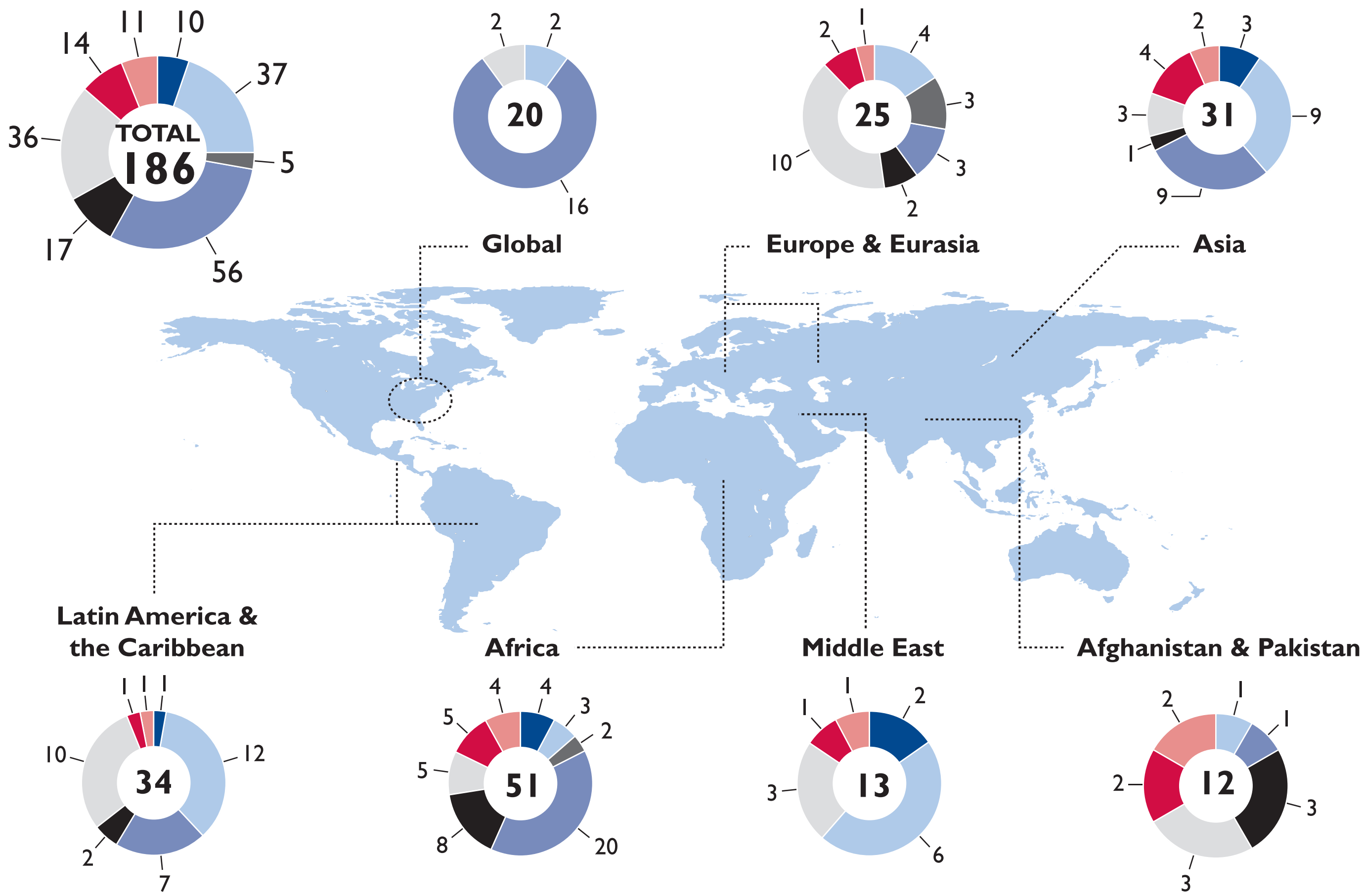
The Agency also does not have to wait for program evaluations to be written in order to understand how it is doing. It is collecting baseline data and employing study designs to better understand the impact of its interventions over the course of its work. For example, in Feed the Future (FTF), President 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, 56 percent of these grantees conduct randomized control trials to assess the impact of their innovative efforts.

HIGH-QUALITY EVALUATIONS AT USAID SINCE 2011

USAID has completed 186 high-quality evaluations worldwide that have led to important discoveries about where to focus the Agency's strategies and when to change course where its efforts do not meet the Agency's expected results.

Evaluation Key

- Natural Resource Management/Environment
- Economic Growth
- Energy
- Health
- Education
- Democracy, Human Rights & Governance
- Food Security/Agriculture
- Crosscutting



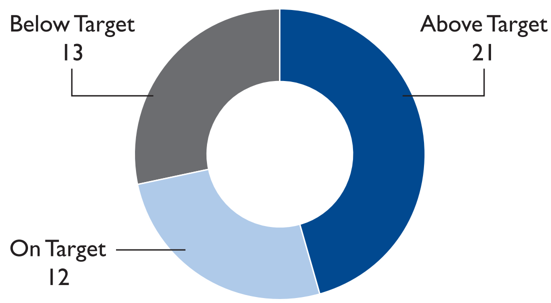
Source: *2013 USAID Forward Progress Report.*

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 2012 as demonstrated by the results of a set of 51 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 (see the results on page 23). The results of USAID and State foreign assistance programs for FY 2013 are not reported by operating units until December 2013, following the required publication date of the USAID's Agency Financial Report. Accordingly, the most recent performance data contained in this report are for FY 2012.

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 2012. Where they fell short, it was largely due to external forces outside the Agency's management control.

FY 2012 PERFORMANCE RESULTS



Total Results: 46

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 203.3.5, (*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) partner (data compiled by USAID implementing partners but collected from other sources), and (3) third-party (data from other government agencies or development organizations). Primary and secondary data go through rigorous USAID assessments to ensure that they meet the five quality standards.

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. 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. Specifically, USAID and State are in the process of developing the second QDDR, which will serve as the basis of a new joint USAID-State Strategic Plan. As part of this process and in accordance with the Government Performance and Results Act (GPRA) Modernization Act (GPRAMA), USAID and State will create new joint strategic goals and objectives—Agency Priority Goals (APG), and performance goals that reflect State and USAID's global reach and impact.

Per GPRAMA, USAID and State publicly report, on a quarterly basis, on the progress of the joint FY 2012-2013 APGs on performance.gov (available at *http://www.goals.performance.gov/agency/dosusaid*). Examples of results achieved to date for FY 2012-2013 APGs include: reducing the all-cause mortality rate for children under five by an estimated two deaths per one thousand live births across USAID-assisted countries; and assisting over seven million farmers and others to apply new technologies or management practices, where increasing yields are leading to both improved nutrition and increased incomes.

STATE-USAID STRATEGIC GOALS WHICH USAID PROGRAMS SUPPORT

STRATEGIC GOAL	GOAL DESCRIPTION
Strategic Goal 1: 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.
Strategic Goal 2: 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.
Strategic Goal 3: 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.
Strategic Goal 4: 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.
Strategic Goal 5: Providing Humanitarian Assistance	Save lives, alleviate suffering, and minimize the economic costs of conflict, disasters, and displacement.

ILLUSTRATIVE ACCOMPLISHMENTS

Below are illustrative accomplishments for FY 2012 in each of the five strategic goals.

STRATEGIC GOAL 1:
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

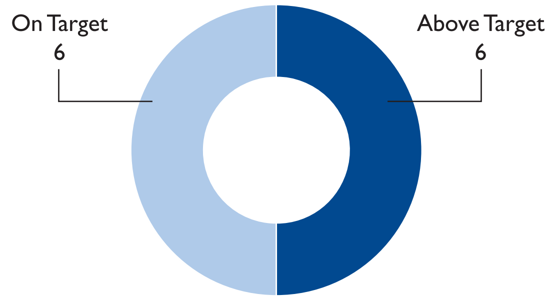
U.S. policy states that the security of U.S. citizens at home and abroad is best guaranteed when countries and societies are secure, free, prosperous, and at peace. USAID and its partners seek to strengthen their diplomatic and development capabilities, as well as those of international partners and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

LINKING ACTIVITIES TO OUTCOMES

Conflict Mitigation/Resolution Skills – *New Groups or Initiatives Created to Resolve Conflict or the Drivers of Conflict.* The number of new groups created through U.S. funding register the creation of the new group or entity, or the launch of a new initiative or movement by an existing entity dedicated to resolving conflict or the drivers of conflict. Groups include registered NGOs, clubs, associations, networks, or similar entities. Initiatives may be campaigns, programs, projects, or similar sets of activities sustained over a period of three months or more by the same types of groups/entities. More than 17 thousand new groups were created in FY 2012, well exceeding the target of 925. A dramatic increase in youth programs and initiatives in Kenya following post-election violence there in 2008 accounted for most of the increase.

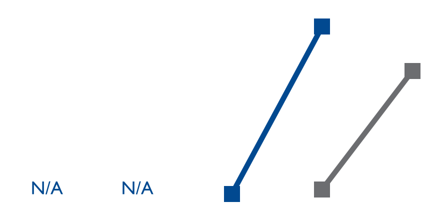
Since the formation of the National Youth Bunge Association in Kenya, youth from the Coast, Rift Valley, Nyanza, and Nairobi have worked with Democracy, Human Rights and Governance partners in addressing and resolving issues of conflict. These groups are serving as a powerful counterweight to widespread apathy, unemployment, and political violence, all the while fomenting tomorrow's leaders.

FY 2012 STRATEGIC GOAL 1 PERFORMANCE RESULTS



Total Results: 12

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*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	N/A	N/A	440	17,148	N/A
Target	N/A	N/A	N/A	925	12,752

Source: *FY 2012 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.

Mariaini bunge chair George Ngethe (suit jacket) works at the youth group's nursery. Mariaini bunge member Joseph Chege (red hat) pitches in on greenhouse prep. PHOTO: NICHOLE SOBECKI / USAID

MAJOR TRANSFORMATION BY USAID'S LARGEST YOUTH PROGRAM

The village of Mariaini spreads out across steep slopes of emerald tea, straggly corn, and clumps of eucalyptus trees. It is deep in rural Kenya's heavily populated Central province, a place where land is fragmented into small plots for subsistence farming and where there is little outside assistance. Only rutted dirt roads connect Mariaini to bigger towns.

Three thousand people live here, and according to the local chief, three-quarters of them are teenagers and young adults. Unemployment for that group hovers above 90 percent.

George Ngethe, 25, is the chair of the local youth group, or bunge, which is Swahili for parliament. His dark suit is draped loosely on his thin frame, giving him the look of an elegant yet earnest businessman as he hikes down the narrow path to the bottom of a hill where bunge youth are clearing ground for a greenhouse. Other members are tending six thousand tea seedlings under plastic tarps that will be sold at a profit of three cents each.

"Before, no one recognized that youth could do anything," explained Ngethe. "We have projects now. We have a voice. Now we are consulted. We have influence."

The village, Ngethe, and almost 50 other youth belonging to the Mariaini Pamoja Bunge are on the brink of a major transformation by USAID's largest youth program in the world. Since 2011, under the rallying cry "Yes Youth Can," more than 700 thousand young people from thousands of villages have come together across ethnic, linguistic, religious, and cultural lines to become youth bunge members. So far, 15 thousand village-level youth bunges are officially registered with the Government of Kenya as self-help groups. Registering with the Ministry of Gender, Children and Social Development enables the bunges to open bank accounts, organize public events, and receive funding from government agencies. Bunges serve as a youth-owned, youth-led, and youth-managed space for young Kenyans to develop new leadership skills and promote transparent decision making about their priorities.

"By supporting the formation of the youth bunge structure, USAID has helped advance one of the key reforms envisioned in the new Constitution of Kenya, namely that youth have a mechanism for engaging the government on every level," said Dr. James Nyikal, the permanent secretary of the Ministry of Gender, Children and Social Development.

STRATEGIC GOAL 2: 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

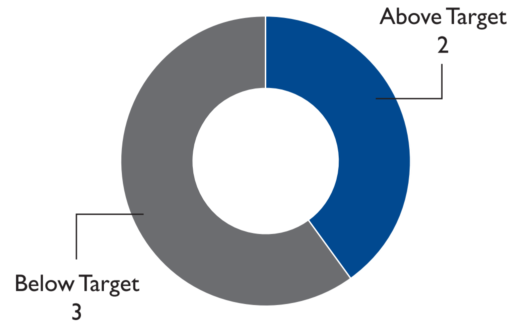
The U.S. Government supports just and democratic governance for three related reasons: (1) as a matter of principle, (2) as a contribution to U.S. national security, and (3) as a cornerstone of the broader development agenda. The current National Security Strategy makes clear that supporting the expansion of democracy and human rights abroad is in the U.S. national interest. U.S. leadership in promoting capable, transparent, accessible, and accountable public institutions and economic growth is key to achieving successful and sustained transitions to democracies and universal freedoms around the globe.

LINKING ACTIVITIES TO OUTCOMES

Media Freedom. Free media play key communications and linking roles in all political systems, providing a voice to civil society, business, government, and all other actors at the local, national, and international levels. Ideally, a professional and independent news media helps underpin democracy by disseminating accurate information, facilitating democratic discourse, and providing critical and independent checks on government authorities. Media sector programs generally involve focused support in key legal directions enabling an environment for free or freer media.

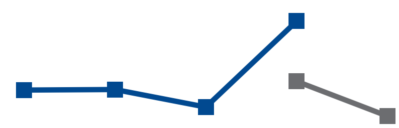
Starting with simple Internet connections and Web projects in the early 1990s, media assistance programs have progressively pushed the leading edges of information and communications technology applications in the media sector. Depending on specific country needs, current media programs generally encompass: Internet and multimedia training for journalists; specialized training for bloggers and citizen reporters;

FY 2012 STRATEGIC GOAL 2 PERFORMANCE RESULTS



Total Results: 5

PERFORMANCE INDICATOR: *Number of Non-State News Outlets Assisted by U.S. Government*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	1,761	1,769	1,507	2,791	N/A
Target	N/A	N/A	N/A	1,891	1,371

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

development of databases to facilitate research, information, and news story exchanges among media; support for multimedia newsrooms and platforms; media applications of cell phone technologies; legal-regulatory support for expanding electronic media rights; and much more. In FY 2012, the number of non-state media outlets assisted by the U.S. Government exceeded 2,700, well above the target of 1,865. The improved performance was due to higher than expected support for non-state media in Armenia, Serbia, and Ukraine.

Case Management Improvement. By helping build effective case management systems, assisted governments are able to increase the effectiveness, BEFORE

AFTER

(BEFORE) Before automation, staff members in the Alexandria Court of First Instance's typing pool needed to manually type court decisions and documents, or retype entire documents to make corrections.

(AFTER) The court now uses a computerized case management system, which has significantly increased efficiency and accuracy in issuing final decisions. PHOTO: AOJS II

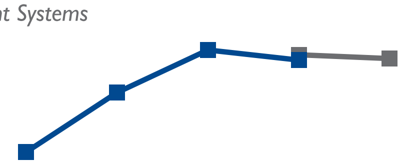
MODERNIZATION RAISES COURT'S EFFICIENCY – NEW SYSTEM IMPROVES EMPLOYEES' SKILL AND THE PROCESSING OF JUDGMENTS

Before receiving support from a USAID project, employees in the Alexandria and Mansoura Courts of First Instance's typing pool would receive from the judges handwritten decisions, which they would type on manual typewriters and have reviewed by the judges prior to signing. This laborious process slowed the adjudication of cases because errors meant documents required a complete retyping on antiquated equipment. A USAID-funded project installed, as part of a comprehensive case management system for docketing and tracking civil matters, a module allowing employees to enter decisions using Microsoft Word and to save them for archiving on a secure network. This improves efficiency and allows courts to produce their decisions electronically for prompt docketing and distribution. Studies conducted by USAID and reports from judges and staff suggest that this has been a major improvement to court efficiency and public service.

compliance, and accountability of justice systems. Improved case management leads to a more effective justice system by decreasing case backlog and case disposition time, reducing administrative burdens on judges, increasing transparency of judicial procedures, and improving compliance with procedural law.

A total of 702 courts improved their case management systems as a result of U.S. assistance in FY 2012, falling just below the target of 732. A total of 15 countries reported improved case management systems as a result of U.S. assistance.

PERFORMANCE INDICATOR: *Number of U.S. Government-Assisted Courts with Improved Case Management Systems*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	337	573	742	702	N/A
Target	N/A	N/A	N/A	723	708

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

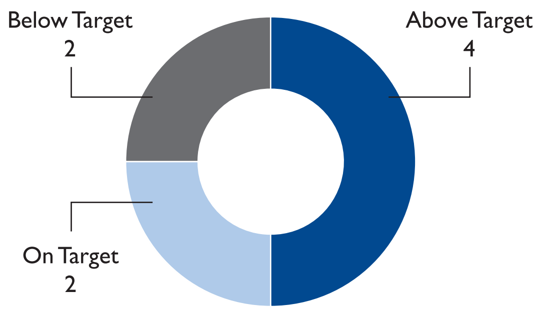
STRATEGIC GOAL 3: INVESTING IN PEOPLE

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.

FY 2012 STRATEGIC GOAL 3 PERFORMANCE RESULTS

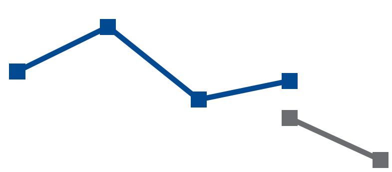


Total Results: 8

LINKING ACTIVITIES TO OUTCOMES

Social Assistance Beneficiaries. The U.S. Government provides social services through a number of special funds. Specifically, the Special Programs Addressing the Needs of Survivors (SPANS) consists of five congressionally directed programs targeted to reduce the risks and reinforce the capacities of communities, local NGOs, and governments to provide services and protection for vulnerable groups (e.g., vulnerable children, victims of war and torture, and people with disabilities). In FY 2012, SPANS exceeded the FY 2012 target of 2,787,848 groups established for the funds and provided direct assistance and training to 3,343,284 children and adults in nine countries and the West Bank and Gaza. The target was exceeded by 19 percent.

PERFORMANCE INDICATOR: *Number of People Benefitting from U.S. Government-Supported Social Assistance Programming*



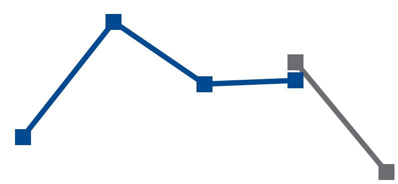
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	3,485,079	4,148,088	3,064,461	3,343,284	N/A
Target	N/A	N/A	N/A	2,787,848	2,167,794

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

The higher than expected number of beneficiaries reached with U.S.-supported assistance was due to an expansion of services to vulnerable populations in Afghanistan, Ethiopia, and Tanzania.

Primary Enrollment Rate. In the Basic Education sector, the primary net enrollment rate (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. 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. Although USAID is not solely responsible for supporting increases in enrollment rates, there is plausible attribution for this meaningful performance indicator. USAID data are based on the NER of countries where it has primary education projects to increase enrollment.

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



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	78.9%	85.2%	81.8%	82.0%	N/A
Target	N/A	N/A	N/A	83.0%	77.0%

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

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. Since FY 2002, NERs have improved steadily in countries receiving U.S. assistance. In FY 2012, the United States fell below the target of 83 percent for the NER.

First Birth Under 18. Delaying the age of first birth helps slow population growth by lengthening the time between generations. In addition, early

After Ranjeet Kumar and his wife, Heemi Bal, from the village of Amanullah Hingoro in Sindh province of Pakistan, attended a sensitization session by FALAH, they decided to delay their first pregnancy until Heemi turned 18.

PHOTO: POPULATION COUNCIL

USAID PROGRAM SUPPORTS FAMILY PLANNING TODAY FOR TOMORROW'S HEALTHY MOMS AND BABIES

Ranjeet Kumar and his wife, Heemi Bai, live in the village of Amanullah Hingoro in Sindh province of Pakistan. Like many such remote villages, it has no basic facilities such as schools, sanitation, safe drinking water, or electricity.

Ranjeet Kumar and his wife Heemi were both just 16 when they married in 2009. They looked forward to beginning their journey together and starting a family, as other couples their age had done. In Pakistan, one out of six women between the ages of 15 and 19 is already married.

As the couple thought about having children, they also recognized the risks that came along with it. Maternal mortality is high in Pakistan—20 percent of all deaths of women ages 12 to 49 are a result of complications during pregnancy and childbirth.

"We were unable to understand the reasons of young maternal deaths in our village," said Heemi.

A community health worker invited the couple to a session on the importance of birth spacing put on by USAID's flagship family planning project in Pakistan, Family Advancement for Life and Health (FALAH).

"After attending a sensitization session on the importance of birth spacing, things became much more clear," said Ranjeet, "so we jointly decided to delay our first pregnancy until Heemi turns 18."

Babies born to young mothers under age 18 are more likely to be premature, have low birth weights, and suffer from delivery complications. Teen pregnancies pose health risks not only for the babies but also for young mothers. Compared to older women, girls in their teens are twice as likely to die from pregnancy and child birth-related causes and their babies also face a 50 percent higher risk of dying before the age of one than babies born to women in their 20s. In the developing world, an estimated 90 percent of infants whose mothers die in childbirth will die by their first birthday.

"Enabling couples to choose the timing and spacing of their children is vital to safe motherhood and child survival," said Kate Crawford, director of USAID/Pakistan's Population, Health and Nutrition Office.

Women from Pakistan's Khanewal district participate in a meeting conducted by a FALAH-trained health worker on healthy timing and spacing of pregnancies.

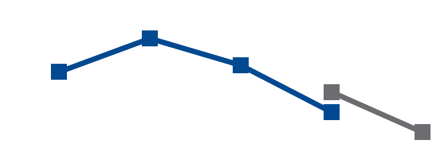
PHOTO: POPULATION COUNCIL

childbearing has multiple detrimental health and non-health consequences. Women who give birth before the age of 18 are more likely to suffer from obstetric fistula, acquire HIV, or die in childbirth than women who initiate childbearing at older ages. Their children are also more likely to experience serious health consequences. Early childbearing is associated also with lower levels of education, higher rates of poverty, and higher incidences of domestic violence and sexual abuse. Furthermore, delaying and spacing births helps women bear children during their healthiest years and enables them to have their desired number of children.

This indicator measures the proportion of women who had a first birth below the age of 18 among women aged 18-24 at the time of the survey.

In FY 2012, a 0.7 percent reduction was achieved in first births to women under the age of 18 across 28 USAID-assisted family planning/reproductive health countries, which exceeded the target.

PERFORMANCE INDICATOR: *First Birth Under 18*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	23.9%	24.4%	24.0%	23.3%	N/A
Target	N/A	N/A	N/A	23.6%	23.0%

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

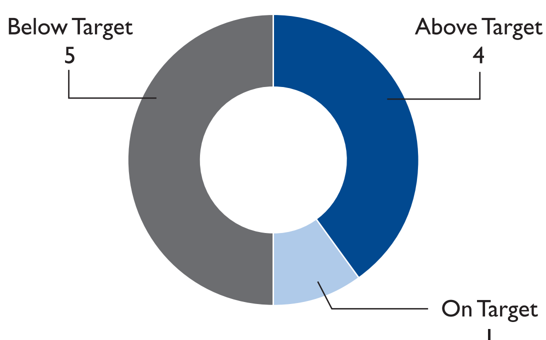
STRATEGIC GOAL 4: PROMOTING ECONOMIC GROWTH AND PROSPERITY

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

PUBLIC BENEFIT

Economic growth provides citizens and governments with the resources needed to meet needs and aspirations, including improved education, health, and peace and security, via an international economic system that is open, free, transparent, and fair. USAID is working to empower private entrepreneurs, workers, and enterprises to take advantage of expanding opportunities in a global economy. By embracing business transparency efforts, such as patent protection and intellectual property rights, foreign countries become an attractive market for the products and services of U.S. workers and companies.

FY 2012 STRATEGIC GOAL 4 PERFORMANCE RESULTS



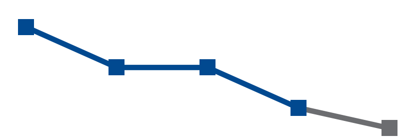
Total Results: 10

LINKING ACTIVITIES TO OUTCOMES

Export/Import of Goods. Research has demonstrated that greater engagement in international trade can increase a country's per capita income, often dramatically. The data confirm that countries can boost the ability of their companies to compete more effectively in trade if they promote efficient export/import procedures that reduce the cost of doing business. Reducing the time it takes to export and import goods improves the price competitiveness of traded goods on average one percentage point for each day saved and as much as four percentage points per day. Efficient movement of inputs and timely delivery of exports to clients are key determinants of private sector competitiveness, productivity, and wage growth.

The indicator for efficient export/import procedures data is defined by the aggregate average time to comply with export and import procedures (in days) for 13 countries receiving U.S. foreign assistance with a specific trade facilitation focus. Monitoring this average across countries allows the U.S. Government to measure the aggregate performance of its programs that strive to improve the trade and investment environment for businesses in these countries and regions. The FY 2012 target of 70 days was met.

PERFORMANCE INDICATOR: *Time to Export/Import (Days)*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	74 days	72 days	72 days	70 days	N/A
Target	N/A	N/A	N/A	70 days	69 days

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

Agricultural Technology. Working with rural households, the United States promotes technological change and its adoption by different actors in the agricultural supply chain, which is critical to increasing smallholders' agricultural production as well as agricultural productivity at regional and national levels. In FY 2012, more than 7 million farmers and others applied new technologies or management practices, exceeding the target of 6 million by 17 percent. This is a result of increased emphasis on extension and outreach, and expansion of activities to new areas and new crops.

Fertilizer applicator invented by Bangladeshi scientist gaining traction in Africa. PHOTO: IFDC

AID FOR FARMERS, PRIDE FOR COUNTRY

Since the 1980s, farmers in Bangladesh have been successfully applying Guti urea to their crops for increased yields, but have done so at a tremendous physical cost to their bodies as their constant bending to apply it causes debilitating back pain. All that seems to be over now after a Bangladeshi scientist, Dr. Abdul Wahab, developed an innovative and inexpensive applicator that will reduce both the labor cost and farmers' pain in applying Guti urea.

"The device can apply some 60 Guti urea briquettes at a time, allowing a farmer to place briquettes on a 10-decimal paddy field in an hour, a rate two to three times faster than previously," said Dr. Wahab, an agriculture engineer working for the International Fertilizer Development Centre's (IFDC) Dhaka office supported by USAID funding. The device is now becoming widely used in several African countries, such as Senegal, where President Obama was introduced to the Guti applicator at an Agricultural Expo in June 2013.

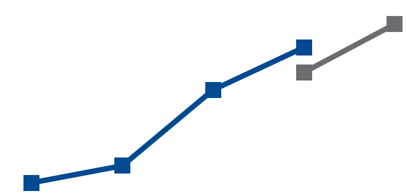
This story is an edited version of an article that first appeared in the Daily Star on September 21, 2013.

U.S. President Obama listens to USAID Administrator Shah briefing on Guti applicators at an exhibition in Senegal in June 2013.
PHOTO: IFDC

Some examples of technical innovations introduced with USAID assistance that farmers in targeted countries are adopting include:

- Improved seeds and new practices on beans and maize, and improved packaging for plantain production;
- New techniques for rice production with less water, seeds, and fertilizers;
- Proximity soil laboratory that helps farmers take better care of their lands;
- New tools, such as weeders, seeders, and threshers;
- Post-harvest equipment, such as tarps, silos, humidity gauges, and mobile collection centers;
- Protected and vertical agriculture with drip irrigation.

PERFORMANCE INDICATOR: *Number of Farmers or Others Who Have Applied New Technologies or Management Practices as a Result of U.S. Government Assistance*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	659,384	1,506,187	5,271,629	7,375,877	N/A
Target	N/A	N/A	N/A	6,139,997	8,528,161

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

STRATEGIC GOAL 5: PROVIDING HUMANITARIAN ASSISTANCE

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

PUBLIC BENEFIT

USAID is the lead U.S. Government agency that responds to complex humanitarian emergencies and natural disasters overseas. The commitment of the United States to humanitarian assistance stems from its sense of shared humanity and demonstrates the Nation's compassion for victims of natural disasters, armed conflict, forced migration, persecution, human rights violations, widespread health and food insecurity, and other threats. The U.S. Government's emergency response to population displacement and distress caused by natural and human-made disasters is tightly linked to all other foreign assistance goals, including the protection of civilian populations, programs to strengthen support for human rights, provision of health and basic education, and support for livelihoods of beneficiaries. An equally important part of USAID's humanitarian assistance strategy is to strengthen the capacity of developing countries that are prone to disasters to prevent and mitigate the effects of them through the provision of equipment, technical assistance, and training.

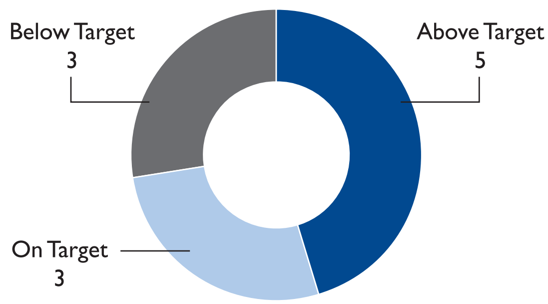
LINKING ACTIVITIES TO OUTCOMES

Food Aid Beneficiaries. The U.S. emergency food assistance program has long played a critical role in responding to global food insecurity. It saves lives and livelihoods, supports host government efforts to respond to critical needs of their own people during shocks, and demonstrates the concern and generosity of the American people in times of need. Urgent responses to rapid onset 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 and instability.

In FY 2012, USAID provided emergency food assistance and program support in dozens of countries around the world. The Emergency Food Security Program was used to provide funds to a variety of private voluntary organizations as well as a number of United Nations (UN) agencies to support local and regional procurement and cash and food voucher programs in 19 countries, including Afghanistan, Haiti, Kenya, Libya, Niger, Pakistan, Somalia, Syria, and Yemen. The U.S. Government is also the single largest donor to the UN World Food Program (WFP), and in FY 2012 USAID contributed more than $1.2 billion to WFP in response to global appeals in 35 countries.

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 its ability to identify food needs and deliver food assistance. In FY 2012, USAID food assistance to beneficiaries met its ambitious target level of 93 percent.

FY 2012 STRATEGIC GOAL 5 PERFORMANCE RESULTS



Total Results: 11

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

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Result	93.0%	93.0%	93.0%	93.0%	N/A
Target	N/A	N/A	N/A	93.0%	93.0%

Source: *FY 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS).*

American scientists work with Tanzanian counterparts to monitor volcanic activity. Monitoring hazards is an essential element of DRR. PHOTO: USAID / OFDA AND U.S. GEOLOGICAL SURVEY

DISASTER RISK-REDUCING PRACTICES/ACTIONS

USAID supports disaster risk reduction (DRR) stand-alone and integrated programming at the regional, national, and community level. USAID is focusing on improving early warning and translating early warning into action to reduce the impact of disasters and enhance resilience. More than 26 thousand people were trained in disaster preparedness in FY 2012. The training involved capacity building in flood early warning, trans-boundary pest management, and volcano and seismic monitoring.

Natural disasters cause more than $100 billion in economic damage every year. USAID is taking a strategic approach to DRR to help save lives and reduce the economic losses caused by disasters , such as disaster and emergency training.
PHOTO: USAID / VIETNAM

Some examples of USAID assistance in this area include:

- Helping to establish early warning systems for flash floods that enable flood prone countries to monitor water levels and take preventive actions when necessary to reduce the loss of life and physical assets;
- Improving the ability of meteorologists in developing countries to capture and share information on climate variability and prediction to address the trans-border impacts of climate change on the environment;
- Developing concise guides and companion training on DRR practices and Climate Change Adaptation;
- A forecasting and early warning program in East Africa to strengthen national and regional capacities to prevent and control armyworm, one of the most devastating pests of cereal crops.

In FY 2012, the Volcano Disaster Assistance Program (VDAP) provided technical assistance that benefitted nearly 1.8 million people living near active volcanoes, led to the modification of 17 geological policies or procedures that increased preparedness for volcanic eruptions, and trained 74 volcano scientists to better monitor their volcanoes. VDAP responded to several volcanic crises during the year, including deploying to Colombia to assist the Servicio Geológico de Colombia during an eruption of Nevado del Ruiz volcano. An eruption of the volcano in 1985 led to the deaths of more than 23 thousand people.

USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS BY STRATEGIC GOALS[1,2]

ACHIEVING PEACE AND SECURITY – $697,496,000

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2009 RESULTS	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 TARGET	FY 2012 RESULTS	FY 2013 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	N/A	440	925	17,148	12,752	2, 4

GOVERNING JUSTLY AND DEMOCRATICALLY – $932,633,000

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2009 RESULTS	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 TARGET	FY 2012 RESULTS	FY 2013 TARGET	DATA NOTE #*
Number of U.S. Government-Assisted Courts with Improved Case Management Systems	337	573	742	723	702	708	2, 3
Number of Domestic NGOs Engaged in Monitoring or Advocacy Work on Human Rights Receiving U.S. Government Support	3,484	4,679	4,662	1,396	818	483	2, 3
Number of Human Rights Defenders Trained and Supported	N/A	N/A	3,345	3,405	15,426	12,322	2, 3
Number of Executive Oversight Actions Taken by Legislature Receiving Assistance	3,949	3,971	317	424	279	116	2, 3
Number of Training Days Provided to Executive Branch Personnel with U.S. Government Assistance	N/A	N/A	315	666	5,394	6,121	2, 3
Number of Individuals Receiving Voter and Civic Education through U.S. Government-Assisted Programs	N/A	N/A	19,108,679	29,480,135	58,020,113	59,878,338	2, 3
Number of Civil Society Organizations Receiving U.S. Government Assistance Engaged in Advocacy Interventions	1,772	2,629	4,362	4,084	11,247	23,981	2, 3
Number of Non-State News Outlets Assisted by U.S. Government	1,761	1,769	1,507	1,891	2,791	1,371	2, 3

INVESTING IN PEOPLE – $2,866,304,000

REPRESENTATIVE PERFORMANCE INDICATOR	FY 2009 RESULTS	FY 2010 RESULTS	FY 2011 RESULTS	FY 2012 TARGET	FY 2012 RESULTS	FY 2013 TARGET	DATA NOTE #*
Number of Adults and Children with Advanced HIV Infection Receiving Antiretroviral Therapy (ART)	N/A	N/A	3.9M	5.0M	5.1M	6.0M	5, 6
Number of Eligible Adults and Children Provided with a Minimum of One Care Service	N/A	N/A	12.9M	15.1M	15.0M	16.5M	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	N/A	86%	86%	86%	87%	9, 10
Case Notification Rate in New Sputum Smear Positive Pulmonary Tuberculosis Cases per 100,000 Population Nationally	N/A	N/A	115/100,000	117/100,000	120/100,000	122/100,000	11, 12
Number of People Protected against Malaria with a Prevention Measure (Insecticide Treated Nets or Indoor Residual Spraying)	30M	40M	58M	67M	50M	60M	2, 13

* *See Appendix A for the performance indicator data notes.*

(continued on next page)

[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 listed, i.e., Achieving Peace and Security, Governing Justly and Democratically, etc. 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.*

USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS BY STRATEGIC GOALS[1,2]
(continued)

INVESTING IN PEOPLE – $2,866,304,000 *(CONTINUED)*							
REPRESENTATIVE PERFORMANCE INDICATOR	**FY 2009 RESULTS**	**FY 2010 RESULTS**	**FY 2011 RESULTS**	**FY 2012 TARGET**	**FY 2012 RESULTS**	**FY 2013 TARGET**	**DATA NOTE #***
Number of Neglected Tropical Disease (NTD) Treatments Delivered through U.S. Government-funded Programs	130.6M	160.7M	186.7M	164.0M	103.8M	150.0M	14, 15
Percent of Births Attended by a Skilled Doctor, Nurse, or Midwife	47.8%	48.9%	50.0%	50.0%	51.1%	52.2%	16, 17
Percent of Children who Receive DPT3 Vaccine by 12 Months of Age	58.9%	59.0%	59.9%	59.9%	60.8%	61.6%	18, 19
Modern Contraceptive Prevalence Rate (MCPR)	27.3%	28.4%	29.8%	30.8%	30.9%	31.9%	20, 21
First Birth under 18	23.9%	24.4%	24.0%	23.6%	23.3%	23%	22, 23
Percent of Households Using an Improved Drinking Water Source	N/A	N/A	N/A	N/A	37.5%	38.48%	24, 25
Percent of Households Using an Improved Sanitation Facility	N/A	N/A	N/A	14.0%	12.6%	14.46%	26, 27
Prevalence of Anemia among Women of Reproductive Age	46.0%	N/A	41.4%	41.4%	40.9%	40.4%	28, 29
Prevalence of Underweight Children under Five Years of Age	N/A	N/A	22.9%	22.9%	22%	21.3%	30, 31
Primary Net Enrollment Rate (NER)	78.9%	85.2%	81.8%	83.0%	82%	77%	32, 33
Number of People Benefitting from U.S. Government-Supported Social Assistance Programming	3,485,079	4,148,088	3,064,461	2,787,848	3,343,284	2,167,794	2, 34

PROMOTING ECONOMIC GROWTH AND PROSPERITY – $3,359,020,000							
REPRESENTATIVE PERFORMANCE INDICATOR	**FY 2009 RESULTS**	**FY 2010 RESULTS**	**FY 2011 RESULTS**	**FY 2012 TARGET**	**FY 2012 RESULTS**	**FY 2013 TARGET**	**DATA NOTE #***
Three-Year Average in the Fiscal Deficit as a Percent of Gross Domestic Product (GDP)	72.2%	66.7%	50%	66.7%	N/A	50%	35, 36
Inflation Rate, Consumer Prices, Annual	0.0%	86.7%	53.1%	60.0%	50%	55%	37, 38
Tax Administration and Compliance Improved (% Increase in Tax Collections) as a Result of U.S. Government Assistance	N/A	N/A	N/A	16.0%	72%	25%	2, 39
Time to Export/Import (Days)	74 days	72 days	72 days	70 days	70 days	69 days	40, 41
Number of Documents Required to Export Goods Across Borders Decreased	8 docs	8 docs	7 docs	6 docs	7 docs	6 docs	42, 43
Domestic Credit to the Private Sector as a Percent of GDP	66.7%	73.7%	64.9%	75.0%	65.8%	70%	44, 45
Number of Beneficiaries Receiving Improved Infrastructure Services Due to U.S. Government Assistance	N/A	N/A	5,820,641	1,118,605	225,725	765,227	2, 46
Number of Beneficiaries Receiving Improved Transport Services Due to U.S. Government Assistance	2,341,526	2,863,566	3,227,825	2,121,874	2,041,800	162,481	47, 48

* *See Appendix A for the performance indicator data notes.*

(continued on next page)

[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 listed, i.e., Achieving Peace and Security, Governing Justly and Democratically, etc. 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.*

USAID REPRESENTATIVE INDICATORS AND PERFORMANCE TRENDS BY STRATEGIC GOALS[1,2]
(continued)

PROMOTING ECONOMIC GROWTH AND PROSPERITY – $3,359,020,000 *(CONTINUED)*							
REPRESENTATIVE PERFORMANCE INDICATOR	**FY 2009 RESULTS**	**FY 2010 RESULTS**	**FY 2011 RESULTS**	**FY 2012 TARGET**	**FY 2012 RESULTS**	**FY 2013 TARGET**	**DATA NOTE #***
Number of Farmers or Others who have Applied New Technologies or Management Practices as a Result of U.S. Government Assistance	659,384	1,506,187	5,271,629	6,139,997	7,375,877	8,528,161	2, 49
Value of Incremental Sales (Collected at Farm-Level) Attributed to FTF Implementation	N/A	927,778	86,789,146	414,186,954	262,876,569	289,123,509	2, 50
Global Competitiveness Index	41.2%	69.1%	73.2%	75.0%	53.6%	70%	51, 52
Commercial Bank Accounts per 1,000 Adults	N/A	697	653	675	N/A	N/A	53, 54
Quantity of Greenhouse Gas Emissions, Measured in Metric Tons of CO2e, Reduced or Sequestered as a Result of U.S. Government Assistance	120,000,000	120,000,000	200,000,000	100,000,000	165,057,815	129,757,454	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	104,557,205	92,700,352	101,800,000	103,500,000	99,737,668	73,274,945	56, 57

PROVIDING HUMANITARIAN ASSISTANCE – $1,608,533,000							
REPRESENTATIVE PERFORMANCE INDICATOR	**FY 2009 RESULTS**	**FY 2010 RESULTS**	**FY 2011 RESULTS**	**FY 2012 TARGET**	**FY 2012 RESULTS**	**FY 2013 TARGET**	**DATA NOTE #***
Percentage of NGO or Other International Organization Projects that include Dedicated Activities to Prevent and/or Respond to Gender-Based Violence	28.3%	30.0%	38.0%	35.0%	45%	35%	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	N/A	37%	40%	40%	N/A	60, 61
Percent of Planned Emergency Food Aid Beneficiaries Reached with U.S. Government Assistance	93%	93%	93%	93%	93%	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	N/A	59,007,997	45,760,000	48,989,676	45,000,000	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	N/A	5.0%	7.0%	17%	20%	66, 67
Number of People Trained in Disaster Preparedness as a Result of U.S. Government Assistance	10,004	18,030	12,396	11,952	26,768	18,857	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 listed, i.e., Achieving Peace and Security, Governing Justly and Democratically, etc. 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.*

ANALYSIS OF FINANCIAL STATEMENTS

The financial statements of USAID reflect and evaluate the Agency's execution of its mission to advance broad-based 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.

CHANGES IN FINANCIAL POSITION IN FY 2013
(In Thousands)

NET FINANCIAL CONDITION	2013	Restated 2012	% CHANGE IN FINANCIAL POSITION
Fund Balance with Treasury	$ 30,810,158	$ 28,946,169	6%
Direct Loans and Loan Guarantees, Net	2,574,346	2,773,576	-7%
Accounts Receivable, Net	40,133	88,269	-55%
Cash and Other Monetary Assets, Advances and Other Assets	861,659	892,272	-3%
PP&E, Net and Inventory, Net	100,781	105,967	-5%
Total Assets	**$34,387,077**	**$32,806,253**	**5%**
Debt and Liability for Capital Transfers to the General Fund of the Treasury	2,872,590	3,092,302	-7%
Accounts Payable	1,612,876	1,988,874	-19%
Loan Guarantee Liability	1,846,853	2,012,358	-8%
Other Liabilities	1,291,955	1,326,019	-3%
Total Liabilities	**$ 7,624,274**	**$ 8,419,553**	**-9%**
Unexpended Appropriations	22,745,711	21,286,109	7%
Cumulative Results of Operations	4,017,092	3,100,591	30%
Total Net Position	**26,762,803**	**24,386,700**	**10%**
Net Cost of Operations	**$10,359,618**	**$11,491,118**	**-10%**
Budgetary Resources	**$23,810,426**	**$23,247,701**	**2%**

FORWARD LOOKING

Under USAID Forward, USAID will move toward an aspirational target of 30 percent of 2015 obligations for partner country institutions including government-to-government assistance, indigenous non-governmental organizations and private sector entities, the cost to the United States of a Development Credit Authority (DCA) arrangement, and certain Public International Organization grants. Although this shift from traditional contracts, grants, and cooperative agreements may result in at least a temporary slowing of disbursements, the Agency is committed to promoting country ownership with partner countries leading the design and implementation of results-focused development strategies.

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 through delivering assistance through host government systems and community organizations.

A summary of USAID's major financial activities in FY 2013 and FY 2012 is presented in the table on the preceding page. This table represents the resources available, assets to pay liabilities, and the corresponding net position. The net cost of operations is the gross 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 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 $34.4 billion as of September 30, 2013. This represents an increase of $1.6 billion (5 percent) over the restated FY 2012 total of $32.8 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, 2013, 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 Treasury's (Treasury) accounts that are accessible by the Agency to pay the Agency's obligations incurred. USAID's Fund Balance with Treasury increased by $1.9 billion (6 percent) primarily due to appropriations received but undisbursed as of September 30, 2013.

LIABILITIES – WHAT WE OWE

The Consolidated Balance Sheet reflects total liabilities of $7.6 billion, of which $2.9 billion or 38 percent comprises Debt and Liabilities for Capital Transfers to the General Fund of the Treasury. These liabilities represent funds borrowed from Treasury to carry out the Agency's Federal Credit Reform program activities and net liquidating account equity. Total liabilities decreased marginally by 9 percent compared to FY 2012. This is reflective of the decreases to Accounts Payable, Loan Guarantee Liability, Debt, Liabilities for Capital Transfers to the General Fund of the Treasury, and Other Liabilities.

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. Cumulative Results of Operations has increased to $4 billion (or by 30 percent) as detailed in the Statement of Changes in Net Position. This increase is due to financing in the amount of $917 million, associated primarily with the HIV/AIDS and Credit Program funds, which was not utilized in FY 2013.

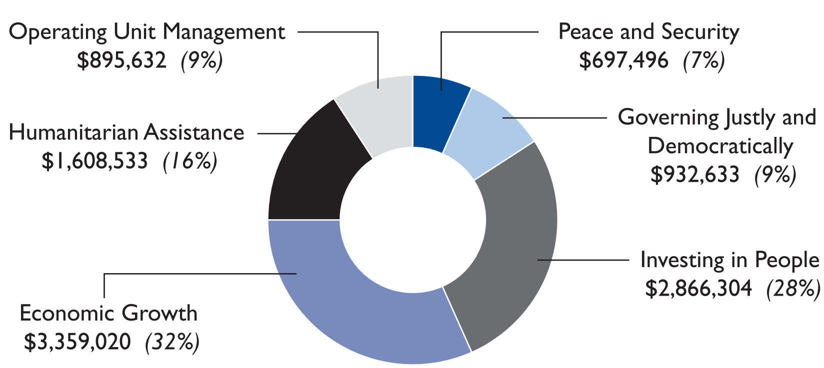
RESULTS (NET COST) OF OPERATIONS

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 2013. 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 2013 NET COST OF OPERATIONS

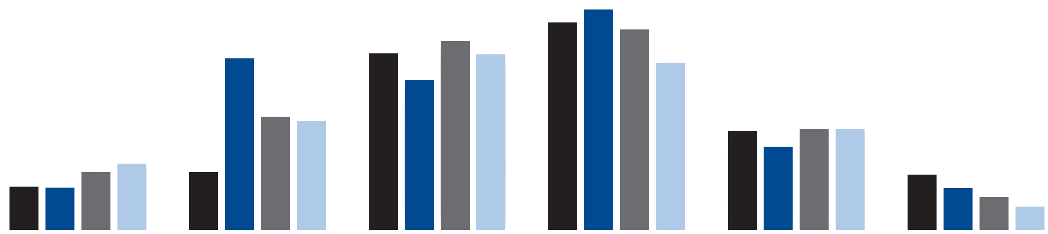
(In Thousands)



Total Net Cost: $10,359,618

MAJOR ELEMENTS OF NET COST COMPARISON OVER TIME

(In Thousands)



OBJECTIVES	Peace and Security	Governing Justly and Democratically	Investing in People	Economic Growth	Humanitarian Assistance	Operating Unit Management
FY 2013	$ 697,496	$ 932,633	$ 2,866,304	$ 3,359,020	$ 1,608,533	$ 895,632
FY 2012	$ 685,459	$ 2,781,422	$ 2,432,231	$ 3,570,384	$ 1,347,484	$ 674,138
FY 2011	$ 937,044	$ 1,834,826	$ 3,063,083	$ 3,249,228	$ 1,631,640	$ 527,872
FY 2010	$ 1,072,494	$ 1,768,207	$ 2,848,414	$ 2,710,179	$ 1,629,087	$ 377,915

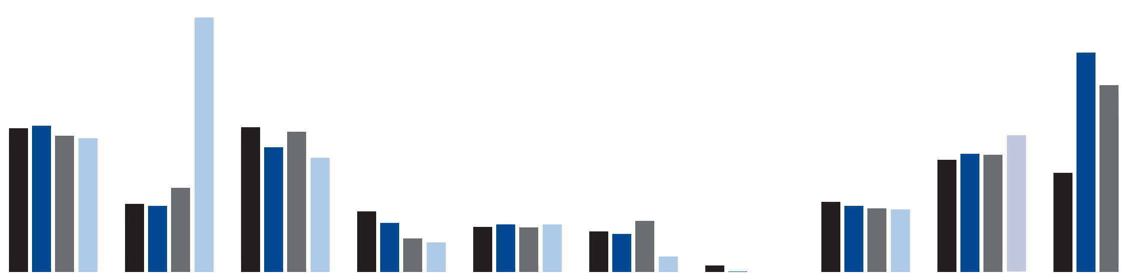
For FY 2013 and FY 2012, USAID's net cost of operations totaled $10.4 billion and $11.5 billion, respectively. Over this two-year period net costs of operations decreased by 10 percent. There was a marked shift in objective emphasis, as total net cost for Governing Justly and Democratically decreased by $1.8 billion, or 66 percent. However, this decrease was partially offset by an increase of $917 million in total net costs across the Investing in People, Humanitarian Assistance, and Operating Unit Management strategic objectives.

Major elements of net cost are broken out above. This chart compares the major elements of net cost by year from FY 2010 through FY 2013.

USAID also tracks its expenses by responsibility segment as shown in Note 17, *Sub-organization Program Costs/ Program Costs by Segment*. The Agency includes its six geographic bureaus and four technical bureaus as responsibility segments. During FY 2013, the technical bureau formerly known as Economic Growth, Agriculture and Trade (EGAT) was renamed Economic Growth, Education, and Environment (E3). The chart below summarizes costs by responsibility segment for FY 2010 through FY 2013. Africa emerged as the largest geographic bureau in FY 2013, replacing the Afghanistan and Pakistan bureau, now known as the Office of Afghanistan and Pakistan Affairs (OAPA). As in FY 2012, the Middle East rounded out the top three geographic bureaus. Likewise, the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) remains the largest technical segment.

NET OPERATING COSTS BY RESPONSIBILITY SEGMENT

(In Thousands)



OBJECTIVES	Africa	Asia	DCHA	E3	Europe and Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA
FY 2013	$ 1,883,700	$ 894,907	$ 1,897,857	$ 791,882	$ 585,822	$ 530,610	$ 82,926	$ 920,990	$ 1,472,155	$ 1,298,769
FY 2012	$ 1,921,531	$ 863,807	$ 1,637,548	$ 641,347	$ 623,910	$ 500,100	$ 5,233	$ 868,682	$ 1,548,041	$ 2,880,919
FY 2011	$ 1,783,647	$ 1,103,545	$ 1,841,957	$ 435,916	$ 584,512	$ 669,992		$ 835,172	$ 1,539,475	$ 2,449,477
FY 2010	$ 1,754,091	$ 3,341,626	$ 1,497,133	$ 382,343	$ 621,790	$ 201,852		$ 820,139	$ 1,787,322	

FY 2013 NET COST PROGRAM AREAS
(In Thousands)

OBJECTIVE	PROGRAM AREA	TOTAL
Peace & Security	Counterterrorism	$ 37,903
	Combating Weapons of Mass Destruction (WMD)	28,397
	Stabilization Operations and Security Sector Reform	34,179
	Counternarcotics	174,879
	Transnational Crime	10,541
	Conflict Mitigation and Reconciliation	411,597
Peace & Security Total		697,496
Governing Justly & Democratically	Rule of Law and Human Rights	279,508
	Good Governance	189,444
	Political Competition and Consensus-Building	153,372
	Civil Society	310,309
Governing Justly & Democratically Total		932,633
Investing in People	Health	1,505,077
	Education	743,984
	Social and Economic Services and Protection for Vulnerable Populations	617,243
Investing in People Total		2,866,304
Economic Growth	Macroeconomic Foundation for Growth	756,728
	Trade and Investment	160,750
	Financial Sector	128,036
	Infrastructure	775,247
	Agriculture	889,077
	Private Sector Competitiveness	375,435
	Economic Opportunity	(347,564)
	Environment	621,311
Economic Growth Total		3,359,020
Humanitarian Assistance	Protection, Assistance and Solutions	1,435,031
	Disaster Readiness	173,347
	Migration Management	155
Humanitarian Assistance Total		1,608,533
Operating Unit Management	Crosscutting Management and Staffing	3,580
	Program Design and Learning	173,304
	Administration and Oversight	718,748
Operating Unit Management Total		895,632
Total Net Cost of Operations		$ 10,359,618

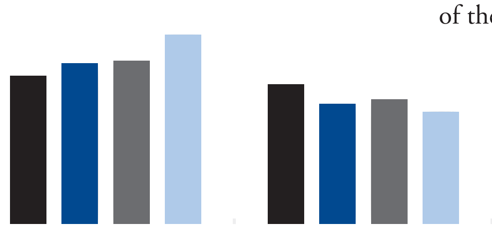
BUDGETARY RESOURCES

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 Other 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 $23.8 billion in cumulative budgetary resources in FY 2013, of which it has obligated $12.3 billion.

STATUS OF BUDGETARY RESOURCES FY 2010 – FY 2013
(In Thousands)



	Obligations Incurred	Unobligated Balance	Total Budgetary Resources
FY 2013	$ 12,252,505	$ 11,557,921	$ 23,810,426
FY 2012	$ 13,294,093	$ 9,953,608	$ 23,247,701
FY 2011	$ 13,495,108	$ 10,296,811	$ 23,791,919
FY 2010	$ 15,674,883	$ 9,282,142	$ 24,957,025

OBLIGATIONS AND OUTLAYS

The Status of Budgetary Resources chart compares obligations incurred and unobligated balances at year-end for FY 2013, FY 2012, FY 2011, and FY 2010. Net outlays reflect disbursements net of offsetting collections and distributed offsetting receipts. USAID recorded total net outlays of $9.5 billion during the current fiscal year, and these outlays were disbursed timely according to contracted terms. Budgetary resources increased $562 million or less than 3 percent, from FY 2012, while net outlays decreased $327 million or 3 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.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

In FY 2013, USAID demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective Agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. The Federal Managers' Financial Integrity Act (FMFIA) of 1982 establishes management's responsibility to assess and report on internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably

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, with the exceptions of two material weaknesses and one nonconformance with financial management system requirements. The details of the exceptions are provided 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, 2013. Other than that exception, the internal controls were operating effectively and no other material weaknesses were found 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 OIG's identification of a material weakness in USAID's internal control over financial reporting detailed in Exhibit A as of September 30, 2013.] Other than that exception, 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 September 30, 2013, 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 § 4. Based on the results of this assessment, and 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, 2013. Other than that exception, USAID can provide reasonable assurance that its financial management systems comply with FMFIA § 4 and with the component requirements of the Federal Financial Management Improvement Act (FFMIA).

Rajiv Shah
Administrator
December 16, 2013

ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The FMFIA also requires agencies to annually assess and report on the internal controls that protect the integrity of federal programs (FMFIA § 2) and whether financial management systems conform to related requirements (FMFIA § 4).

Guidance for implementing the FMFIA is provided through the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. In addition to requiring agencies to provide an assurance statement on the effectiveness of programmatic internal controls and financial system conformance, the Circular requires agencies to provide an assurance statement on the effectiveness of internal control over financial reporting.

The Assurance Statement on the preceding page is issued in accordance with the FMFIA and OMB Circular A-123.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL

The FMFIA requires the head of the agency, based on the agency's internal evaluation, to provide an annual Assurance Statement on the effectiveness of management, administrative, and financial reporting controls. OMB Circular A-123, *Management's Responsibility for Internal Control*, implements the FMFIA and defines management's responsibility for internal control in federal agencies. The FY 2013 annual Assurance Statement is provided on the preceding page.

FMFIA § 2 requires agencies to establish internal controls and financial systems that provide reasonable assurance that the following objectives are achieved:

- Effective and efficient operations;
- Compliance with applicable laws and regulations;
- Reliability of financial reporting.

The Administrator's FMFIA Assurance Statement is primarily based on individual assurance statements from each Bureau Assistant Administrator, Independent Office Director, and Mission Director. The individual statements assessed internal controls related to the effectiveness of the controls over programs and operations, financial reporting, and compliance with laws and regulations and were based on self-assessments and internal reviews, as well as Office of Inspector General (OIG) and Government Accountability Office (GAO) reviews, audits, inspections, and investigations.

The results of these statements were considered with other sources of information when determining whether any internal control deficiencies or non-conformances needed to be reported in the annual Assurance Statement. Other information sources included, but were not limited to, the following:

- An entity-level control assessment;
- Internal management reviews, self-assessments, and tests of internal controls;
- Management's personal knowledge gained from daily operations;
- Reports from the GAO and the OIG;
- Reviews of financial management systems under OMB Circular A-127, *Financial Management Systems*;
- Annual performance plans and reports pursuant to the FISMA and OMB Circular A-130, *Management of Federal Information Resources*;
- Annual reviews and reports pursuant to the Improper Payments Elimination and Recovery Act (IPERA);
- Reports and other information from Congress or agencies such as OMB, the Office of Personnel Management (OPM), or General Services Administration (GSA), reflecting the adequacy of internal controls;
- Additional reviews relating to a mission, bureau, or independent office's operations, including those discussed in the Other Reviews section below.

FMFIA § 4 requires that agencies annually evaluate and report on whether financial management systems conform to government-wide requirements. USAID evaluated its financial management systems for the fiscal year ending September 30, 2013, in accordance with the FFMIA and OMB Circular A-127, *Financial Management Systems*, as applicable.

Appendix A of OMB Circular A-123 requires the agency head to provide a separate assurance statement on the effectiveness of internal control over financial reporting, in addition to the overall FMFIA Assurance Statement. USAID management assessed internal controls at the entity-level, process, transaction, and application level. The report also provides a Summary of Financial Statement Audit and Management Assurances under the section entitled "Other Information," as required by OMB Circular A-136, *Financial Reporting Requirements*.

The effectiveness of process-level controls was assessed through detailed test procedures related to the Agency's financial reporting objectives. This included understanding the information technology (IT) infrastructure and assessing IT risk. Based on the assessment of inherent and control IT risks, including the preliminary evaluation of computer-based controls, general control techniques were tested to determine if they were in fact operating effectively. As part of this effort, the Agency performed a comprehensive risk assessment in which USAID management identified:

- Significant financial reports;
- Significant line items and accounts;
- Major classes of transactions;
- Relevant assertions, risks of material misstatement, and control objectives;
- Reporting and regulatory requirements;
- Existing deficiencies and corrective action plans.

From the results of the risk assessment, USAID management selected processes fundamental to the Agency's financial management. USAID management updated documentation of the business processes and control activities designed to mitigate significant financial reporting and compliance risks. These control activities were tested for design and operating effectiveness. The Agency also tested the operating effectiveness of control activities that were found to be deficient in prior years. The test results served as a basis for management's assessment of the effectiveness of internal control over financial reporting.

The results of testing completed prior to and as of September 30, 2013, formed the basis of the annual Assurance Statement. USAID management also analyzed the magnitude of the internal control deficiencies and the level of assurance provided under the FMFIA requirements. The Agency analyzed the internal control deficiencies, both individually and in the aggregate, to determine if a significant deficiency or a material weakness existed in the financial reporting processes.

Significant factors considered for assessing each deficiency included the following:

- Nature of the control deficiency (e.g., design, operation);
- Internal control objectives and activities impacted;
- Potential impact on financial statement line items, accounts, and disclosures;
- The interaction of control deficiencies with other deficiencies;
- The materiality of account balances impacted by the deficiency.

Each year, the Agency's Management Control Review Committee (MCRC) advises the Administrator as to whether USAID had any deficiencies in internal control or financial system design significant enough to be reported as a material weakness or non-conformance. This advice is based on the assurance statements from the Bureau Assistant Administrators, Independent Office Directors, Mission Directors, and other supplemental sources of information.

Appendix B of OMB Circular A-123 requires federal agencies to maintain internal controls that reduce the risk of fraud, waste, and error in government charge card programs. Its purpose is to maximize the benefits to the Federal Government when using government charge cards to pay for goods and services in support of official federal missions. USAID conducted its assessment of the government charge card program and determined that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices. During FY 2013, USAID management performed a review of various aspects of cardholder activity in order to monitor controls and compliance, including objectives such as:

- Only authorized and trained employees are provided a charge card;
- Card account management is appropriate when a cardholder transfers within the Agency or separates from the Agency;
- Charges are accurate, authorized, and are for legitimate business purposes;
- Payments are made properly and promptly to maximize card rebates;
- Cardholders and supervisors reconcile card charges to identify errors and/or misuse;
- Erroneous charges or unauthorized purchases identified after payment are recaptured from the vendor or employee;
- Management monitors activity and appropriate reports to identify delinquency, misuse, or abuse.

Seven control deficiencies were identified as part of the Appendix B review; however, none met the definition of significant deficiency or material weakness. USAID has implemented additional controls and reporting requirements to comply with OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*.

OTHER REVIEWS

The OIG audited USAID's financial statements. The objective of the OIG's audit was to express an opinion on the financial statements and to report on tests of compliance with selected laws and regulations.

The OIG issued a total of 746 audit reports, including 641 financial audits, 64 performance audits, and 41 other audits. See also page 40 related to audit follow-up.

As of September 30, 2013, there were 25 GAO reviews in process, covering 12, or 50 percent, of the bureaus and independent offices.

SUMMARY OF 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 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.

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

EXHIBIT A – MATERIAL WEAKNESSES

At the close of the fiscal year, the Agency reported two material weaknesses. One is operations-related and one 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 FISMA audit found 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 IT and information security does not allow the Agency to implement a process to effectively assess, respond to, and monitor information security risk throughout the organization.

Plan: (1) Develop, document, implement, and enforce policies and procedures to improve its information security program and bring it into compliance with FISMA, OMB, and National Institute of Standards and Technology (NIST) requirements; (2) centralize IT assets under the Bureau for Management (M), Office of the Chief Information Officer (M/CIO), including procurement, development, management, and operations by December 31, 2014; (3) review and approve all IT acquisitions or expenditures in FY 2015; (4) issue a series of information security directives and obtain staff participation to assist in improving the Agency's information security posture; (5) complete System Managers training and certification by March 31, 2014; (6) suspend network accounts for individuals failing to complete the training and certification.

Progress to date: (1) Updated the Agency's Information Systems Security policy; (2) developed a three-phase comprehensive action plan to support the policy; (3) identified the resources required to implement the plan and received supplementary funding; (4) began limited implementation of the first phase and revised the plan based on funds available; (5) issued an executive notice to inform staff that M/CIO is the Agency's Authority Official of all USAID information systems.

Target completion date: December 31, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)

USAID continues to have large unreconciled differences between the Fund Balance with Treasury account recorded in the Agency's accounting system (Phoenix) and the Fund Balance reported by the U.S. Department of the Treasury (Treasury), and continues to have suspense items older than 60 days.

Plan: (1) Identify and resolve unexplained differences between Phoenix and Treasury; (2) reduce to less than 50 the number of items from suspense accounts that exceed 60 days; (3) improve reconciliation procedures.

Progress to date: (1) Developed a reconciliation database and templates and began calculating the adjustments for 3,600 fund accounts; (2) reduced the number of suspense transactions over 60 days from approximately 800 at the start of FY 2013 to approximately 350 by the end of FY 2013; (3) reduced outstanding items over one year old from 10,400 in May 2012 to 3,300 as of June 2013; (4) phased out "pooled" advances for Department of Health and Human Services grants and automated the payroll reconciliation.

Target completion date: December 31, 2014

EXHIBIT B – NON-CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS

At the close of the fiscal year, the Agency reported one non-conformance with financial management system requirements.

CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)
USAID's lack of an effective risk management program, taken together with 70 open FISMA audit recommendations from prior audits, represents a significant deficiency as defined by OMB's Memorandum M-12-20, *FY 2012 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management*, to enterprise-wide security, including USAID's financial systems. In addition to responding to the recommendations made as a result of this year's audit, USAID is making progress in addressing the open FISMA audit recommendations primarily by focusing on the outstanding Plan of Action and Milestones (POA&M) from the AIDNET General Support System (GSS) and by executing a three-year FISMA action to effectively implement NIST security controls throughout the USAID network enterprise. Information systems, including financial, will benefit from the improvement in overall security. USAID is also strengthening its risk management program to better demonstrate the implementation of the processes and procedures that have been developed in support of information security. **Target completion date: June 30, 2015**

FMFIA SIGNIFICANT DEFICIENCIES

In keeping with the Agency's core concept of increasing transparency, USAID is voluntarily disclosing its most significant deficiencies and continues to monitor the progress of corrective actions. There were no operational significant deficiencies; however, there were three financial reporting significant deficiencies. Corrective action plans for the financial reporting deficiencies are provided in the table below.

INTERNAL CONTROL OVER FINANCIAL REPORTING
Large balances in unliquidated obligations (ULO) remain. The Bureau for Management, Office of the CFO (M/CFO) has initiated targeted reviews of over five thousand awards that are more than three years old with ULOs. However, correcting this deficiency requires coordination with the Bureau for Management, Office of Acquisition and Assistance (M/OAA) and relevant Bureau Assistant Administrators and Independent Office Directors with regard to verifying that obligation managers, i.e., Contracting Officer Representatives and Agreement Officer Representatives, conduct the periodic reviews required to initiate deobligation action on ULOs. The initial target completion date was revised to reflect additional time needed to correct the deficiency. **Revised target completion date: September 30, 2014**
USAID's process to record payroll deductions and entitlement payments is not effective. Erroneous payments were made due to inaccurate, late, or missing standard form (SF-50), Request for Personnel Action. The Office of Human Resources (OHR) has developed new procedures with metrics that address timeliness, responsibilities, and accountability of responsible units/staff. OHR leadership is reviewing its structure, unit functions, and staff capacity to determine the most efficient organization and maximum use of resources. As such, the target date has been moved to obtain and assess results and implement changes to correct this deficiency. **Revised target completion date: June 30, 2014**

(continued on next page)

INTERNAL CONTROL OVER FINANCIAL REPORTING *(continued)*

Intragovernmental transactions remain unreconciled. As of September 30, 2013, Treasury reported a net difference of $2.9 billion in intragovernmental transactions between USAID and other federal agencies. These differences occurred because USAID's trading partners (TP) recorded the transactions in different accounting periods or used different accounting methodologies to classify and report the transactions. For TP 99 (Treasury), the M/CFO is collaborating with Treasury on additional guidance on the use of U.S. Standard General Ledger 2970 related to Capital Transfers. For TP 11 (Executive Office of the President), the M/CFO has corrected its process for applying TP codes to appropriations for TP 11 but administered by the Department of State (State) and Treasury.

Target completion date: September 30, 2015

FFMIA COMPLIANCE ASSESSMENT

The 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 OMB Circular A-127 and other federal financial system requirements.

USAID's process for assessing its financial management systems is in compliance with the January 9, 2009, revision of OMB Circular A-127 and included the use of an FFMIA risk model that ranks risks from nominal to significant. Based on the results of the review, USAID concluded that its risk rating 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 FMFIA. Therefore, USAID reports that its financial management systems do not substantially comply with FFMIA overall.

GOALS AND SUPPORTING FINANCIAL SYSTEM STRATEGIES

USAID is continually striving to maximize development impact per dollar spent. In order to do so, USAID needs a financial 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 and earned unqualified opinions for nine consecutive years prior to receiving a qualified opinion the past year on USAID's FY 2012 principal financial statements. Agency staff has worked diligently with auditors to address their concerns and the current financial systems strategy is to maintain and build upon a strong financial systems framework, particularly to support evolving Agency and government-wide goals.

One goal is to help stakeholders understand how U.S. taxpayer funds are used to achieve international development results. Just as USAID works with other countries to promote governments that are transparent, accessible, and accountable to their people, the U.S. Government also strives to improve its own transparency, as set forth in the President's Open Government Initiative. USAID, State, Millennium Challenge Corporation, Department of Defense, and Treasury are all now publishing foreign assistance budget and spending data on the public Foreign Assistance Dashboard, which enables the United States to take a significant step forward in becoming a leader in aid transparency. As an example of its commitment to transparency, USAID is the only federal agency to provide transactional detail to the Foreign Assistance Dashboard.

The transaction data represent each financial record in Phoenix, USAID's accounting system, that has been processed in a given time period for program work with implementing partners and other administrative expenses. These data are updated quarterly and represent USAID's ability to improve the way that the Agency's financial information is managed, shared, and reported.

USAID is improving operational efficiency of financial management, which will enable the Agency to focus its resources where they achieve the most impact and directly support the USAID Forward agenda. Local Solutions is one of the key USAID Forward initiatives, and, due to improved data management, USAID is better able to capture the results of the Local Solutions initiative. As reported earlier in 2013, USAID has increased funding to local partners and partner country governments, and 14.3 percent of mission funds went to local partners and country governments. Of the 14.3 percent, almost half goes to partner country governments and the remainder to local organizations—from universities to farmers' associations to businesses.

As the Federal Government undertakes new initiatives to improve financial management, USAID is updating its systems and processes accordingly. The Agency is updating 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 made significant advances in leveraging government-wide solutions, such as solutions to screening for improper payment prevention.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

The Phoenix financial management system is the core of USAID's financial systems framework. As USAID's accounting system of record, Phoenix enables Agency staff to analyze, manage, and report on foreign assistance funds.

The Phoenix system interfaces with other key 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. In FY 2013, USAID improved the interface between Phoenix and the Agency's travel management system to more easily identify documents to be deobligated, and developed a new report showing the remaining funding left on Open Authorization documents within the travel management system.

In addition to the systems and tools that USAID directly manages and/or has developed internally, such as Phoenix, GLAAS, and eCART (enhanced Web-based cash reconciliation tool), USAID also leverages interagency agreements to support its financial management operations: the Department of Health and Human Services 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 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 software in December 2013. The upgrade will enable the Agency to align with new federal initiatives, including GTAS and SAM, as well as improve system usability and efficiency.

USAID will continue to further align financial management with program management, and to make financial management processes more efficient. The Financial Systems Division 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 for better managing their portfolios and more quickly and accurately conducting pipeline reporting. MAPPR also allows missions to create financial reports by project, activity, bilateral agreement, and office. In the coming fiscal years, USAID plans to continue to expand on this work by aligning with the Agency's Enterprise Data Management Initiative; adhering to new data standards, such as those called for by the National Information Exchange Model (NIEM); and supporting Agency efforts to better link budget, accounting, and performance information.

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

USAID is committed to enhancing the management performance process, with a focus on improving efficiency from a time, process, and cost perspective, and effectiveness from a quality and customer service perspective. The Agency is actively engaged in supporting the Cross-Agency Priority (CAP) Goals, government-wide management initiatives, and the President's New Management Agenda.

USAID's contributions to the government-wide management initiatives are presented on performance.gov in the following focus areas: IT, financial management, acquisitions, human resources, customer service, sustainability, and open government. Additionally, USAID contributes to the following CAP Goals: Improper Payments, Real Property, Cyber Security, Data Center Consolidation, Strategic Sourcing, Closing Skills Gap, and Sustainability. Additional information on some of these areas is presented below.

RECOVERY ACT

Pursuant to Division A, Title XI of the Recovery Act, USAID received $38 million for IT systems. USAID used the Recovery Act funds to complete the GLAAS. GLAAS implementation improves accountability and development program tracking; supports USAID resource stewardship; modernizes the acquisition and assistance process; and provides more accurate data. GLAAS maximizes interoperability and minimizes redundancy through integration with a host of internal and external systems. The real-time integration of GLAAS with USAID's financial management system allows the Agency to provide comprehensive, timely, and accurate reports to OMB, Congress, and other stakeholders. GLAAS also integrates with external government systems including FPDS-NG FedBizOpps, FDMS, and Grants.gov, simplifying the acquisition and assistance process and enhancing USAID's ability to provide important financial information to the public.

Of the $38 million that USAID received in Recovery Act funds, USAID obligated $37.99 million. The remaining $8,427 in Recovery Act funds were deobligated and returned to Treasury. The Agency's Recovery Act recipients have completed all work and have expended all obligated funds. USAID's Recovery Act activities in FY 2013 focused on verifying task completion, validating final reporting, and reconciling reports and data quality in the USAID financial system, as well as the Federalreporting.gov and Recovery.gov systems. All eight recipient reports have been reconciled, and the total number of full-time equivalent employees reported by Recovery Act recipients for the duration of work totaled 105.93 jobs.

For more details on Recovery Act material activities, please go to the Agency's Recovery Web site at *http://www.usaid.gov/recovery/*.

AUDIT FOLLOW-UP

USAID's Management Bureau (M) and the OIG staff work in partnership to ensure timely and appropriate responses to audit recommendations. The OIG uses the audit process to help Agency managers improve the effectiveness and efficiency of operations and programs. The OIG staff conducts audits of USAID programs and operations, including the Agency's financial statements, related systems and procedures, and Agency performance in implementing programs, activities, or functions. They contract with the Defense Contract Audit Agency (DCAA) to audit U.S.-based contractors and rely on non-federal auditors to audit U.S.-based grant recipients. Overseas, local auditing firms or the supreme audit institutions of host countries audit foreign-based organizations. During the fiscal year, a total of 1,100 audit recommendations were issued by the OIG, representing a 30 percent growth in recommendations from FY 2010 to FY 2013.

The Agency closed 1,126 recommendations, representing 79 (or 7 percent) less than last year due, in large part, to a 15 percent decrease in the number of audit recommendations issued by the OIG. Of these, 838 were procedural or non-monetary audit recommendations; 286 were questioned costs recommendations, representing $7.8 million in disallowed costs that were recovered; and two were audit recommendations with management efficiencies, representing $20 million in funds that were put to better use. 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.

In addition, significant effort was made to complete corrective action on OIG audit recommendations within one year of a management decision. As of September 30, 2013, there were 93 open recommendations over one year old. Of these, 51 were at the mission or bureau/independent office level for closure, 13 were under formal administration or judicial appeal with the USAID's Procurement Executive or the Civilian Board of Contracts Appeals, 14 were transferred to Treasury for debt collection, 8 cannot be closed until their repayment plan has been completed, and 7 cannot be closed due to the military coup in Mali.

MANAGEMENT ACTION ON RECOMMENDATION THAT FUNDS BE PUT TO BETTER USE

	RECOMMENDATIONS	DOLLAR VALUE ($000)
Management decisions:		
Beginning balance 10/1/2012	1	$ 20,000
Management decisions during the fiscal year	2	1,280
Total management decisions made	3	21,280
Final actions:		
Recommendations implemented	2	20,080
Recommendations not implemented	–	–
Total final actions	(2)	(20,080)
Ending Balance 9/30/2013	1	$ 1,200

MANAGEMENT ACTION ON AUDITS WITH DISALLOWED COSTS

	RECOMMENDATIONS	DOLLAR VALUE ($000)
Management decisions:		
Beginning balance 10/1/2012	145	$ 17,695
Management decisions during the fiscal year	285	18,385
Total management decisions made	430	36,080
Final actions:		
Collections/Offsets/Other	284	7,843
Write-offs	1	7
Total final actions	(285)	(7,850)
Ending Balance 9/30/2013	145	$ 28,230

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 10/1/2012" and subtracting "Total final actions" (or closed audit recommendations).

A management decision is the evaluation of a recommendation by management and a decision upon an appropriate course of action. There was one audit recommendation over six months old with no management decision. This 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 tables on the preceeding page show that USAID made management decisions to act on 287 audit recommendations with management efficiencies (funds put to better use) and planned recoveries (collection of disallowed costs) totaling more than $19.6 million. Final actions were completed for two "put to better use" and 285 "questioned costs" audit recommendations, representing a total of $28 million in cost savings.

FEDERAL REAL PROPERTY INITIATIVE

USAID seeks to maintain its real property assets at the right size, in the right condition, and at the right cost. The Agency's real property inventory holdings consist of 1,708 assets as of December 15, 2012. Of this total inventory, there are 60 trust-funded and 107 USAID-owned assets with a total plant replacement value of $186.2 million[2] and 1,541 leased assets with FY 2012 rent payments of $70.2 million. Total inventory includes 85 functional facilities, 69 land lots, 1,548 housing units, and 5 parking structures. Oversight of this portfolio falls under the purview of USAID's Senior Real Property Officer in collaboration with State's Overseas Buildings Operations Bureau. USAID also maintains domestic Occupancy Agreements with GSA. In FY 2012, USAID occupied 786,259 square feet of office and warehouse space in the Washington, D.C. area covered under these agreements. Administration of these agreements and management of the space is the responsibility of the Bureau for Management, Office of Management Services (M/MS) under 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, which provides a framework for establishing and improving asset management programs. Under oversight OMB, USAID was one of the first agencies to earn recognition under the Asset Management Initiative. In 2010, the President asked agencies to identify real property cost savings through submission of a Cost Savings and Innovation Plan. As part of this government-wide initiative, USAID was able to achieve $145 million from FY 2010 to FY 2012 in cost savings and cost avoidance. While USAID is a relatively small agency with only 0.15 percent of the total square footage of the U.S. Government real property footprint, the Agency contributed 4.8 percent to the government-wide cost savings goal of $3 billion. More recently, Section 3 of OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, also known as "Freeze the Footprint," was finalized on March 12, 2013. It requires agencies to: (1) set a baseline of square footage for all domestic office and warehouse space and maintain their footprints at this level; (2) develop annual real estate strategic plans; and (3) create internal policies, processes, and controls to ensure compliance. In September 2013, USAID submitted a real estate strategic plan to OMB that addressed these requirements by increasing the efficient utilization of space while maintaining its baseline footprint.

Real property also plays a major role in achieving federal sustainability goals established by Executive Orders 13423 and 13514, in addition to objectives from EISA2007, EPAct2005, and the Telework Enhancement Act of 2010. USAID has a successful track record in meeting the challenges of the Federal Real Property Initiative. In doing so, the Agency works closely with its Federal Government counterparts, such as State and OMB, to effectively plan and execute initiatives. USAID is addressing new challenges to keep personnel secure and support expanding development and diplomatic missions. USAID will continue to effectively manage its real property portfolio in a cost effective manner.

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

ACCOUNTABLE GOVERNMENT INITIATIVE

HUMAN CAPITAL MANAGEMENT

With strategic planning, USAID avoided furloughing any employees during this period of sequestration. USAID formed a committee to identify vacancies and assess priorities in hiring, and will continue to do "managed recruitment" in FY 2014. While the number of employees eligible for retirement remains high, this group tends to stay on the job longer and delay retirement, enabling USAID to retain highly skilled staff in technical areas.

Also in FY 2013, USAID fully migrated to Treasury's Human Resources (HR) shared service center, in compliance with OPM and OMB's mandates to automate and integrate HR information systems to enhance efficiency, increase accuracy, minimize duplication, and streamline HR processes. Treasury operates HR Connect, an approved HR Line of Business service provider, which replaced Avue automated system for recruitment, hiring, and onboarding employees.

USAID uses metrics to validate results and the effectiveness of Agency programs. Human capital metrics were revamped to show alignment to the Agency Performance Goals under Talent Management to ensure total workforce planning, comprehensive performance management, and leadership/career development. USAID continues to participate in OPM's pilot *HRStat*, which replaced the annual Human Capital Management Report. As such, USAID provides quarterly reports to OPM on key human capital metrics identifying trends and progress or corrective actions, as needed. Lastly, under the new HR leadership team, the human capital accountability system is being reinvigorated, focusing on HR quality assurance, project management, and process improvements.

ENHANCED ACCOUNTABILITY IN ACQUISITION AND ASSISTANCE

USAID's acquisition and assistance portfolio represents the greatest share of the Agency's annual spending. In FY 2012, 80 percent of all USAID spending went through acquisition and assistance awards. Given the significance of these awards in accomplishing the Agency's mission, USAID is using a senior management review process to ensure that the awards fulfill established criteria. The review process further enhances the acquisition and assistance process by ensuring that: (1) the activities are consistent with the development strategy, U.S. policy, and Agency priorities; (2) the situation on the ground 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. Throughout the acquisition and assistance process, Agency senior management is engaged to ensure that planned awards fulfill these criteria.

OPEN GOVERNMENT AND DATA

Since his first term in office, President Obama has maintained a commitment to an unprecedented level of transparency in government. USAID plays an instrumental role in making this commitment a reality by spearheading new efforts to engage with the public, modernize information systems, streamline information governance processes, and release available data. The Agency is working hard to ensure that it effectively communicates its development efforts and successes to the American people, stakeholders, and partners at home and abroad. By making data, programs, and evaluations easily accessible, the Agency is helping to create a global commons of development practice that is evidence-based and shares knowledge to inform new approaches in development.

USAID expanded the functionality of its Development Experience Clearinghouse (DEC) (*https://dec.usaid.gov*), which provides transparent access to more than a half century of the Agency's programmatic and technical documentation. Users can explore more than 155 thousand USAID-related program descriptions, field studies, manuals, research reports, lessons learned, and project designs and evaluations.

USAID supports open government and transparency by publishing high-value information online and in open formats. USAID has been publishing the Greenbook for nearly 50 years, and its companion Web site (*http://gbk.eads.usaidallnet.gov/*) provides a complete historical record of all U.S. foreign assistance. Since April 2012, users have been able to search detailed data from all U.S. Government departments and agencies. Greenbook data are also available on the Open Government Initiative's data repository (*http://www.data.gov*) and consistently rank as one of the most downloaded datasets.

USAID is also publishing increasingly detailed financial information on foreign assistance activities in machine readable formats on the Foreign Assistance Dashboard (*http://www.foreignassistance.gov*). This Web site provides a view of U.S. Government foreign assistance funds and enables users to examine, research, and track aid investments. In July 2013, USAID published a dataset containing 53 thousand records of disaggregated obligation and disbursement data for the first three quarters of the fiscal year. The data are available in an internationally recognized format, per USAID's commitment to the International Aid Transparency Initiative, so that they are comparable to data reported by other countries and donors.

Dollars to Results (*http://results.usaid.gov*) is a pilot Web site USAID developed to show the link between the dollars the Agency spends each year and the results achieved. Through this Web site, USAID is able to depict precisely what it has achieved as a result of investments in 21 performance focus missions. USAID will include an additional 16 countries on the Web site by the end of 2013.

USAID launched a Developer Resources Web site (*http://www.usaid.gov/developer*) to support innovative applications of development data by the public sector, private sector, donors, partners, and beneficiaries. The Developer Resources Web site is designed to connect citizen developers to the tools they need to unlock government data in order to increase transparency, collaboration, and impact. The Web site includes resources to facilitate automated access to datasets related to the Development Credit Authority (DCA), Feed the Future (FTF), Famine Early Warning Systems Network, the Greenbook, and Trade Capacity Building Assistance.

Most recently, USAID has begun to make its data open and machine readable by default, in accordance with an Executive Order released in May 2013. This will include creating a data asset inventory, and listing those assets that can be released in a publicly available data catalog. As part of this process, USAID will create new ways to engage with the public, gather feedback from data customers, and provide public insight into its data publication process. USAID has taken the additional step of creating a specific governance body to oversee its many efforts in support of open data. This body will help define policies around data release, clarify roles and responsibilities, and provide guidance for engaging the public, entrepreneurs, and innovators.

COST SAVINGS

USAID has 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. USAID engages its employees around the world in identifying short and long-term cost savings, including cost avoidance through the use of blogs and e-mail, and through the President's Securing Americans' Value and Efficiency (SAVE) Award program. To date, the Agency has realized cost savings and cost avoidance of over $57.6 million in FY 2011, $92.6 million in FY 2012, and projected savings and avoidance of over $20 million in FY 2013. These efficiencies were accomplished primarily through reductions in printing, travel, and the disposal of real estate.

USAID will continue to pursue cost savings with a goal of streamlining processes and increasing efficiency. In light of a 2012 President's SAVE award suggestion to consolidate shuttle bus routes, the Agency completed an internal review of its shuttle bus services for cost savings opportunities. As a result of this review, USAID will realize an annual estimated cost savings and avoidance of approximately $300 thousand for FY 2013. Additionally, implementation of a revised travel policy and conference approval system has contributed to annual cost savings and avoidance of over $3 million for FY 2013.

SUSTAINABILITY AND GLOBAL CLIMATE CHANGE

In addition to reducing the environmental impact of Agency domestic operations through recycling, telework, and operational policy efforts, USAID modified its printing policy in order to reduce energy consumption and solid waste generation. Environmentally preferable requirements for Agency printing services include use of only Energy Star compliant devices, recycled paper, default double sided printing, and recycling used printing devices. This policy requires the same sustainable printing specifications on outside vendors contracted by the Agency.

The Tropical Forest Alliance 2020 (TFA 2020) is a public-private partnership with the goal of reducing tropical deforestation associated with key global commodities, such as soy, beef, palm oil, and pulp and paper. USAID is leading the U.S. Government's engagement in TFA 2020. TFA 2020 was born out of discussions between the U.S. Government and the Consumer Goods Forum prior to and during the Rio + 20 Conference. It will achieve its goal via voluntary actions. TFA 2020 complements and supports the Obama Administration's broader development and climate objectives, and seeks to deliver solutions that spur economic growth and enhance food security. TFA 2020 partners currently include Consumer Goods Forum and the governments of the United States, United Kingdom, Netherlands, and Norway, as well as the non-governmental organizations, Conservation International, the Sustainability Initiative, and the World Resources Institute. TFA 2020 remains open to new partners, including producer and consumer countries, private sector companies, and civil society organizations that agree to undertake specific actions to address commodity-driven tropical deforestation.

As set out in the Global Climate Change and Development Strategy, USAID has established a working group to develop a climate change research agenda. The research agenda will be developed in close consultation with the climate change evaluation agenda. Both are key components of a larger learning agenda, which is intended to generate guidance on how to implement climate change programs effectively and how to target USAID climate change investments strategically.

In 2013, USAID completed its second annual Agency Climate Change Adaptation Plan, in compliance with Executive Order 13514, and submitted it to the Council on Environmental Quality as an annex to the Agency Sustainability Plan. The updated Adaptation Plan responds to public comments received on the first plan, and provides an update of work completed, as well as new initiatives underway or planned to address the climate vulnerabilities of USAID's assets, operations, and programs.

Finally, USAID and State lead implementation of a multi-agency flagship program for the President's Global Climate Change Initiative, Enhancing Capacity for Low Emission Development Strategies (EC-LEDS), to identify and advance effective economy-wide LEDS in partner countries. EC-LEDS is the State-USAID Agency Priority Goal for the Global Climate Change Initiative reported to OMB for Government Performance Results and Modernization Act. The EC-LEDS program exceeded the set target for each indicator for the third quarter of FY 2013 and is on target to meet the final indicator, which measures the extent to which 12 countries have strengthened capacity for and made measurable progress on developing and implementing LEDS by the end of FY 2013.

FINANCIAL SECTION

A Haitian woman at a recycling plant in Port-au-Prince, Haiti in May 2013. The plant received a grant through a USAID-funded business plan competition in order to help clean up the city's streets, canals, and vacant lots, and to provide income to the poorest Haitians.

PHOTO: KENDRA HELMER / USAID

Atuhaire Justine and her children pose at the farm she owns with her husband outside Mbarara, Uganda. The couple used a loan from a local bank backed by USAID to build an irrigation system to increase capacity for their pineapple farm, and to grow melons and maize.

PHOTO: MORGANA WINGARD FOR USAID

A MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER


Kent Kuyumjian

I am honored to join the Administrator in presenting the FY 2013 Agency Financial Report (AFR) for the U.S. Agency for International Development (USAID). This report is the principal publication to the President and the public on our funding stewardship and financial management. This report also contains a discussion on financial and program performance.

USAID received an unmodified (clean) opinion on its FY 2013 and FY 2012 financial statements. During FY 2013, USAID worked diligently to address those actions that originally contributed to the FY 2012 financial statements qualification. To address the OIG's immediate concerns, we reversed the adjustments cited as unsupported in FY 2012 and restated our financial statements. We also continued to analyze and focus efforts to resolve our Fund Balance with Treasury differences. Further work is necessary to fully resolve the condition and remedy the associated material weakness.

The complexity of the issue requires continued analytics and corrective actions into FY 2014 and FY 2015 to fully reconcile USAID's cash position with Treasury to our satisfaction. Significant progress was made in addressing concerns expressed by the OIG in FY 2012 related to fund balance differences including: using a Web-based cash reconciliation tool (eCART) to reconcile cash items from worldwide missions timely; improving our comprehensive Treasury general ledger reconciliation analysis that included eCART reconciling items plus reconciling items from all of USAID's other payment agents; improving the Department of Health and Human Services payment reconciliation procedures; improving the National Finance Center payroll reconciliation procedures by using a database and posting model to correct payroll differences between Phoenix and Treasury; and reducing the number of suspense account items over 60 days old from approximately 800 at the start of FY 2013 to approximately 350 by the end of FY 2013.

The OIG identified four significant deficiencies in internal controls. The significant deficiencies pertain to USAID's processes for: (1) deobligating unliquidated obligations; (2) accounting for advances; (3) supporting payroll deductions; and (4) reconciling intragovernmental transactions; The OIG recommendations will serve as the basis for our continued efforts to improve controls in these areas.

During FY 2013, the Bureau for Management, 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 its measurement and remediation of improper payments, in Washington and six missions. This assessment was in conformance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, and related appendices requirements.

M/CFO also coordinated the Federal Managers' Financial Integrity Act (FMFIA) overall compliance effort for FY 2013. USAID conducted reviews of its financial management systems in accordance with OMB Circular A-127, *Financial Management Systems*. Based on these reviews, and as a result of the Federal Information Security

Management Act (FISMA) audit findings, USAID identified one material weakness constituting nonconformance with financial management system requirements under FMFIA § 4. Other than this exception, USAID can provide reasonable assurance that its financial systems substantially comply with financial system requirements and applicable provisions of FMFIA as of September 30, 2013.

We are committed to minimizing the risk of making erroneous or improper payments to contractors, grantees, and customers. The Agency remains vigilant in its efforts to reduce payment errors by focusing its efforts on identifying, reporting, and recovering its high-dollar overpayments. In FY 2013, USAID's error rate for the Improper Payment Elimination and Recovery Act (IPERA) for the programs tested was 0.06 percent, an amount significantly below OMB's erroneous payments reporting threshold of 2.5 percent.

M/CFO continues its efforts to advance Local Solutions, one of seven key reform areas under the Agency's USAID Forward initiative. Local Solutions Objective 1 seeks to strengthen partner country public financial management capacity to improve aid effectiveness and sustainability. To support this objective, USAID is expanding its use of reliable partner country public financial management systems, applying a risk management approach to assess and mitigate fiduciary risks.

During FY 2013, M/CFO in collaboration with other Agency offices and mission personnel achieved the following results: continued cooperation with bilateral and multilateral donors and the wider USAID stakeholder community on the mutual long-term objective of transparent and accountable partner country public financial management systems; completed course development and conducted staff training to develop the skills necessary to assess and manage partner government fiduciary risks and to deepen understanding of public financial management systems; and continued implementing USAID's Public Financial Management Risk Assessment Framework (PFMRAF). This tool is used to assess partner government fiduciary risks at a national and institutional level. The fieldwork for PFMRAF Stage 1 Rapid Appraisals has been completed in 35 countries. Twenty-eight of these country programs are pursuing completion of one or more PFMRAF Stage 2 Risk Assessments.

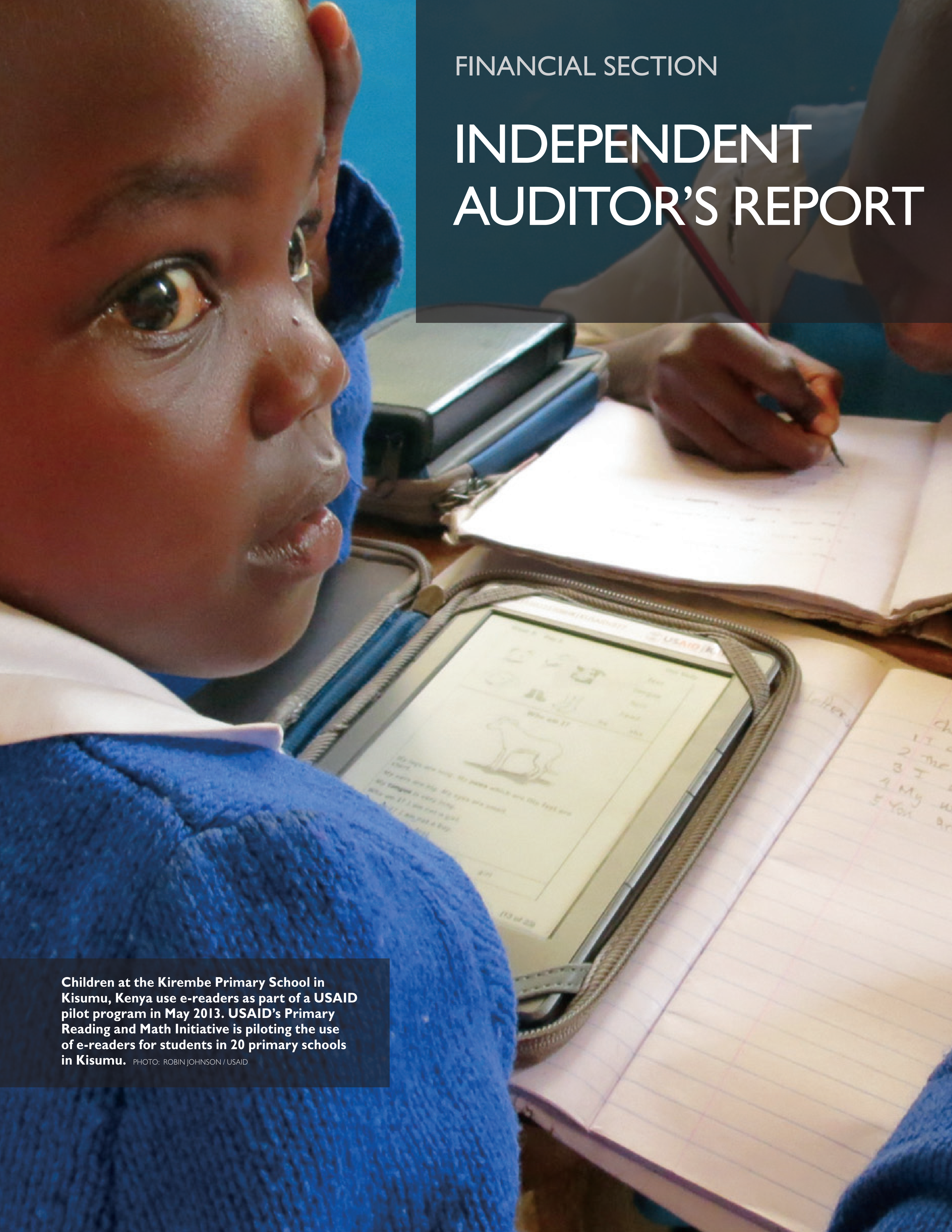
We continue to provide information to the public about our programs and performance through the government-wide Open Government initiative. USAID remains committed to upholding the values of transparency, accountability, participation, and collaboration in tangible ways.

We are pleased with our FY 2013 successes and we will continue to focus efforts to resolve audit findings and improve all aspects of financial performance. We will hold ourselves, and the Agency, to the highest financial management standards. We affirm our commitment to promoting effective internal controls and resolving any impediments to produce fairly represented USAID financial statements today and in the future.

Kent A. Kuyumjian
Acting Chief Financial Officer
December 16, 2013

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Children at the Kirembe Primary School in Kisumu, Kenya use e-readers as part of a USAID pilot program in May 2013. USAID's Primary Reading and Math Initiative is piloting the use of e-readers for students in 20 primary schools in Kisumu. PHOTO: ROBIN JOHNSON / USAID

Hope is the first newborn receiving an innovative treatment for jaundice in Ogbomoso, Nigeria. D-Rev's Brilliance device uses high-intensity blue LEDs to treat severe jaundice. D-Rev is a USAID grant recipient through Saving Lives at Birth: A Grand Challenge for Development.

PHOTO: BEN CLINE / D-REV

Office of Inspector General

December 16, 2013

MEMORANDUM

TO: Kent Kuyumjian, Acting Chief Financial Officer

FROM: Melinda Dempsey, Acting AIG/A /s/

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012

The Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012*. Pursuant to the Government Management Reform Act of 1994, Public Law 103–356, USAID is required to prepare consolidated financial statements for the 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 December 16, 2013. 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 has rendered an unmodified opinion on USAID's principal financial statements for fiscal years 2013 and 2012. 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 four significant deficiencies in internal control. They pertain to USAID's processes for (1) deobligating unliquidated obligations, (2) accounting for advances, (3) supporting payroll deductions, and (4) reconciling intragovernmental transactions.

We found no instances of substantial noncompliance with federal financial management systems requirements, federal accounting standards or the U.S. Standard 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, Title VIII (31 USC 3512 note). However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act report, No. A-000-14-001-P dated October 15, 2013, which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

This report contains four recommendations to improve USAID's internal control over financial reporting.

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

We have considered your response to the draft report and the recommendations included therein. We acknowledge your management decisions on the recommendations. Please forward all information to your Office of Audit Performance and Compliance for final action. (Appendix II contains USAID's management comments.*)*

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2013 and 2012 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 our audits. We conducted the 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". Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of USAID as of September 30, 2013 and 2012 and its assets, liabilities, net position, net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

In our report dated November 16, 2012, we expressed an opinion that, except for the effects of unsupported adjustments, the 2012 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 20 to the financial statements, USAID reversed the unsupported adjustments and restated its 2012 financial statements. Accordingly, our present opinion on the restated 2012 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 December 16, 2013, 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 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.

Melinda G. Dempsey

USAID Office of Inspector General
December 16, 2013

REPORT ON INTERNAL CONTROL

We have audited the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2013 and 2012, 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 audits of USAID's financial statements for the fiscal years ended September 30, 2013 and 2012, 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 four 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 four significant deficiencies in internal control related to USAID's financial management processes to:

- Deobligate unliquidated obligations.
- Account for advances.
- Support payroll deductions.
- Reconcile intragovernmental transactions.

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.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated December 16, 2013.

Material Weakness

USAID Does 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 (Phoenix) and the fund balance reported by the Department of the Treasury (Treasury). As of September 30, 2013, these differences totaled approximately $121 million net ($1.9 billion, absolute value). This finding has been reported for several years. Table 1 illustrates the differences for the past five fiscal years.

Table 1. USAID's Fund Balance Differences ($ million)

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

These differences persist 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 arbitrarily adjusted its FBWT account to agree with Treasury's fund balance. In FY 2012 USAID stated that the cash balance in its budget module was accurate, adjusted its FBWT account in the general ledger to agree with the budget module, and moved funds from all affected appropriations to one appropriation at Treasury. In FY 2013 USAID determined that the method used to determine the amount of the adjustments was incorrect or unsupported and therefore reversed all the adjustments except those related to cancelled appropriations. This action increased the differences between USAID and Treasury, forcing USAID to adjust its FBWT account by $121 million as of September 30, 2013, to ensure that it agreed with the balance reported on Treasury's Form 2108, Year End Closing Statement. To expedite the reconciliation process and facilitate the research and resolution of differences, USAID has implemented eCART, a Web-based cash reconciliation system.[2] The Agency has begun a comprehensive reconciliation of its

[2] eCART performs a comprehensive reconciliation of the Agency's cash disbursement with Treasury's fund balance, tracking open reconciling items and providing an audit trail of corrective action taken.

FBWT and related accounts, such as advances, obligations, expenditures, and accounts payable. It estimated the reconciliations would be completed by the end of FY 2015.

Another problem the audit disclosed was that of 74 fund groups, 6 had abnormal cash balances with Treasury, totaling a combined ($77,757,529). These abnormal credit balances can be from erroneous disbursements, by USAID or by third-party payers such as the U.S. Department of Health and Human Services (DHHS), the National Finance Center (NFC), and the Department of State. To rectify the abnormal balances, USAID implemented a corrective action plan and, as of the date of this report, had corrected approximately $17 million.

Furthermore, USAID recorded transactions in the suspense accounts that it did not research and resolve within the 60-day period established by Treasury. As of September 30, 2013, there were 358 items with a net value of $3 thousand ($2.3 million absolute value) more than 60 days old. This amount represents a great improvement from FY 2012, when there were 717 items valued at $52.2 million ($59 million absolute value). USAID anticipates that by June 30, 2014, all suspense items older than 60 days will be resolved.

Fund Balance With Treasury Reconciliation Procedures, a Supplement to the *Treasury Financial Manual*, Volume I, Part 2-5100, Section V, 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 is implementing a plan that will be executed and completed in two stages to reconcile all differences. The appropriations will be divided into two groups for which differences will be identified, investigated, and resolved, and adjustments recorded. The first group will be completed by March 31, 2014, and the other group by FY 2015. Therefore, we make the following recommendation.

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

Significant Deficiencies

USAID's Process for Deobligating Unliquidated Obligations Needs Improvement (Repeat Finding)

USAID established a team dedicated to reviewing and closing out procurement obligations without activity for more than 3 years. During FY 2013, the team identified approximately $70 million of outstanding obligations that were deobligated and made available in the Phoenix accounting system for reprogramming. However, large amounts of outstanding obligations remain that could potentially be deobligated. During our audit, we analyzed[3] USAID's unliquidated obligations (ULOs) and determined that, as of September 30, 2013, USAID had approximately $128 million[4] in unliquidated obligations with no disbursements for more than 3 years that might be available for deobligation. Of the $128 million, approximately $24 million was older than 10 years and approximately $55 million had no disbursements since they were established (Table 2).

Table 2. Analysis of ULOs by Fiscal Years

FY Established	Obligation Amounts With No Activity Since Establishment ($)	Unliquidated Amounts With No Activity for 3-Years ($)	Total Amount of Unliquidated Obligations ($)
2002 and Prior	3,264,184	20,910,354	24,174,538
2003	344,006	1,465,106	1,809,112
2004	1,068,900	3,615,365	4,684,265
2005	1,389,639	7,630,264	9,019,902
2006	2,092,498	8,282,373	10,374,871
2007	4,973,681	13,159,920	18,133,601
2008	5,732,855	10,808,715	16,541,569
2009	10,854,967	4,863,352	15,718,320
2010	25,505,092	1,667,354	27,172,446
Total	**55,225,822**	**72,402,803**	**127,628,625**

These deficiencies occurred because USAID does not have an effective process to identify and deobligate awards and contracts in a timely manner. Given the significant amount of low dollar and old obligations that make up this balance, performing manual deobligation actions within the accounting system becomes cumbersome and problematic.

USAID's Automated Directives System (ADS) Chapter 621, "Obligations," states that Obligation Managers must continuously monitor unexpended obligated balances and ask the obligating official to deobligate excess or unneeded funds.

As a result of the ineffective process, USAID has increased the risk of losing program and operating expense funds that may expire before they are deobligated. Because USAID has awarded contracts to independent public accounting firms to conduct contract closeout audits

[3] The methodology used in FY 2013 was expanded to include missions, grants, and subobligations, resulting in an increase in unliquidated obligations.
[4] Over the past 5 years, obligations incurred averaged approximately $13 billion annually.

on procurement awards, has initiated targeted reviews of awards, and has established a management bureau task force to address Agency-wide ULO balances, we are not making a recommendation on these matters. However, because USAID has approximately $128 million in ULOs with no disbursement activity for more than 3 years, we make the following recommendation.

> ***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.*

USAID's Process for Accounting for Advances Needs Improvement
(Repeat Finding)

USAID's process for accounting for advances continues to be problematic. Specifically, USAID:

- Continues to have outstanding advances for more than 90 days that should be researched to determine if the outstanding balances should be recovered or corrected.
- Has not reconciled the advances control account in the general ledger to the subsidiary ledger.
- Has not investigated certain letter-of-credit advances and made corrections to ensure that USAID's financial records are consistent with the financial records of Treasury.
- Has not investigated negative advances to determine if they represent amounts owed to the Agency and should be recovered.

As of September 30, 2013, USAID had approximately $41 million in advances that were outstanding for more than 90 days as illustrated in Table 3.

Table 3. Advances Outstanding for More Than 90 Days

Office	Category	Number Outstanding	Amount ($ thousand)
USAID/W	Intragovernmental	41	17,346
	Grantees	140	606
	Public International Organizations	284	5,183
USAID/Missions	Intragovernmental	17	3,150
	Grantees	78	869
	Public International Organizations	957	13,787
	Total	**1,517**	**40,941**

These advances were outstanding because USAID and its missions permitted grantees a 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, USAID 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 ADS 636, "Program Funded Advances," which addresses accounting and reporting for advances, but did not require the missions to establish outstanding advances as accounts receivable within a reasonable period.

USAID's Chief Financial Officer is working to reduce the $17.8 million in outstanding advances at its missions and has taken a number of corrective actions, such as upgrading the Phoenix advance aging reports and issuing new guidance to its missions on advances. USAID/Washington is responsible for the remaining $23 million in outstanding advances, of which $5.2 million is attributable to advances made to public international organizations and grantees, which consistently delay the liquidation of advances made to them. USAID's ADS 636 states that missions and Washington offices are required to ensure periodic review of outstanding advances so that they do not exceed immediate cash needs.

Our audit also revealed that USAID did not fully reconcile the general ledger advance account to the subsidiary ledger. This occurred because USAID chose to reconcile advances, not in isolation, but as part of a comprehensive process that reconciles all general ledger accounts affected by the FBWT reconciliation to the respective balances in the subsidiary ledgers. In FY 2012 USAID completed a reconciliation using the budget module as a basis and adjusted various accounts that appear in the financial statements, including advances. However, USAID did not verify or validate these adjustments before FY 2012 year-end reporting. In FY 2013 USAID determined that the methodology used to determine the amount of the adjustment for advances was incorrect and reversed the adjustments. During FY 2013, USAID compared the advance account in the general ledger and the subsidiary ledger and identified certain transactions that should be reviewed to determine their validity. The comparison showed a net difference of approximately $27.8 million with an absolute value of $160 million that should be researched and resolved to determine whether the advances account is misstated.

The audit further revealed that USAID has not completed the investigation and resolution of differences in appropriation balances between Treasury and USAID. These differences arose because Treasury and USAID did not charge the same appropriation for disbursements made by the DHHS Payment Management System (PMS) on behalf of USAID to grantees and contractors, and reported by DHHS to USAID and Treasury. USAID compared the transactions reported by Treasury and the transactions recorded in Phoenix and identified differences totaling approximately $8 million that were unresolved for more than 90 days as of August 31, 2013. We also identified negative unliquidated advances of approximately $5.3 million in the synchronization report of PMS that USAID did not investigate to determine whether this amount is owed to the Agency and should be recovered. As a result, advances may be misstated by approximately $5.3 million. USAID has implemented new procedures to prevent this problem from recurring, but the transactions causing these differences are from prior years.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1) states:

> Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, … and maintenance of related records which provide evidence of execution of these activities as well as the appropriate documentation.

USAID has implemented a process to reconcile the differences between the general ledger and the subsidiary ledger and will start recording adjustments in FY 2014, but will not be able to complete the reconciliation until FY 2015. Although we will monitor USAID's progress in reconciling and resolving these differences in FY 2014, we make the following recommendation.

> ***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.*

USAID Could Not Provide Documentation to Support Payroll Deductions

USAID could not provide documentation for the deductions noted on employees' statements of earnings and leave. During our audit, USAID was able to provide 68 of 83 records requested to validate whether employees had authorized certain benefit deductions from their salaries. Our examination of those records indicated that $691 deducted from employees' salaries was not supportable. Because 15 of the records requested were missing, we were not able to apply the planned audit procedures or alternative procedures. Therefore, we treated the items not provided as misstatements totaling $983 as shown in Table 4.

Table 4. Payroll Deduction Calculations

Deduction Type	Missing Documents	Amount ($)	Incorrect Calculations	Amount ($)
Federal Employees Health Benefits Act (FEHB)	10	850	8	298
Federal Employees Group Life Insurance Act (FEGLI)	4	54	7	320
FEHB + FEGLI	1	79	1	73
Total	**15**	**983**	**16**	**691**

Problems with the reporting process occurred because employee benefit records may be entered electronically, either in the electronic official personnel folder or in the National Finance Center's system, depending on how employees were hired and whether eligible employees used the Employee Personnel Page to elect or change their benefits during open season. The lack of work flow analysis and business processes makes it difficult to locate missing documentation.

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

> Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. . . . They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of the activities as well as the appropriate documentation. . . . 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 information to be misstated. Therefore, we make the following recommendation.

> ***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.*

Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

USAID continues to have a large number of unreconciled intragovernmental transactions. As of September 30, 2013, Treasury reported a net difference of $2.9 billion in intragovernmental transactions between USAID and other federal agencies. Treasury reports these differences quarterly in the Reciprocal Category Detail Report. They represent differences identified by Treasury between USAID's records and those of its federal trading partners. Of the $2.9 billion, USAID was required to reconcile and confirm $295 million 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 the transactions.

USAID continually researches intragovernmental activity to improve its reconciliation process and eliminate the 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.

Of the total difference of $2.9 billion between USAID and its trading partners, Treasury does not require USAID to reconcile $2.6 billion reported for trading partner 99 but suggests that federal agencies confirm that these differences represent general fund activities. USAID is making an effort to confirm the general fund activity and plans to continue collaborating with Treasury to research and reconcile these differences. Treasury plans to update the guidance on capital transfers in fiscal year 2014 to include steps to resolve differences with trading partner 99, which reports transactions with Treasury's general fund.

We reported a similar finding in previous audits[5] 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 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 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
December 16, 2013

[5] "Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011," November 16, 2012, page 17.

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

We have audited the consolidated balance sheets of USAID as of September 30, 2013 and 2012. We have also audited the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years ended September 30, 2013 and 2012, and have issued our reports thereon. We conducted the audits in accordance with auditing standards generally accepted in the United States; 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."

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 the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Our tests did not disclose instances of noncompliance considered 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 the 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 2013, USAID monitored key business processes and followed up on recommendations made in prior years. In its Management Assurance Statement, USAID identified one instance of nonconformance related to a lack of an effective risk management program, and reported two material weaknesses related to:

- Fund Balance With Treasury
- Implementation of information security policies and procedures

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 reported one significant deficiency in USAID's annual FISMA audit report dated October 15, 2013 and, as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements," we reported 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 expects 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
- Accounting for Unliquidated Obligations
- Accounting for Advances
- Supporting Payroll Deductions
- Reconciling Intragovernmental Transactions

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 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.

Melinda G. Dempsey

USAID Office of Inspector General
December 16, 2013

MANAGEMENT COMMENTS

USAID
FROM THE AMERICAN PEOPLE

December 16, 2013

MEMORANDUM

TO: Acting AIG/A, Melinda Dempsey

FROM: Acting M/CFO Chief Financial Officer, Kent A. Kuyumjian

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2013 and 2012 (Report No. 0-000-14-001-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012* and for the professionalism exhibited by your staff throughout this process.

Fiscal Year (FY) 2013 was a significant year for federal financial management at USAID. We are gratified that the USAID Inspector General will issue unmodified opinions on all four principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are appreciated.

Our comments and management decisions regarding the findings and proposed audit recommendations follow:

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

Recommendation No 1: We recommend that USAID intensifies its efforts and expedite the completion of the reconciliation and make results available for periodic review.

Management Decision: USAID accepts the finding and recommendation and will intensify its efforts to complete this reconciliation.

During FY 2013, The Bureau for Management, Office of the Chief Financial Officer (M/CFO) developed a comprehensive methodology to identify the necessary adjustments needed to reconcile its fund balance with Treasury. M/CFO will employ this methodology to determine the appropriate adjustment amounts to complete this reconciliation. One set of adjustments will be made in early FY 2014 with the remainder completed by the first quarter of FY 2015.

Target completion date: December 31, 2014

Significant Deficiency: USAID Process for Deobligating Unliquidated Obligations Needs Improvement (Repeat Finding)

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

Management Decision: USAID accepts the finding and recommendation.

USAID agrees that the process to identify and deobligate unneeded balances should be intensified. As acknowledged by the OIG, USAID made significant progress to address the backlog of contracting actions by establishing a team to facilitate this process resulting in deobligations of about $70 million in FY 2013. The Agency will continue these efforts in FY 2014. We will refine and implement an agency-wide web-based batch deobligation tool.

Target Completion Date: September 30, 2014.

Significant Deficiency: USAID's Process for Accounting for Advances Needs Improvement (Repeat Finding)

Recommendation No. 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 time frame, and (c) review and correct as necessary, appropriations erroneously charged by the Department of Health and Human Resources and recorded by the Department of the Treasury.

Management Decision: USAID accepts the finding and recommendation.

M/CFO will continue to research and resolve issues related to advances. To date, we have made great strides researching, recovering and posting outstanding advances. Updated procedures have been drafted, are in the review process, and will be incorporated into the appropriate section of the Agency's Automated Directives System (ADS) to reflect policies and procedures related to establish accounts receivables and applicable advance timeframes. In addition, M/CFO has developed procedures to ensure timely corrections of DHHS transactions in its financial system, Phoenix.

Target completion date: June 30, 2014

Significant Deficiency: USAID Could Not Provide Documentation to Support Payroll Deductions

Recommendation No. 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.

Management Decision: USAID accepts the finding and recommendation.

The USAID/Office of Human Resources will continue to coordinate with M/CFO to: 1) document and review business processes for various OHR actions impacting payroll deductions including hiring, transfers, open seasons, and qualifying life events; and 2) based on the business process review, create and/or update SOPs that identify accountable staff responsible for scanning and indexing new personnel documents in the eOPF, identify required documentation and records that support deductions from employees' salaries, and include timelines within which new actions are entered into the eOPF.

Target completion date: June 30, 2014

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management Decision: USAID accepts the finding and will continue to coordinate with other federal agencies to resolve the Intragovernmental differences in a timely manner.

Target completion date: September 30, 2015

In closing, I would like to confirm USAID's commitment to continuously improve its financial management. We will build on the noted improvements made last year and further develop as well as implement long-term solutions to address the issues cited in your report. M/CFO will continue to ensure that all necessary steps are taken to institutionalize strong financial management performance throughout the Agency.

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 a maximum of 6 months after a final report is issued. Corrective action should proceed as rapidly as possible.

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 Chief Financial Officer will focus on researching and resolving the $114 million difference and all outstanding differences more than a year old in the Web-based Cash Reconciliation System (eCART. The target completion date is September 30, 2015.

Recommendation 2. We recommend that the Chief Financial Officer augment its general ledger reconciliation processes to ensure that (a) the postings in the general ledger are reconciled periodically with the postings in the subsidiary ledgers, (b) general ledger differences are researched and resolved in a timely manner, (c) errors are corrected in a timely manner to maintain accurate account balances in the general ledger, and (d) detailed documentation of analysis and reconciliations supporting adjustments are maintained and easily retrievable for examination.

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

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 Chief Financial Officer indicated that the Agency would continue to identify and reduce contracts and obligations currently in closeout. Management has contracted with an independent accounting firm to assist in the review process. The target completion date is September 30, 2014.

Recommendation 4. We recommend that the Chief Financial Officer (a) continue to upgrade controls at missions, (b) update Automated Directives System 636 to include the desktop procedures implemented by the Cash Management and Payment Division, (c) clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, (d) research and resolve all outstanding amounts that remain in the Department of Health and Human Services synchronization report from prior years, and (e) implement a review and approval process to reclassify expenses as advances for amounts that were reported by the Department of Health and Human Services Payment Management System.

Status: This recommendation is still pending final action. The Chief Financial Officer indicated that the Agency will continue to strengthen and improve business processes to reduce its outstanding advances. USAID will take the following actions:

(a) Continue to upgrade controls at missions.

(b) Revise ADS 636, “Program Advances,” to include internal mandatory references related to procedures that enhance the liquidation process for both Washington and the missions.

(c) Revise ADS 636, “Program Advances,” to clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, and cross-reference ADS 636 and 625.

(d) Resolve items totaling $2.9 million (remaining after USAID resolved a $4.9 million item) related to nonpooled advances.

The target completion date is June 30, 2014.

Recommendation 5. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance to augment procedures to verify that contracting officer’s representatives review, validate, and modify as necessary the quarterly accounts payable and accrued expenses generated by the Accrual Reporting System before that information is recorded in the general ledger.

Status: This recommendation was closed on March 31, 2013.

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: This recommendation is still pending final action. The Chief Financial Officer will coordinate with the Office of Human Resources to (a) ensure that personnel files are updated by eliminating the backlog of personnel actions and (b) 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 June 30, 2014.

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, 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 close out 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, 2014.

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 Chief Financial Officer noted that the auditors acknowledged progress in the reconciliation of current transactions with the implementation of the fund balance reconciliation tool. The Chief Financial Officer will focus on eliminating legacy differences, correcting the Health and Human Services crosswalk, and clearing items from the suspense accounts within 60 days. The target completion date is December 31, 2015.

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 STATEMENTS AND NOTES

A Nepali woman manipulates pollen on advanced tomato lines to create locally grown, hybrid tomato seeds. Hybrid seed production is an infant industry in Nepal, and USAID is helping to provide training in advanced crop production and pest control techniques.

PHOTO: JOHN BOWMAN

James Onyango is a lab technologist at the Kenya AIDS Vaccine Initiative (KAVI) in Nairobi. He is one of the local scientists supporting an array of HIV research projects at KAVI clinics. USAID, through the International AIDS Vaccine Initiative (IAVI), supports the trials. PHOTO: VANESSA VICK / IAVI

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 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 2012 (see Note 20, *Restatement of FY 2012 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 2013 and FY 2012 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 17, *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, 2013 and 2012. 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, 2013 and 2012. 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 2012 note data may have been restated due to correction of FY 2012 accounting errors, or recast to enable comparability with the FY 2013 presentation. Details of the FY 2012 financial restatement are presented in Note 20, *Restatement of FY 2012 Principal Financial Statements*.

Required Supplementary Information contains a Combining Schedule of Budgetary Resources for FY 2013 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 2013. 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 management systems could not produce complete, reliable, timely, and consistent financial information.

In FY 2001, the OIG was able to express qualified opinions on three of the then five principal financial statements of the Agency, while continuing to issue a disclaimer of opinion on the remaining two statements. In FY 2002, the OIG expressed unqualified opinions on four of the then five principal financial statements and a qualified opinion on the fifth. This marked the first time since enactment of the GMRA that USAID received an opinion on all of its financial statements. The Agency continued to receive unqualified opinions on its principal financial statements until FY 2012, when an accounting error resulted in the first qualified opinion in nine years. 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.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2013 and 2012

(In Thousands)

	2013	2012 (Restated)
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2, 15 and 20)	$ 30,810,158	$ 28,946,169
Accounts Receivable (Note 3)	27	30
Other Assets (Note 4)	76,977	85,396
Total Intragovernmental	30,887,162	29,031,595
Cash and Other Monetary Assets (Note 5)	343,296	349,069
Accounts Receivable, Net (Note 3)	40,106	88,239
Direct Loans and Loan Guarantees, Net (Note 6)	2,574,346	2,773,576
Inventory and Related Property, Net (Note 7)	35,996	29,607
General Property, Plant, and Equipment, Net (Notes 8 and 9)	64,785	76,360
Advances (Notes 4 and 20)	441,386	457,807
Total Assets	**$ 34,387,077**	**$ 32,806,253**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 15)	$ 42,534	$ 121,730
Debt (Note 11)	481,000	478,304
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,391,590	2,613,998
Other Liabilities (Note 12)	724,053	756,861
Total Intragovernmental	3,639,177	3,970,893
Accounts Payable (Note 10)	1,570,342	1,867,144
Loan Guarantee Liability (Notes 6 and 10)	1,846,853	2,012,358
Federal Employee and Veteran's Benefits (Note 13)	26,047	23,582
Other Liabilities (Notes 10, 12, and 13)	541,855	545,576
Total Liabilities	**7,624,274**	**8,419,553**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations (Note 20)	22,745,711	21,286,109
Cumulative Results of Operations	4,017,092	3,100,591
Total Net Position (Notes 15 and 20)	**26,762,803**	**24,386,700**
Total Liabilities and Net Position	**$ 34,387,077**	**$ 32,806,253**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2013 and 2012

(In Thousands)

OBJECTIVES	2013	2012 (Restated)
Peace and Security:		
Gross Costs	$ 700,792	$ 688,584
Less: Earned Revenue	(3,296)	(3,125)
Net Program Costs	697,496	685,459
Governing Justly and Democratically:		
Gross Costs	935,670	2,790,514
Less: Earned Revenue	(3,037)	(9,092)
Net Program Costs	932,633	2,781,422
Investing in People:		
Gross Costs	2,909,743	3,051,384
Less: Earned Revenue	(43,439)	(619,153)
Net Program Costs	2,866,304	2,432,231
Economic Growth:		
Gross Costs	4,171,403	3,878,650
Less: Earned Revenue	(812,383)	(308,266)
Net Program Costs	3,359,020	3,570,384
Humanitarian Assistance:		
Gross Costs	1,616,207	1,353,613
Less: Earned Revenue	(7,674)	(6,129)
Net Program Costs	1,608,533	1,347,484
Operating Unit Management:		
Gross Costs	900,855	677,233
Less: Earned Revenue	(5,223)	(3,095)
Net Program Costs	895,632	674,138
Net Cost of Operations (Notes 16, 17, and 20)	**$ 10,359,618**	**$ 11,491,118**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013	2012 (Restated)
Cumulative Results of Operations:		
Beginning Balances	$ 3,102,471	$ 2,029,230
Adjustments – Correction of Errors	(1,880)	–
Beginning Balances, as Adjusted	3,100,591	2,029,230
Budgetary Financing Sources:		
Appropriations Used	10,905,583	11,551,390
Nonexchange Revenue	–	368
Donations and Forfeitures of Cash and Cash Equivalents	186,146	225,759
Transfers-in/out Without Reimbursement	163	–
Other Financing Sources (Non-Exchange):		
Transfers-in/out Without Reimbursement	142,254	754,968
Imputed Financing	41,973	29,994
Total Financing Sources	11,276,119	12,562,479
Net Cost of Operations	(10,359,618)	(11,491,118)
Net Change	916,501	1,071,361
Cumulative Results of Operations (Note 20)	4,017,092	3,100,591
Unexpended Appropriations:		
Beginning Balance	21,631,982	21,202,085
Adjustments – Correction of Errors	(345,873)	–
Beginning Balance, as Adjusted	21,286,109	21,202,085
Budgetary Financing Sources:		
Appropriations Received	12,188,566	11,536,737
Appropriations Transferred in/out	284,516	75,479
Other Adjustments	(107,897)	23,198
Appropriations Used	(10,905,583)	(11,551,390)
Total Budgetary Financing Sources	1,459,602	84,024
Total Unexpended Appropriations	22,745,711	21,286,109
Net Position	**$ 26,762,803**	**$ 24,386,700**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013		2012 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 8,075,315	$ 1,878,293	$ 7,875,446	$ 2,421,365
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	–	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	8,075,315	1,878,293	7,875,446	2,421,365
Recoveries of Prior Year Unpaid Obligations	639,688	200	472,000	20
Other Changes in Unobligated Balance (+ or -)	(274,917)	–	(118,331)	(71)
Unobligated Balance from Prior Year Budget Authority, Net	8,440,086	1,878,493	8,229,115	2,421,314
Appropriations (Discretionary and Mandatory)	11,964,208	–	11,575,665	(18)
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	2,696	–	–
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,339,770	185,173	812,068	209,557
Total Budgetary Resources	**$ 21,744,064**	**$ 2,066,362**	**$ 20,616,848**	**$ 2,630,853**
Status of Budgetary Resources:				
Obligations Incurred	$ 12,048,248	$ 204,257	$ 12,541,533	$ 752,560
Unobligated Balance, End of Year:				
Apportioned	8,616,699	222,522	7,398,435	309,839
Exempt from Apportionment	–	–	–	–
Unapportioned	1,079,117	1,639,583	676,880	1,568,454
Total Unobligated Balance, End of Year	9,695,816	1,862,105	8,075,315	1,878,293
Total Budgetary Resources	**21,744,064**	**$ 2,066,362**	**$ 20,616,848**	**$ 2,630,853**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013		2012 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ 18,338,078	$ 1,300	$ 17,505,109	$ (282)
Adjustment to Unpaid Obligations, Start of Year (+ or -)	(64,892)	(704)	–	–
Obligations Incurred	12,048,248	204,257	12,541,533	752,560
Outlays (Gross) (-) (Note 20)	(11,116,252)	(200,786)	11,301,456	(751,662)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	32,120	–	–	–
Recoveries of Prior Year Unpaid Obligations (-)	(639,688)	(200)	(472,000)	(20)
Unpaid Obligations, End of Year	18,597,614	3,867	18,273,186	596
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, Oct 1 (-)	(40,480)	35	(34,395)	35
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	–	–	–	–
Change in Uncollected Payments, Federal Sources (+ or -)	(26,900)	(35)	(6,085)	–
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or-)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(67,380)	–	(40,480)	35
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	$ 13,303,979	$ 187,868	$ 12,387,732	$ 209,540
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,236,285)	(185,137)	(1,077,951)	(209,558)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	(26,900)	(35)	(6,085)	–
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	$ 12,040,794	$ 2,696	$ 11,303,696	$ (18)
Outlays, Gross (Discretionary and Mandatory) (Note 20)	$ 11,116,252	$ 200,786	$ 11,301,456	$ 751,662
Actual Offsetting Collections (Discretionary and Mandatory)	(1,236,285)	(185,137)	(1,077,951)	(209,558)
Outlays, Net (Discretionary and Mandatory)	9,879,967	15,649	10,223,505	542,104
Distributed Offsetting Receipts (-)	(381,293)	–	(923,914)	–
Agency Outlays, Net (Discretionary and Mandatory)	**$ 9,498,674**	**$ 15,649**	**$ 9,299,591**	**$ 542,104**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements report USAID's financial position and results of operations. 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 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 $7.0 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 the entire $4.1 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 Guarantee to Tunisia Program***

  The Loan Guarantee to Tunisia Program was 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 through a loan guarantee. Under this program, the U.S. Government is authorized to issue guarantees with respect to the payment obligations of Tunisia for Notes, for which USAID's budget cost, calculated in accordance with Federal Credit Reform Act of 1990, would not exceed $30 million. Using this budget cost as a basis for determining the loan guarantee, Tunisia issued Notes totaling $485 million in FY 2012.

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. 112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011/511" 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 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 the U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

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

F. FUND BALANCE WITH THE U.S. TREASURY

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

G. FOREIGN CURRENCY

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

H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable 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.

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

- Department of 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, 2013 and 2012 consisted of the following:

FUND BALANCE WITH TREASURY
(In Thousands)

Fund Balance	2013	2012 (Restated)
Trust Funds	$ 258,885	$ 278,168
Revolving Funds	2,423,613	6,183,017
General Funds	28,139,590	21,844,010
Other Funds	(11,930)	640,974
Total	$ 30,810,158	$ 28,946,169

Status of Fund Balance with Treasury	2013	2012 (Restated)
Unobligated Balance		
Available	$ 8,839,221	$ 7,708,272
Unavailable	2,718,700	2,245,334
Obligated and Other Balances Not Yet Disbursed (Net)	19,252,237	18,992,563
Total	$ 30,810,158	$ 28,946,169

Fund Balances 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.

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 2012 financial statements due to correction of error. Correction of the error resulted in a $53 million decrease to Fund Balance with Treasury.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2013 and 2012 are as follows:

ACCOUNTS RECEIVABLE, NET
(In Thousands)

	Receivable Gross	Allowance Accounts	Receivable Net 2013	Receivable Net 2012
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 10	N/A	$ 10	$ 10
Accounts Receivable from Federal Agencies	30,186	N/A	30,186	330,845
Less Intra-Agency Receivables	(30,169)	N/A	(30,169)	(330,825)
Total Intragovernmental Accounts Receivable	27	N/A	27	30
Accounts Receivable from the Public	77,749	(37,643)	40,106	88,239
Total Receivables	$ 77,776	$ (37,643)	$ 40,133	$ 88,269

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.

NOTE 4. OTHER ASSETS

Advances as of September 30, 2013 and 2012 consisted of the following:

ADVANCES
(In Thousands)

	2013	2012 (Restated)
Intragovernmental		
Advances to Federal Agencies	$ 76,977	$ 85,396
Total Intragovernmental	76,977	85,396
Advances to Contractors/Grantees	327,035	129,794
Advances to Host Country Governments and Institutions	115,239	129,495
Advances, Other	(888)	198,518
Total with the Public	441,386	457,807
Total Other Assets	$ 518,363	$ 543,203

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 2012 financial statements due to correction of error. Correction of the error resulted in a $294.7 million decrease to Advances with the Public.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2013 and 2012 are as follows:

CASH AND OTHER MONETARY ASSETS
(In Thousands)

Cash and Other Monetary Assets	2013	2012
Foreign Currencies	$ 343,296	$ 349,069
Total Cash and Other Monetary Assets	$ 343,296	$ 349,069

Foreign Currencies are related to Foreign Currency Trust Funds and this totaled $343.3 million in FY 2013 and $349 million in FY 2012. 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
- Tunisia 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
(In Thousands)

	2013	2012
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 2,218,674	$ 2,414,336
Net Direct Loans Obligated After 1991 (Present Value Method)	221,342	237,142
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	134,330	122,098
Total Loans Receivable, Net as reported on the Balance Sheet	$ 2,574,346	$ 2,773,576

DIRECT LOANS

DIRECT LOANS
(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, 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
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2012:				
Direct Loans	$ 2,667,424	$ 347,807	$ (600,894)	$ 2,414,337
MSED	29	26	(55)	–
Total	$ 2,667,453	$ 347,833	$ (600,949)	$ 2,414,337

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, 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
Direct Loans Obligated After 1991 as of September 30, 2012:				
Direct Loans	$ 771,129	$ 14,802	$ (622,091)	$ 163,840
UE - Subrogated Claims	49,208	16,249	8,029	73,486
MSED	150	24	(357)	(183)
Total	$ 820,487	$ 31,075	$ (614,419)	$ 237,143

TOTAL AMOUNT OF DIRECT LOANS DISBURSED
(In Thousands)

Direct Loan Programs	2013	2012
Direct Loans	$ 3,190,763	$ 3,438,553
UE - Subrogated Claims	52,356	49,208
MSED	179	179
Total	$ 3,243,298	$ 3,487,940

SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES (POST-1991 DIRECT LOANS)

(In Thousands)

	2013				2012			
	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	$ 622,091	$ (8,029)	$ 357	$ 614,419	$ 567,953	$ (18,950)	$ 183	$ 549,186
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	(3,790)	–	–	(3,790)	(3,790)	–	–	(3,790)
(F) Other	23,506	3,197	–	26,703	57,928	10,921	174	69,023
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 641,807	$ (4,832)	$ 357	$ 637,332	$ 622,091	$ (8,029)	$ 357	$ 614,419
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	$ 641,807	$ (4,832)	$ 357	$ 637,332	$ 622,091	$ (8,029)	$ 357	$ 614,419

DEFAULTED GUARANTEED LOANS

(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): 2013				
UE	$ 138,801	$ 23,433	$ (27,904)	$ 134,330
Total	$ 138,801	$ 23,433	$ (27,904)	$ 134,330
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2012				
UE	$ 132,314	$ 93,523	$ (103,738)	$ 122,099
Total	$ 132,314	$ 93,523	$ (103,738)	$ 122,099

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

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

In 2012, the UE Program experienced $3.8 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING

GUARANTEED LOANS OUTSTANDING
(In Thousands)

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
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
Guaranteed Loans Outstanding (2012):		
UE	$ 734,890	$ 734,890
MSED	14,760	7,380
Israel	11,280,648	11,280,648
DCA	266,156	133,078
Egypt	1,250,000	1,250,000
Tunisia	485,000	485,000
Total	$ 14,031,454	$ 13,890,996
New Guaranteed Loans Disbursed (2013):		
DCA	$ 95,546	$ 47,773
Tunisia	–	–
Total	$ 95,546	$ 47,773
New Guaranteed Loans Disbursed (2012):		
DCA	$ 76	$ 38
Tunisia	485,000	485,000
Total	$ 485,076	$ 485,038

LIABILITY FOR LOAN GUARANTEES
(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, 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
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2012:			
UE	$ 28,528	$ 155,921	$ 184,449
MSED	–	(661)	(661)
Israel	–	1,297,606	1,297,606
DCA	–	62,233	62,233
Egypt	–	438,855	438,855
Tunisia	–	29,876	29,876
Total	$ 28,528	$ 1,983,830	$ 2,012,358

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT
(In Thousands)

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2013):					
DCA	$ –	$ –	$ –	$ 6,655	$ 6,655
Tunisia	–	–	–	–	–
Total	$ –	$ –	$ –	$ 6,655	$ 6,655
Subsidy Expense for New Loan Guarantees (2012):					
DCA	$ –	$ 6,396	$ –-	$ –	$ 6,396
Tunisia	–	29,876	–	–	29,876
Total	$ –	$ 36,272	$ –	$ –	$ 36,272

(continued on next page)

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT *(continued)*
(In Thousands)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
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)
Modifications and Reestimates (2012):				
UE	$ –	$ –	$ (4,907)	$ (4,907)
Israel	–	–	(99,363)	(99,363)
DCA	–	–	(380)	(380)
Egypt	–	–	301,455	301,455
Tunisia	–	–	–	–
Total	$ –	$ –	$ 196,805	$ 196,805

TOTAL LOAN GUARANTEE SUBSIDY EXPENSE
(In Thousands)

Loan Guarantee Programs	2013	2012
UE	$ (2,023)	$ (4,907)
MSED	–	–
Israel	(224,970)	(99,363)
DCA	14,150	6,016
Egypt	3,174	301,455
Tunisia	772	29,876
Total	$ (208,897)	$ 233,077

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

BUDGET SUBSIDY RATES FOR LOAN GUARANTEES FOR THE CURRENT YEAR'S COHORTS
(Percent)

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	–	4.77%	(0.70)%	–	4.07%
Tunisia	–	0.00%	–	–	0.00%

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

(In Thousands)

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

2012

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Tunisia	Total
Beginning Balance, Changes, and Ending Balance							
Beginning Balance of the Loan Guarantee Liability	$ 30,206	$ (661)	$ 162,947	$ 1,314,845	$ 131,881	$ –	$1,639,218
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	6,396	–	–	–	–	29,876	36,272
(C) Fees and Other Collections	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 6,396	$ –	$ –	$ –	$ –	$ 29,876	$ 36,272
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	1,306	–	1,045	–	–	–	2,351
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(6,575)	(11)	(13,467)	(662,889)	(69,448)	–	(752,390)
(F) Interest Accumulation on the Liability Balance	1,998	–	3,307	82,124	5,519	–	92,948
(G) Other	29,282	11	6,996	662,889	69,448	–	768,626
Ending Balance of the Loan Guarantee Liability Before Reestimates	62,613	(661)	160,828	1,396,969	137,400	29,876	1,787,025
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(380)	–	(4,907)	(99,363)	301,455	–	196,805
Total of the Above Reestimate Components	(380)	–	(4,907)	(99,363)	301,455	–	196,805
Ending Balance of the Loan Guarantee Liability	$ 62,233	$ (661)	$ 155,921	$ 1,297,606	$ 438,855	$ 29,876	$1,983,830

ADMINISTRATIVE EXPENSE *(In Thousands)*		
Loan Programs	**2013**	**2012**
DCA	$ 16,988	$ 13,890
Total	$ 16,988	$ 13,890

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. Five countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing $11.3 million that is more than six months delinquent. Seven countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $423.3 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.

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, 2013 and 2012 are as follows:

INVENTORY AND RELATED PROPERTY *(In Thousands)*		
	2013	**2012**
Items Held for Use		
Office Supplies	$ 3,854	$ 5,260
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	13,136	11,139
Birth Control Supplies	19,006	13,208
Total Inventory and Related Property	$ 35,996	$ 29,607

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) as of September 30, 2013 and 2012 are as follows:

GENERAL PROPERTY, PLANT AND EQUIPMENT, NET
(In Thousands)

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2013	Net Book Value 2012
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 82,172	$ (62,451)	$ 19,721	$ 19,468
Buildings, Improvements, and Renovations	20 years	68,852	(45,781)	23,071	25,614
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	112,715	(97,925)	14,790	24,075
Total PP&E		$ 270,942	$ (206,157)	$ 64,785	$ 76,360

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, 2013 and 2012 Leases consisted of the following:

LEASES
(In Thousands)

Entity as Lessee

Capital Leases:	**2013**	**2012**
Summary of Assets Under Capital Lease:		
Buildings	$ –	$ –
Accumulated Depreciation	–	–
Net Assets under Capital Leases	$ –	$ –

Description of Lease(s) 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: **Fiscal Year**	**2013** **Future Costs**
2014	$ 100,674
2015	90,298
2016	39,056
2017	31,152
2018	19,515
After 5 Years	29,892
Total Future Lease Payments	$ 310,588

Operating lease payments total $311 million in future lease payments of which $158 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 2013, FY 2015, FY 2016, FY 2017 and FY 2020. 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, 2013 and 2012 liabilities covered and not covered by budgetary resources were as follows:

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES
(In Thousands)

	2013	2012
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	$ 42,534	$ 121,730
Debt (Note 11)	481,000	478,304
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,391,590	2,613,998
Other Liabilities (Note 12)	538,086	660,533
Total Intragovernmental	3,453,210	3,874,565
Accounts Payable	1,564,774	1,856,966
Disbursements in Transit	5,568	10,178
Total Accounts Payable with Public	1,570,342	1,867,144
Loan Guarantee Liability (Note 6)	1,846,853	1,983,830
Other Liabilities with Public	492,341	501,747
Total Liabilities Covered by Budgetary Resources	$ 7,362,746	$ 8,227,286
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
IPAC Suspense	$ (29,203)	$ (7,108)
Unfunded FECA Liability (Note 13)	8,229	8,228
Other Unfunded Employment Related Liability	197	120
Other Liabilities (Note 12)	206,744	95,088
Total Intragovernmental (Note 12)	$ 185,967	$ 96,328
Accrued Annual Leave	49,514	43,829
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	49,514	43,829
Future Workers' Compensation Benefits (Note 13)	26,047	23,582
Debt - Contingent Liabilities for Loan Guarantees (Note 6)	–	28,528
Total Liabilities Not Covered by Budgetary Resources	261,528	192,267
Total Liabilities	$ 7,624,274	$ 8,419,553

NOTE 11. DEBT

USAID Intragovernmental Debt as of September 30, 2013 and 2012 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt:

INTRAGOVERNMENTAL DEBT
(In Thousands)

Debt Due to Treasury	2012 Beginning Balance	Net Borrowing	2012 Ending Balance	Net Borrowing	2013 Ending Balance
Direct Loans	$ 478,195	$ –	$ 478,195	$ 96	$ 478,291
DCA	185	(76)	109	2,600	2,709
Total Treasury Debt	$ 478,380	$ (76)	$ 478,304	$ 2,696	$ 481,000

Pursuant to the Federal Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from the 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 2013, 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 $2.4 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, 2013 and 2012 Other Liabilities consisted of the following:

OTHER LIABILITIES
(In Thousands)

	2013	2012
Intragovernmental		
IPAC Suspense	$ (29,203)	$ (7,108)
Unfunded FECA Liability (Note 13)	8,229	8,228
Custodial Liability	6,034	8,090
Employer Contributions & Payroll Taxes Payable	2,975	4,765
Other Unfunded Employment Related Liability	197	120
Liability for Advances and Prepayments	529,077	647,678
Other Liabilities	206,744	95,088
Total Intragovernmental	$ 724,053	$ 756,861
Accrued Funded Payroll and Leave	21,905	31,325
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	49,514	43,829
Advances From Others	2,725	2,697
Deferred Credits	360	1,330
Foreign Currency Trust Fund	344,404	350,210
Capital Lease Liability (Note 9)	–	–
Other Liabilities	122,947	116,185
Total Liabilities With the Public	$ 541,855	$ 545,576
Total Other Liabilities	$ 1,265,908	$ 1,302,437

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, 2013 and 2012 are indicated in the table below.

ACCRUED UNFUNDED WORKERS' COMPENSATION BENEFITS

(In Thousands)

	2013	2012
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 26,047	$ 23,582
Unfunded FECA Liability	8,229	8,228
Total Accrued Unfunded Workers' Compensation Benefits	$ 34,276	$ 31,810

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 2013, USAID's total FECA liability was $34.3 million, comprised of unpaid FECA billings for $8.2 million and estimated future FECA costs of $26.1 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, 2013 a total of four 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.

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. RECOVERY ACT FUNDS

RECOVERY ACT ASSETS, LIABILITIES AND NET POSITION
(In Thousands)

	Recovery Act Assets, Liabilities and Net Position	
	2013	**2012**
Fund Balance With Treasury	$	$ 8
Total Assets		**8**
Accounts Payable		–
Total Liabilities		**–**
Unexpended Appropriations		8
Cumulative Results of Operations		–
Total Net Position		**8**
Total Liabilities and Net Position	**$**	**$ 8**
	Status of Recovery Act Funds	
Total Budgetary Resources	**$**	**$ 8**
Obligations Incurred		–
Unobligated Balance		8
Total Status of Budgetary Resources	**$**	**$ 8**
Total, Unpaid Obligated Balance, Net, End of Period		–
Net Outlays	**$**	**$ 968**

In February 2009, Congress passed the American Recovery and Reinvestment Act of 2009 with the goal to create jobs, spur economic activity and invest in long term economic growth. This $787 billion Recovery plan includes federal tax cuts and incentives, an expansion of unemployment benefits, and other spending on social entitlement programs. In addition, federal agencies are using Recovery funds to award contracts, grants, and loans around the country.

USAID received $38 million for information technology security and upgrades to support mission-critical operations. Due to Agency IT priorities and toward maximizing job creation with the Recovery Act funds, USAID determined that the funding should be dedicated to the Global Acquisition and Assistance System (GLAAS) project. There is one fund in association with the Recovery Act Funds.

The Recovery Act Funds were fully expended in FY 2012 and there is no further reportable activity.

NOTE 16. 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 Program Area, as of September 30, 2013. These objectives are consistent with the State/USAID's Strategic Planning Framework.

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

Note 16 shows the value of transactions between USAID and other federal entities as well as non-federal entities. These are also categorized by Objectives, Program Areas and Responsibility Segments. Responsibility Segments are defined in Note 17.

Intragovernmental costs and earned revenue sources relate to transactions between USAID and other federal entities. Public costs and exchange revenues relate to transactions between USAID and non-federal entities.

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Total	2012 Restated Total
Peace and Security												
Intragovernmental Costs	$ 2,161	$ 1,407	$ 7,200	$ 1,948	$ 2,834	$ –	$ –	$ 4,292	$ 5,532	$ 8,731	$ 34,105	$ 36,571
Public Costs	91,989	25,455	172,892	5,622	64,221	–	–	151,178	1,781	153,549	666,687	652,013
Total Program Costs	94,150	26,862	180,092	7,570	67,055	–	–	155,470	7,313	162,280	700,792	688,584
Intragovernmental Earned Revenue	(273)	(164)	(953)	(122)	(523)	–	–	(791)	–	(444)	(3,270)	(3,020)
Public Earned Revenue	–	(1)	(8)	(1)	(4)	–	–	(12)	–	–	(26)	(105)
Total Earned Revenue	(273)	(165)	(961)	(123)	(527)	–	–	(803)	–	(444)	(3,296)	(3,125)
Net Program Costs	**93,877**	**26,697**	**179,131**	**7,447**	**66,528**	**–**	**–**	**154,667**	**7,313**	**161,836**	**697,496**	**685,459**
Governing Justly and Democratically												
Intragovernmental Costs	6,564	6,550	4,692	651	7,734	–	316	7,223	7,919	8,363	50,012	96,976
Public Costs	203,499	144,132	56,063	6,181	195,007	–	2,933	154,846	122,997	–	885,658	2,693,537
Total Program Costs	210,063	150,682	60,755	6,832	202,741	–	3,249	162,069	130,916	8,363	935,670	2,790,514
Intragovernmental Earned Revenue	(719)	(925)	(686)	(97)	(80)		(58)	(229)	(216)	–	(3,010)	(8,744)
Public Earned Revenue	(3)	(8)	(6)	(1)	(9)	–	–	–	–	–	(27)	(348)
Total Earned Revenue	(722)	(933)	(692)	(98)	(89)	–	(58)	(229)	(216)	–	(3,037)	(9,092)
Net Program Costs	**209,341**	**149,749**	**60,063**	**6,734**	**202,652**	**–**	**3,191**	**161,840**	**130,700**	**8,363**	**932,633**	**2,781,422**
Investing in People												
Intragovernmental Costs	79,201	15,351	3,591	9,954	1,296	12,529	1,003	9,455	17,946	14,584	164,910	210,230
Public Costs	670,593	177,615	86,005	85,436	43,030	521,770	9,376	155,641	713,558	281,809	2,744,833	2,841,154
Total Program Costs	749,794	192,966	89,596	95,390	44,326	534,299	10,379	165,096	731,504	296,393	2,909,743	3,051,384
Intragovernmental Earned Revenue	(11,130)	(2,705)	(651)	(5,182)	(337)	(3,661)	(185)	(1,534)	(2,168)	(2,192)	(29,745)	(611,201)
Public Earned Revenue	(79)	(22)	(5)	(2,897)	(3)	(28)	(2)	(13)	(18)	(10,627)	(13,694)	(7,952)
Total Earned Revenue	(11,209)	(2,727)	(656)	8,079)	(340)	(3,689)	(187)	(1,547)	(2,186)	(12,819)	(43,439)	(619,153)
Net Program Costs	**738,585**	**190,239**	**88,940**	**87,311**	**43,986**	**530,610**	**10,192**	**163,549**	**729,318**	**283,574**	**2,866,304**	**2,432,231**

(continued on next page)

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Total	2012 Restated Total
Economic Growth												
Intragovernmental Costs	57,048	31,255	66	109,448	8,162	–	4,586	41,692	21,343	41,730	315,330	304,285
Public Costs	600,007	365,411	2,392	694,912	198,514	–	44,344	270,184	1,021,097	659,212	3,856,073	3,574,365
Total Program Costs	657,055	396,666	2,458	804,360	206,676	–	48,930	311,876	1,042,440	700,942	4,171,403	3,878,650
Intragovernmental Earned Revenue	(2,092)	(2,165)	(12)	(128,075)	(1,102)	–	(855)	(1,468)	(524,136)	(5,175)	(665,080)	(126,154)
Public Earned Revenue	–	(18)	–	(147,224)	(9)	–	(7)	(12)	(33)	–	(147,303)	(182,112)
Total Earned Revenue	(2,092)	(2,183)	(12)	(275,299)	(1,111)	–	(862)	(1,480)	(524,169)	(5,175)	(812,383)	(308,266)
Net Program Costs	**654,963**	**394,483**	**2,446**	**529,061**	**205,565**	**–**	**48,068**	**310,396**	**518,271**	**695,767**	**3,359,020**	**3,570,384**
Humanitarian Assistance												
Intragovernmental Costs	2,116	22,707	80,682	–	264	–	–	1,257	228	832	108,086	95,603
Public Costs	317	35,766	1,340,017	3,814	15,163	–	–	41,970	42,195	28,879	1,508,121	1,258,009
Total Program Costs	2,433	58,473	1,420,699	3,814	15,427	–	–	43,227	42,423	29,711	1,616,207	1,353,613
Intragovernmental Earned Revenue	(2)	(241)	(6,802)	–	(48)			(231)	(139)	(154)	(7,617)	(5,923)
Public Earned Revenue	–	(2)	(51)	–	–	–	–	(2)	(1)	(1)	(57)	(206)
Total Earned Revenue	(2)	(243)	(6,853)	–	(48)	–	–	(233)	(140)	(155)	(7,674)	(6,129)
Net Program Costs	**2,431**	**58,230**	**1,413,846**	**3,814**	**15,379**	**–**	**–**	**42,994**	**42,283**	**29,556**	**1,608,533**	**1,347,484**
Operating Unit Management												
Intragovernmental Costs	82,601	18,549	55,934	71,483	16,882	–	5,140	20,920	6,892	29,999	308,400	173,034
Public Costs	102,587	57,439	98,176	87,585	35,058	–	16,688	67,090	37,510	90,322	592,455	504,199
Total Program Costs	185,188	75,988	154,110	159,068	51,940	–	21,828	88,010	44,402	120,321	900,855	677,233
Intragovernmental Earned Revenue	(670)	(479)	(673)	(1,540)	(226)	–	(350)	(462)	(131)	(643)	(5,174)	(2,992)
Public Earned Revenue	(15)	–	(6)	(13)	(2)	–	(3)	(4)	(1)	(5)	(49)	(103)
Total Earned Revenue	(685)	(479)	(679)	(1,553)	(228)	–	(353)	(466)	(132)	(648)	(5,223)	(3,095)
Net Program Costs	**184,503**	**75,509**	**153,431**	**157,515**	**51,712**	**–**	**21,475**	**87,544**	**44,270**	**119,673**	**895,632**	**674,138**
Net Cost of Operations	**$ 1,883,700**	**$ 894,907**	**$ 1,897,857**	**$ 791,882**	**$ 585,822**	**$ 530,610**	**$ 82,926**	**$ 920,990**	**$ 1,472,155**	**$ 1,298,769**	**$ 10,359,618**	**$ 11,491,118**

NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

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

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

In the FY 2013 Consolidated Statement of Net Cost, major responsiblity 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, and in FY 2012 IDEA was added as a Technical Bureau.

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT

As of September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Consolidated Total	2012 Restated Total
Peace and Security												
Counterterrorism												
Gross Costs	$ 32,909	$ 316	$ 380	$ –	$ –	$ –	$ –	$ –	$ 4,410	$ –	$ 38,015	$ 21,021
Less: Earned Revenues	(103)	(2)	(1)	–	–	–	–	–	(6)	–	(112)	(61)
Net Program Costs	32,806	314	379	–	–	–	–	–	4,404	–	37,903	20,960
Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	166	–	28,508	–	–	–	–	–	28,674	31,346
Less: Earned Revenues	–	–	(1)	–	(276)	–	–	–	–	–	(277)	(295)
Net Program Costs	–	–	165	–	28,232	–	–	–	–	–	28,397	31,051
Stabilization Operations and Security Sector Reform												
Gross Costs	3,698	6,558	–	–	2,426	–	–	21,692	–	–	34,374	45,332
Less: Earned Revenues	(12)	(51)	–	–	(13)	–	–	(119)	–	–	(195)	(181)
Net Program Costs	3,686	6,507	–	–	2,413	–	–	21,573	–	–	34,179	45,151
Counternarcotics												
Gross Costs	–	7	–	–	1	–	–	131,461	–	44,078	175,547	225,731
Less: Earned Revenues	–	–	–	–	–	–	–	(668)	–	–	(668)	(896)
Net Program Costs	–	7	–	–	1	–	–	130,793	–	44,078	174,879	224,835
Transnational Crime												
Gross Costs	9	6,454	1,127	55	2,818	–	–	137	–	–	10,600	14,286
Less: Earned Revenues	–	(36)	(10)	–	(13)	–	–	–	–	–	(59)	(67)
Net Program Costs	9	6,418	1,117	55	2,805	–	–	137	–	–	10,541	14,219
Conflict Mitigation and Reconciliation												
Gross Costs	57,534	13,527	178,420	7,515	33,303	–	–	2,178	2,909	118,196	413,582	350,868
Less: Earned Revenues	(158)	(76)	(950)	(123)	(226)	–	–	(14)	–	(438)	(1,985)	(1,625)
Net Program Costs	57,376	13,451	177,470	7,392	33,077	–	–	2,164	2,909	117,758	411,597	349,243
Total Peace and Security	**93,877**	**26,697**	**179,131**	**7,447**	**66,528**	**–**	**–**	**154,667**	**7,313**	**161,836**	**697,496**	**685,459**

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

As of September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Consolidated Total	2012 Restated Total
Governing Justly and Democratically												
Rule of Law and Human Rights												
Gross Costs	12,610	30,995	3,195	182	44,483	–	812	148,314	39,533	470	280,594	244,673
Less: Earned Revenues	(40)	(183)	(76)	(1)	(239)	–	(15)	(92)	(235)	(205)	(1,086)	(1,086)
Net Program Costs	12,570	30,812	3,119	181	44,244	–	797	148,222	39,298	265	279,508	243,587
Good Governance												
Gross Costs	1,649	62,720	32,907	5,580	43,188	–	–	32,200	11,726	–	189,970	1,985,341
Less: Earned Revenues	(10)	–	(184)	(94)	(225)	–	–	–	(13)	–	(526)	(5,085)
Net Program Costs	1,639	62,720	32,723	5,486	42,963	–	–	32,200	11,713	–	189,444	1,980,256
Political Competition and Consensus-Building												
Gross Costs	55,697	19,614	10,839	938	25,643	–	–	6,419	34,342	845	154,337	198,193
Less: Earned Revenues	(213)	(120)	(256)	–	(156)	–	–	(30)	–	(190)	(965)	(1,115)
Net Program Costs	55,484	19,494	10,583	938	25,487	–	–	6,389	34,342	655	153,372	197,078
Civil Society												
Gross Costs	39,658	36,747	13,812	132	45,426	–	2,438	24,929	95,181	52,446	310,769	362,306
Less: Earned Revenues	(10)	(24)	(174)	(3)	(19)	–	(44)	–	(183)	(3)	(460)	(1,806)
Net Program Costs	39,648	36,723	13,638	129	45,407	–	2,394	24,929	94,998	52,443	310,309	360,500
Total Governing Justly and Democratically	**109,341**	**149,749**	**60,063**	**6,734**	**158,101**	**–**	**3,191**	**211,740**	**180,351**	**53,363**	**932,633**	**2,781,422**
Investing in People												
Health												
Gross Costs	461,707	94,949	14,760	17,975	33,161	534,298	10,379	57,935	163,676	135,058	1,523,898	2,080,603
Less: Earned Revenues	(10,293)	(2,088)	(97)	(205)	(289)	(3,689)	(187)	(1,063)	(558)	(352)	(18,821)	(528,682)
Net Program Costs	451,414	92,861	14,663	17,770	32,872	530,609	10,192	56,872	163,118	134,706	1,505,077	1,551,921
Education												
Gross Costs	262,879	89,858	13,355	77,415	6,814	–	–	57,920	130,618	108,864	747,723	680,467
Less: Earned Revenues	(840)	(585)	(80)	(1,530)	(24)	–	–	(224)	(456)	–	(3,739)	(78,464)
Net Program Costs	262,039	89,273	13,275	75,885	6,790	–	–	57,696	130,162	108,864	743,984	602,003
Social and Economic Services and Protection for Vulnerable Populations												
Gross Costs	25,208	8,159	61,482	–	4,352	1	–	49,241	437,210	52,469	638,122	290,314
Less: Earned Revenues	(76)	(54)	(480)	(6,344)	(28)	–	–	(260)	(1,172)	(12,465)	(20,879)	(12,007)
Net Program Costs	25,132	8,105	61,002	(6,344)	4,324	1	–	48,981	436,038	40,004	617,243	278,307
Total Investing in People	**738,585**	**190,239**	**88,940**	**87,311**	**43,986**	**530,610**	**10,192**	**163,549**	**729,318**	**283,574**	**2,866,304**	**2,432,231**
Economic Growth												
Macroeconomic Foundation for Growth												
Gross Costs	11,815	7,670	–	54,800	10,302	–	363	5,651	690,634	8,183	789,418	545,454
Less: Earned Revenues	(15)	(42)	–	(29,681)	(52)	–	–	(27)	(2,860)	(13)	(32,690)	(49,578)
Net Program Costs	11,800	7,628	–	25,119	10,250	–	363	5,624	687,774	8,170	756,728	495,876
Trade and Investment												
Gross Costs	35,534	15,416	–	15,995	14,602	–	2,181	19,773	20,090	38,108	161,699	148,168
Less: Earned Revenues	(160)	(79)	–	(271)	(93)	–	(39)	(109)	(69)	(129)	(949)	(737)
Net Program Costs	35,374	15,337	–	15,724	14,509	–	2,142	19,664	20,021	37,979	160,750	147,431
Financial Sector												
Gross Costs	7,753	7,522	–	311,848	12,607	–	4,585	4,559	15,475	5,396	369,745	581,012
Less: Earned Revenues	(29)	(49)	–	(241,373)	(70)	–	(82)	(33)	(52)	(21)	(241,709)	(245,933)
Net Program Costs	7,724	7,473	–	70,475	12,537	–	4,503	4,526	15,423	5,375	128,036	335,079
Infrastructure												
Gross Costs	128,014	17,376	–	11,982	110,498	–	5,751	51,160	81,760	371,774	778,315	783,912
Less: Earned Revenues	(15)	(82)	–	(216)	(356)	–	(102)	(171)	(64)	(2,062)	(3,068)	(3,083)
Net Program Costs	127,999	17,294	–	11,766	110,142	–	5,649	50,989	81,696	369,712	775,247	780,829

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

As of September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Consolidated Total	2012 Restated Total
Agriculture												
Gross Costs	301,328	110,055	–	194,834	17,792	–	1,257	71,300	33,724	162,404	892,694	805,468
Less: Earned Revenues	(1,394)	(748)	–	(281)	(119)	–	(22)	(343)	(101)	(609)	(3,617)	(4,213)
Net Program Costs	299,934	109,307	–	194,553	17,673	–	1,235	70,957	33,623	161,795	889,077	801,255
Private Sector Competitiveness												
Gross Costs	37,210	45,749	716	10,166	65,909	–	1,378	32,657	104,023	79,348	377,156	348,585
Less: Earned Revenues	(108)	(247)	(8)	(132)	(321)	–	(25)	(169)	(299)	(412)	(1,721)	(1,496)
Net Program Costs	37,102	45,502	708	10,034	65,588	–	1,353	32,488	103,724	78,936	375,435	347,089
Economic Opportunity												
Gross Costs	24,686	4,359	–	36,145	10,731	–	33,415	11,186	24,561	31,378	176,461	186,923
Less: Earned Revenues	(100)	(30)	–	(638)	(61)	–	(592)	(57)	(522,372)	(175)	(524,025)	(786)
Net Program Costs	24,586	4,329	–	35,507	10,670	–	32,823	11,129	(497,811)	31,203	(347,564)	186,137
Environment												
Gross Costs	110,714	188,519	1,742	168,591	8,786	–	–	115,590	27,622	4,351	625,915	479,129
Less: Earned Revenues	(270)	(906)	(4)	(2,708)	(39)	–	–	(571)	(85)	(21)	(4,604)	(2,440)
Net Program Costs	110,444	187,613	1,738	165,883	8,747	–	–	115,019	27,537	4,330	621,311	476,689
Total Economic Growth	**654,963**	**394,483**	**2,446**	**529,061**	**250,116**	**–**	**48,068**	**310,396**	**471,987**	**697,500**	**3,359,020**	**3,570,384**
Humanitarian Assistance												
Protection, Assistance and Solutions												
Gross Costs	–	48,380	1,262,919	–	15,423	–	–	43,218	42,423	29,558	1,441,921	1,217,193
Less: Earned Revenues	–	(205)	(6,110)	–	(48)	–	–	(233)	(140)	(154)	(6,890)	(5,587)
Net Program Costs	–	48,175	1,256,809	–	15,375	–	–	42,985	42,283	29,404	1,435,031	1,211,606
Disaster Readiness												
Gross Costs	2,433	10,093	157,780	3,814	1	–	–	9	–	–	174,130	133,606
Less: Earned Revenues	(2)	(38)	(743)	–	–	–	–	–	–	–	(783)	(536)
Net Program Costs	2,431	10,055	157,037	3,814	1	–	–	9	–	–	173,347	133,070
Migration Management												
Gross Costs	–	–	–	–	3	–	–	–	–	153	156	2,814
Less: Earned Revenues	–	–	–	–	–	–	–	–	–	(1)	(1)	(6)
Net Program Costs	–	–	–	–	3	–	–	–	–	152	155	2,808
Total Humanitarian Assistance	**2,431**	**58,230**	**1,413,846**	**3,814**	**15,379**	**–**	**–**	**42,994**	**42,283**	**29,556**	**1,608,533**	**1,347,484**
Operating Unit Management												
Crosscutting Management and Staffing												
Gross Costs	1,069	242	–	–	783	–	–	211	–	1,304	3,609	9,162
Less: Earned Revenues	(14)	–	–	–	(4)	–	–	–	–	(11)	(29)	(60)
Net Program Costs	1,055	242	–	–	779	–	–	211	–	1,293	3,580	9,102
Program Design and Learning												
Gross Costs	37,428	11,613	7,345	36,301	5,098	–	9,848	9,537	17,362	39,904	174,436	104,958
Less: Earned Revenues	(153)	(71)	(44)	(296)	(29)	–	(175)	(67)	(64)	(233)	(1,132)	(561)
Net Program Costs	37,275	11,542	7,301	36,005	5,069	–	9,673	9,470	17,298	39,671	173,304	104,397
Administration and Oversight												
Gross Costs	246,691	64,133	146,765	122,766	46,059	–	11,980	28,361	23,673	32,382	722,810	563,113
Less: Earned Revenues	(518)	(408)	(635)	(1,256)	(195)	–	(178)	(398)	(68)	(406)	(4,062)	(2,474)
Net Program Costs	246,173	63,725	146,130	121,510	45,864	–	11,802	27,963	23,605	31,976	718,748	560,639
Total Operating Unit Management	**284,503**	**75,509**	**153,431**	**157,515**	**51,712**	**–**	**21,475**	**37,644**	**40,903**	**72,940**	**895,632**	**674,138**
Net Cost of Operations	**$ 1,883,700**	**$ 894,907**	**$ 1,897,857**	**$ 791,882**	**$ 585,822**	**$ 530,610**	**$82,926**	**$ 920,990**	**$ 1,472,155**	**$ 1,298,769**	**$ 10,359,618**	**$ 11,491,118**

NOTE 18. 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, 2013 and 2012. USAID's total budgetary resources were $23.8 billion and $23.2 billion for the years ended September 30, 2013 and 2012, respectively.

A. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED:

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED
(In Thousands)

	2013	2012 (Restated)
Category A, Direct	$ 1,607,893	$ 1,405,504
Category B, Direct	10,080,639	11,256,372
Category A, Reimbursable	39,356	42,406
Category B, Reimbursable	524,617	589,811
Total	$ 12,252,505	$ 13,294,093

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

The Agency had $2.7 million in borrowing authority in FY 2013 and $0 in borrowing authority in FY 2012. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, P.L. 101-508). It 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 2013, there is $1.9 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 Public Law 112-74 provides USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, now known as "7011/511" 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, 2013 and 2012 were $18.6 billion and $18.3 billion, respectively.

F. DIFFERENCE BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT:

The reconciliation between the Statement of Budgetary Resources and the Budget of the U.S. Government (Budget) is presented below. This reconciliation is not as of September 30, 2013 because submission of the Budget for FY 2015, which presents the execution of the FY 2013 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 2014.

DIFFERENCE BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

(In Thousands)

2013	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 23,247,701	$ 13,294,093	$ (923,914)	$ 10,700,013
Difference #1: Parent Activity Reported in U.S. Budget by USAID	8,230,939	6,315,809	–	6,425,900
Difference #2: Child Activity Reported in U.S. Budget by Child Agencies	(995,597)	(635,434)	–	(503,739)
Difference #3: Reported in the SBR but excluded from the U.S. Budget	1,111	–	–	(8,856)
Difference #4: Parent/Child Reporting Differences	(24,588)	(24,588)	–	–
Difference #5: Reporting Difference Between the SBR and U.S. Budget	(6,205)	(1,454)	–	202,199
Difference #6: Credit Financing and Suspense	–	–	–	–
Budget of the U.S. Government	$ 30,453,361	$ 18,948,426	$ (923,914)	$ 16,815,518

NOTE 19. 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, 2013 and 2012
(In Thousands)

	2013	2012 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 12,252,505	$ 13,294,093
Spending Authority From Offsetting Collections (FY 2012 includes Change in Unfilled Customer Orders previously broken out in the SBR)	(1,524,943)	(1,021,625)
Change in Unfilled Customer Orders		
Downward Adjustments of Obligations	(639,888)	(472,020)
Offsetting Receipts	(381,293)	(923,914)
Net Obligations	9,706,381	10,876,534
Other Resources Used to Finance Activities	41,973	29,994
Resources Used to Finance Activities	9,748,354	10,906,528
Resources Used to Finance Items Not Part of Net Cost of Operations	1,038,657	1,029,033
Total Resources Used to Finance Net Cost of Operations	10,787,011	11,935,561
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(221,236)	(59,980)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(206,157)	(384,463)
Net Cost of Operations	$ 10,359,618	$ 11,491,118

NOTE 20. RESTATEMENT OF FY 2012 PRINCIPAL FINANCIAL STATEMENTS (IN THOUSANDS)

The FY 2012 financial statements have been restated to reflect the correction of material misstatements related to advances, that arose because of incorrect interpretation of account balances and account relationships. Based on this misinterpretation, several adjustments were recorded in the general ledger. Other FY 2012 adjustments relating primarily to Fund Balance With Treasury and obligation status accounts were inadequately supported. In FY 2013, the erroneous and unsupported adjustments were reversed, and the financial statements restated. The effect of the restatement was:

Balance Sheet: Decrease Advances ($294.7 million) and Fund Balance with Treasury ($53.1 million); and Decrease to Unexpended Appropriations ($345.9 million).

Statement of Changes in Net Position: Decrease to Cumulative Results of Operations ($1.8 million).

Statement of Net Cost: Increase to Net Cost of Operations ($347.8 million).

Statement of Budgetary Resources: Marginal Increase to Outlays ($65.6 million Gross); and marginal Decrease to Unpaid Obligations, End of Year ($65.6 million Gross).

The following illustrative Schedule of Summary of Changes details the impact to the aforementioned statements:

SCHEDULE OF SUMMARY OF CHANGES

Pro Forma Balances As of September 30, 2012

(In Thousands)

	2012 As Stated	Effect: Increase/(Decrease)	2012 Restated
ASSETS:			
Fund Balance with Treasury	$ 28,999,266	$ (53,097)	$ 28,946,169
Advances	752,464	(294,657)	457,807
Total Change in Assets	**$ 29,751,730**	**$ (347,753)**	**$ 29,403,977**
NET POSITION:			
Unexpended Appropriations	21,631,982	(345,873)	21,286,109
Cumulative Results of Operations	3,102,471	(1,880)	3,100,591
Total Change in Net Position	**$ 24,734,453**	**$ (347,753)**	**$ 24,386,700**
Net Cost of Operations:	11,143,365	347,753	11,491,118
Total Change in Net Cost Operations	**$ 11,143,365**	**$ 347,753**	**$ 11,491,118**
Budgetary Resources:	–	–	–
Total Resources	**$ –**	**$ –**	**$ –**
Status of Budgetary Resources:	–	–	–
Total Budgetary Resources	**$ –**	**$ –**	**$ –**
Change in Obligated Balance:			
Outlays (Gross) (-)	(11,987,522)	(65,596)	(12,053,118)
Total Change in Obligated Balance	**$(11,987,522)**	**$ (65,596)**	**$(12,053,118)**
Obligated Balance, End of Year			
Unpaid Obligations, End of Year (Gross)	18,339,378	(65,596)	18,273,782
Total Change in Unpaid Obligations, End of Year	**$ 18,339,378**	**$ (65,596)**	**$ 18,273,782**

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

A KenGen worker tests a unit at the Olkaria geothermal plant in Kenya, one of the initial six Power Africa focus countries. Power Africa aims to unlock the substantial wind, solar, hydropower, natural gas, and geothermal resources in the region to enhance energy security, reduce poverty, and advance economic growth.

PHOTO: ROBERTO SCHMIDT / AFP

A South Sudanese trader sells bananas imported from Uganda at his shop in Konyo Konyo Market in Juba. Trade Africa, a new partnership between the United States and the East African Community will increase trade among African countries and strengthen economic ties between Africa and the United States.

PHOTO: CAMILLE LEPAGE / AFP

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2013

(In Thousands)

	Recovery Act 302	Operating 1000	Civilian Stabilization Initiative 305	Assistance for Europe, Eurasia and Central Asia 306	Assistance for Eastern Europe 1010	Development Assistance 1021	International Disaster Assistance 1035	Economic Support Fund 1037	Assistance for New Independent States 1093	Child Survival 1095	Credit Financing	Other	Parent Fund	Combined Total
Budgetary Resources:														
Unobligated Balance Brought Forward, October 1	$ 8	$ 551,907	$ 5,850	$ 220,144	$ 5,492	$ 946,978	$ 139,029	$ 4,958,743	$ 14,048	$ 28,534	$ 1,878,293	$ 844,418	$ 360,164	$ 9,953,608
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	8	551,907	5,850	220,144	5,492	946,978	139,029	4,958,743	14,048	28,534	1,878,293	844,418	360,164	9,953,608
Recoveries of Prior Year Unpaid Obligations	–	213,672	1,426	7,899	12,419	40,007	80,630	181,595	9,882	13,573	200	12,438	66,147	639,888
Other Changes in Unobligated Balance (+ or -)	(8)	(7,826)	–	(35,417)	33,123	(76,982)	123,414	(115,095)	(30,067)	(34,768)	–	(319,655)	188,364	(274,917)
Unobligated Balance from Prior Year Budget Authority, Net	–	757,753	7,276	192,626	51,034	910,003	343,073	5,025,243	(6,137)	7,339	1,878,493	537,201	614,675	10,318,579
Appropriations (Discretionary and Mandatory)	–	1,279,251	–	–	–	2,392,375	1,550,395	5,914,820	–	–	–	827,367	–	11,964,208
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	–	2,696	–	–	2,696
Contract Authority (Discretionary and Mandatory)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	–	34,303	3,465	300	546	311,339	467	(426,087)	–	–	185,173	1,189,200	226,237	1,524,943
Total Budgetary Resources	**$ –**	**$ 2,071,307**	**$ 10,741**	**$ 192,926**	**$ 51,580**	**$ 3,613,717**	**$ 1,893,935**	**$10,513,976**	**$ (6,137)**	**$ 7,339**	**$2,066,362**	**$2,553,768**	**$ 840,912**	**$23,810,426**
Status of Budgetary Resources:														
Obligations Incurred:	–	1,587,334	2,782	183,414	47,817	1,302,722	1,483,774	5,386,801	(14,851)	(31,113)	204,257	1,514,962	584,606	12,252,505
Unobligated Balance, End of Year:	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Apportioned	–	380,768	7,959	9,073	5,224	2,290,197	410,090	4,849,822	6,985	29,466	222,522	439,314	187,801	8,839,221
Unapportioned	–	103,205	–	439	(1,461)	20,798	71	277,353	1,729	8,986	1,639,583	599,492	68,505	2,718,700
Total Unobligated Balance, End of Year	–	483,973	7,959	9,512	3,764	2,310,995	410,161	5,127,175	8,713	38,452	1,862,105	1,038,806	256,306	11,557,921
Total Budgetary Resources	**$ –**	**$ 2,071,307**	**$ 10,741**	**$ 192,926**	**$ 51,580**	**$ 3,613,717**	**$ 1,893,935**	**$10,513,976**	**$ (6,137)**	**$ 7,339**	**$2,066,362**	**$2,553,768**	**$ 840,912**	**23,810,426**

(continued on next page)

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

For the Year Ended September 30, 2013

(In Thousands)

	Recovery Act 302	Operating 1000	Civilian Stabilization Initiative 305	Assistance for Europe, Eurasia and Central Asia 306	Assistance for Eastern Europe 1010	Development Assistance 1021	International Disaster Assistance 1035	Economic Support Fund 1037	Assistance for New Independent States 1093	Child Survival 1095	Credit Financing	Other	Parent Fund	Combined Total
Change in Obligated Balance:														
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ –	$ 744,559	$ 3,226	$ 841,685	$ 21,602	$ 5,024,025	$ 1,041,258	$ 9,104,619	$ 34,827	$ 39,692	$ 1,300	$ 702,805	$ 779,780	$ 18,339,378
Adjustment to Unpaid Obligations, Start of Year (Net) (+ or -)	–	(144,257)	100	11,380	(64,221)	48,093	(34,392)	335,465	(62,334)	(11,733)	(704)	(142,993)	–	(65,596)
Obligations Incurred	–	1,587,334	2,782	183,414	47,817	1,302,722	1,483,774	5,386,801	(14,851)	(31,113)	204,257	1,514,962	584,606	12,252,505
Outlays (Gross) (-)	–	(1,395,445)	(3,217)	(480,313)	12,342	(2,331,810)	(1,087,990)	(4,300,253)	86,669	129,859	(200,786)	(1,174,371)	(571,723)	(11,317,038)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–	–	–	–	32,120	–	–	–	–	–	32,120
Recoveries of Prior Year Unpaid Obligations (-)	–	(213,672)	(1,426)	(7,899)	(12,419)	(40,007)	(80,630)	(181,595)	(9,882)	(13,573)	(200)	(12,438)	(66,147)	(639,888)
Unpaid Obligations, End of Year	–	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
Uncollected Payments:														
Uncollected Payments from Federal Sources, Brought Forward	–	(11,264)	–	–	(35)	38	(203)	–	(39)	(1,006)	35	(27,971)	–	(40,445)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in Uncollected Payments from Federal Sources (+ or -)	–	3,253	–	–	–	–	–	(2,156)	–	–	(35)	(27,997)	–	(26,935)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	–	(8,011)	–	–	(35)	38	(203)	(2,156)	(39)	(1,006)	–	(55,968)	–	(67,380)
Budget Authority and Outlays, Net:														
Budget Authority, Gross (Discretionary and Mandatory)	–	1,313,554	3,465	300	546	2,703,714	1,550,861	5,488,733	–	–	187,868	2,016,568	226,238	13,491,847
Actual Offsetting Collections (Discretionary and Mandatory) (-)	–	(37,557)	(3,465)	(300)	(546)	(466)	(467)	(35,009)	–	–	(185,137)	(1,153,323)	(5,152)	(1,421,422)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	–	3,254	–	–	–	–	–	(2,156)	–	–	(35)	(27,998)	–	(26,935)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	$ –	$ 1,279,251	$ –	$ –	$ –	$ 2,703,248	$ 1,550,394	$ 5,451,568	$ –	$ –	$ 2,695	$ 835,248	$ 221,086	$ 12,043,490
Outlays, Gross (Discretionary and Mandatory)	–	1,395,445	3,217	480,313	(12,342)	2,331,810	1,087,990	4,300,253	(86,669)	(129,859)	200,786	1,174,371	571,723	11,317,038
Actual Offsetting Collections (-) (Discretionary and Mandatory)	–	(37,557)	(3,465)	(300)	(546)	(466)	(467)	(35,009)	–	–	(185,137)	(1,153,323)	(5,152)	(1,421,422)
Outlays, Net (Discretionary and Mandatory)	–	1,357,888	(248)	480,013	(12,888)	2,331,344	1,087,523	4,265,244	86,669	(129,859)	15,649	21,048	566,571	9,895,616
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	–	(381,293)	–	(381,293)
Agency Outlays, Net (Discretionary and Mandatory)	**$ –**	**$ 1,357,888**	**$ (248)**	**$ 480,013**	**$ (12,888)**	**$ 2,331,344**	**$ 1,087,523**	**$ 4,265,244**	**$ (86,669)**	**$ (129,859)**	**$ 15,649**	**$ (360,245)**	**$ 566,571**	**$ 9,514,323**

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
4491 Egypt Guarantee Financial Fund
4493 Loan Guarantees to Tunisia – Financing Account

CREDIT PROGRAM FUNDS

0301 Israel Program Fund
0304 Egypt Program Fund
0401 UE Program Fund
0409 Loan Guarantees to Tunisia Program Account
1264 DCA Program Fund
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)
0302 Capital Investment Fund – Recovery Act
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

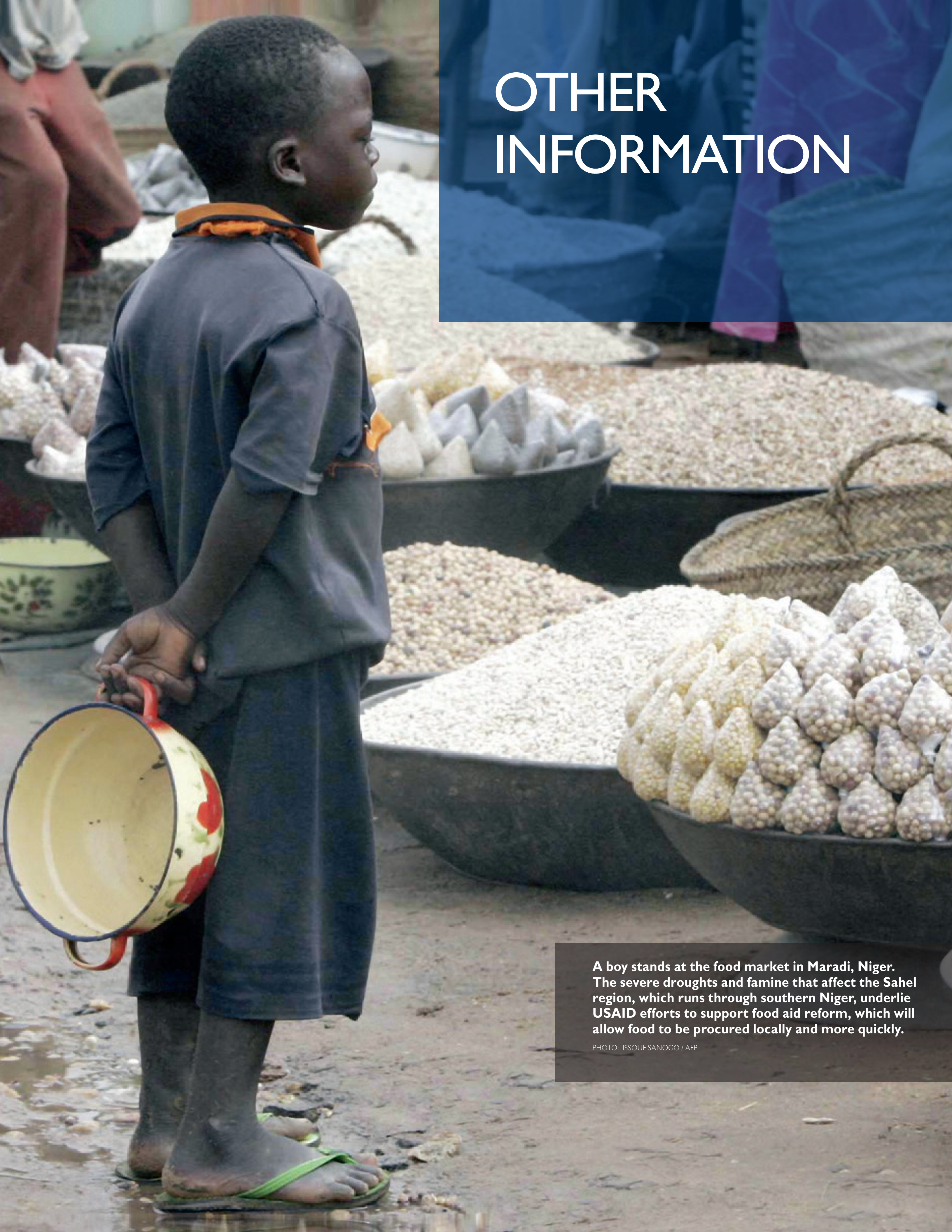
ALLOCATIONS TO OTHER AGENCIES

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



A boy stands at the food market in Maradi, Niger. The severe droughts and famine that affect the Sahel region, which runs through southern Niger, underlie USAID efforts to support food aid reform, which will allow food to be procured locally and more quickly.

PHOTO: ISSOUF SANOGO / AFP

Syrian refugees buy food on November 27, 2012 at the refugee shop at Oncupinar camp in Kilis, southern Turkey. The U.S. Government is the largest donor to the Syria humanitarian response and supports a food voucher program that allows refugees to make these purchases. PHOTO: ADEM ALTAN / AFP

SCHEDULE OF SPENDING

The **Schedule of Spending** (SOS) is an annual statement designed to present an overview of how and where agencies are spending funds received. Specifically, it outlines total budgetary resources, and fiscal year-to-date total obligations for the Agency. Beginning in FY 2012, the Office of Management and Budget (OMB) required that the SOS be included in the Other Information section of the AFR. In FY 2013, OMB required presentation of an additional section—Who did the Money go to?

Section I of the SOS presents resources that were available to the Agency for spending, while Section II of the SOS presents the services or items that were purchased and nature of associated obligations. Section III identifies recipients of Agency funding during FY 2013.

The FY 2013 SOS for USAID (on the following page) has been prepared from the books and records of the Agency in accordance with formats prescribed in OMB Circular A-136, *Financial Reporting Requirements*. It is provided in addition to financial reports prepared by the Agency in accordance with OMB and U.S. Department of the Treasury directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. A comparative schedule is not required for FY 2013 reporting.

SCHEDULE OF SPENDING

For the Year Ended September 30, 2013

(In Thousands)

		2013
What Money is Available to Spend?		
Total Resources	$	23,810,425
Less Amount Available but Not Agreed to be Spent		(8,839,221)
Less Amount Not Available to be Spent		(2,718,699)
Total Amounts Agreed to be Spent	**$**	**12,252,505**
How was the Money Spent/Issued?		
Category:		
Personnel Compensation and Benefits		
Benefits for Former Personnel	$	5,364
Other Personnel Compensation		84,863
Personnel Benefits		215,292
Personnel Compensation, Full-Time Permanent		397,188
Personnel Compensation, Other Than Full-Time Permanent		162,047
Special Personal Services Payments		(2,653)
Total Personnel Compensation and Benefits	**$**	**862,101**
Contractual Services and Supplies		
Advisory and Assistance Services	$	274,836
Communication, Utilities, and Miscellaneous Charges		24,624
Medical Care		572
Operation and Maintenance of Equipment and Storage of Goods		23,251
Operation and Maintenance of Facilities		9,700
Other Services		89,113
Printing and Reproduction		1,683
Purchase of Goods and Services from Government Accounts		257,739
Rental Payments to GSA		38,111
Rental Payments to Others		60,750
Research and Development Contracts		4,040
Supplies and Materials		13,835
Transportation of Things		17,192
Travel and Transportation of Persons		81,919
Total Contractual Services and Supplies	**$**	**897,365**
Acquisition of Assets		
Equipment	$	56,110
Investments and Loans		12,403
Land and Structures		170,210
Total Acquisition of Assets	**$**	**238,723**
Grants and Fixed Charges		
Claims and Indemnities	$	11,288
Grants, Subsidies, and Contributions		8,841,503
Interest and Dividends		24,750
Refunds		(5,169)
Total Grants and Fixed Charges	**$**	**8,872,372**
Other Funds		
Other Funds		1,381,944
Total Other Funds	**$**	**1,381,944**
Total Amounts Agreed to be Spent	**$**	**12,252,505**
Who did the Money go to?		
Category:		
Educational Institutions	$	168,051
For Profit		2,657,279
Government		1,788,967
Individuals		797,929
Non Profit		4,619,182
Other		2,221,097
Total Amounts Agreed to be Spent	**$**	**12,252,505**

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 six areas:

- Work in Nonpermissive Environments
- Sustainability
- Local Solutions (formerly called Implementation and Procurement Reform)
- Performance Management and Reporting
- Management of Information Technology Security
- 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

NOV 20 2013

MEMORANDUM FOR THE ADMINISTRATOR

FROM: Michael Carroll
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 2013. 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.

The management and performance challenge areas described in the memorandum are the same ones described in last year's memorandum, but there are some significant developments within the management challenge areas. For example, within the "Local Solutions" management challenge, this year's memorandum reports on difficulties that USAID—and OIG—face in protecting USAID's interests in foreign courts. Within the "Management of Information Technology (IT) Security" challenge, the memorandum reports on the need for USAID to develop an effective risk management program to ensure that policies and procedures are assessed and working as intended. A positive development within this same management challenge area is that risks discussed in last year's memorandum in connection with the consolidation of USAID's and the Department of State's IT infrastructure are no longer relevant, since the consolidation effort has been halted.

We have discussed the management and performance challenges summarized in this statement with the responsible USAID officials. If you have any questions or wish to discuss this document further, I would be happy to meet with you.

Attachment

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

Statement by the Office of the Inspector General on USAID's Most Serious Management and Performance Challenges[1]

Fiscal Year 2013

USAID faces enormous challenges in executing humanitarian assistance and development programs in some of the most complex environments in the world. Agency work reaches farmers, students, government officials, women, children, and others in all sectors to spur agriculture, economic growth, education, and global health. In addition, Agency operations in conflict and post-crisis settings in Afghanistan and Pakistan support and affect U.S. national security interests.

USAID faces its most serious management and performance challenges in six areas:

- Work in nonpermissive environments
- Sustainability
- Local Solutions (formerly called implementation of procurement reform)
- Performance management and reporting
- Management of information technology security
- Audits of U.S.-based for-profit entities

Work in Nonpermissive Environments

The Agency's missions face daunting challenges in implementing programs in countries like Afghanistan, Haiti, Iraq, Pakistan, Somalia, and South Sudan. Critical priority countries and fragile states are characterized by instability, insecurity, weak governance, and poor control of corruption. OIG audits have disclosed deficiencies in planning for program sustainability, weak contract and grant management, weak internal controls, and noncompliance with laws, regulations, and other legally binding requirements. Relations between the U.S. Government and the governments of some of these countries are challenging, and continuing violence complicates program monitoring and makes it hard to recruit qualified Foreign Service National employees. To help address these problems, USAID plans in fiscal year 2014 to: (1) catalog best practices for working in nonpermissive environments and (2) further develop the tools and training necessary to more safely and effectively carry out its worldwide mission.

Afghanistan. USAID/Afghanistan continues preparations to operate with a significantly reduced U.S. military and civilian presence by the end of 2014 as the country transitions to Afghan leadership under the Strategic Partnership Agreement signed in May 2012. As we have reported, the security situation in the country is a significant and continuing constraint on USAID/Afghanistan's program monitoring and evaluation. Because of this constraint, the mission uses several different approaches to monitoring progress. The mission and its interagency partners expect to continue using on-site monitors when staff can visit project sites,

[1] USAID OIG coordinates closely with the Special Inspector General for Afghanistan Reconstruction in planning and reporting to ensure efficiency within and between our offices. USAID also coordinates with the Government Accountability Office. We considered their work in preparing this report.

but they also plan to use third-party monitors to help train program recipients and report on progress.[2]

- USAID/Afghanistan's Kandahar Helmand Power Project, worth $266 million, was designed to increase the supply, quantity, and distribution of electrical power. About the same time the Agency made this award, the Afghan Government and the NATO-led International Security Assistance Force agreed that NATO combat troops would leave the country in 2014. Not only did the resulting transition change strategic priorities that affected the project's scope, security threats hampered the project's progress and construction costs escalated rapidly in part because of security costs. Moreover, monitoring was impaired because site visits were limited.

- A review of USAID/Afghanistan's Monitoring and Evaluation System found that to address the challenges of monitoring and evaluating projects in a nonpermissive environment, USAID/Afghanistan had implemented an on-site monitoring program that trained and designated some field personnel to perform monitoring functions that would normally be performed by Agreement Officer Representatives (AORs) and Contracting Officer Representatives (CORs) traveling from Kabul. Although mission staff obtained and reviewed periodic reports, conducted site visits, and required implementers to submit photographs of accomplishments, the data were not always verified. Additionally, some AORs and CORs did not believe that all on-site monitors had the technical skills necessary to properly oversee their projects.[3]

Haiti. In the past 3 years, Haiti has endured a massive earthquake, a cholera epidemic, turbulent elections resulting in violent demonstrations, and increased food insecurity due to crop damage from Hurricane Sandy.

While USAID funds long-term reconstruction projects, the poor quality of Haitian infrastructure and the rural nature of many Agency projects make it challenging for partner and mission staff to visit project locations for oversight. Additionally, widespread corruption makes program accountability a challenge.

- USAID works to improve Haiti's long-term financial stability through partial loan guarantees that encourage private lenders to extend financing to underserved borrowers, including farmers and enterprises in rural areas. As of March 31, 2012, USAID/Haiti maintained seven active guarantees worth $37.5 million. However, two of three of those participating financial institutions examined during an audit were not implementing the loan program as quickly as planned.[4]

  Furthermore, USAID's internal controls were not adequate to confirm that all loans met lending criteria or that they were going to entities in targeted areas. For example, loan information was outdated, incomplete, and inaccurate. The mission did not perform portfolio reviews properly or take corrective action on deteriorating loans, nor did it confirm that financial institutions made sure that borrowers were not conducting activities that harmed the

[2] "Audit of USAID/Afghanistan's Kandahar Helmand Power Project," No. F-306-13-001-P, September 25, 2013.
[3] "Review of USAID/Afghanistan's Monitoring and Evaluation System," No. F-306-12-002-S, September 26, 2012.
[4] "Audit of USAID/Haiti's Development Credit Authority Activities," No. 1-521-13-001-P, February 28, 2013.

environment.

Iraq. Monitoring assistance projects continues to be extremely difficult in Iraq. With the drawdown of the U.S. military, the U.S. Embassy disbanded its provincial reconstruction teams as of September 2011. Complicating the situation, because of the perceived danger, few Iraqi professionals who might be able to travel freely in the country, apply to fill positions with the U.S. Government or with implementing partners. When Iraqis seek U.S. Government employment, they face an extensive security vetting process including polygraph testing and routine revetting. These factors make it difficult to recruit and retain Iraqi professionals for key positions.

To improve its oversight and provide better accountability in this environment, USAID has hired contractors and relied on local counterparts to gather performance data to assist with reporting, analysis, and decision making. Notwithstanding these recent efforts, the following examples highlight the difficulties of working in Iraq.

- USAID/Iraq's $74.9 million Primary Health Care Project in Iraq[5] was to support Iraq's efforts to improve the quality of health care. The project had problems since its 2011 inception. Deliverables were late, targets were missed, non-Iraqi employees had trouble getting visas, and turnover was high. Activities in Kurdistan were not carried out in Kurdish, nor were project brochures and posters translated. Officials at health-care centers throughout the country did not receive the results of needs assessments that project employees carried out; therefore it was not clear exactly what equipment was required. The mission's COR did not maintain the project's files adequately or submit information regularly to the Agency's development information clearinghouse.

- USAID/Iraq's Legislative Strengthening Program[6] was instituted to support a parliamentary institute and develop the capacity of members of Parliament and staff. However, in September 2011, Parliament's leaders evicted USAID's implementing partner from its office space and reneged on the memorandum of understanding with USAID that authorized the program to operate. The mission terminated the implementing partner's contract in November 2011, nearly 3 years before the program was scheduled to conclude and after spending $42 million.

  A number of problems had plagued the project. The partner did not establish the institute or complete tasks on time. Additionally, not all IT systems were operating, training programs were not always effective, and the partner's senior management for the program changed several times. In addition, USAID/Iraq's COR did not monitor spending closely, and the mission did not commission a third-party assessment of the program's performance in time to be useful.

- A primary objective of USAID/Iraq's $62.9 million Access to Justice Program[7] was improving vulnerable and disadvantaged Iraqis' access to the legal system. The target population included the poor, women, widows, orphans, detainees and prison inmates,

[5] "Audit of USAID/Iraq's Primary Health Care Project in Iraq," Report No. 6-267-13-013-P, June 16, 2013.
[6] "Audit of USAID/Iraq's Legislative Strengthening Program," Report No. E-267-13-001-P, October 3, 2012.
[7] "Audit of USAID/Iraq's Access to Justice Program," Report No. 6-267-13-004-P, December 16, 2012.

religious and ethnic minorities, internally displaced people, and former refugees.

However, the mission did not achieve its objective because of a variety of problems. It did not determine baselines for two performance indicators, results reported for six indicators were not accurate, and targets for five others were unrealistic.

Pakistan. OIG performance audits and reviews conducted in recent years have noted the need for improvements in a range of management and performance areas. Most of the reports issued from October 1, 2010, through September 30, 2013, have identified contract or project management deficiencies. Many have also found internal control weaknesses and noncompliance with relevant procedures or regulations. An example follows:

- The Gender Equity Program, a $40 million program, was designed to encourage citizens' active participation in social change and governance and help enable women get control over their lives through greater access to information and resources.[8] To accomplish its goals, the program was to award 400 grants of varying amounts over 5 years. As of November 2012, the implementer had awarded approximately 150 grants to organizations throughout the country, of which 110 (73 percent) were awarded to assist in combating gender-based violence.

  Although the program was making progress, USAID/Pakistan did not make enough site visits to verify that progress. Mission officials made only 11 site visits, a majority of which occurred after OIG began auditing the program. Moreover, the site visits made covered less than 10 percent of the grantees. Consequently, the mission did not provide adequate oversight to verify the results reported by the prime implementer and did not discover that there was a need to limit the number of grants and work with the grantees for longer periods to sustain progress.

Somalia. Widespread violence, the presence of terrorists, and the absence of an effective central government prevent USAID from adequately monitoring its humanitarian assistance in Somalia. This is a challenge requiring coordination among various U.S. Government agencies.[9]

- Persistent food insecurity and widespread violence have plagued Somalia since 1991. In 2011, the U.S. Government determined that humanitarian assistance for Somalia was necessary. However, general insecurity and limited access for humanitarian groups persist since clashes continue with a militant group linked to a foreign terrorist organization. Consequently, Agency officials rarely travel to project locations in Somalia and rely entirely on reports from implementing partners that face their own limitations in obtaining information.

South Sudan. South Sudan's second year of independence has seen a continuation of the conflicts that have plagued northern and southern Sudan for decades. While insecurity and resulting travel restrictions continue to impede project implementation and monitoring, frequent USAID staff turnover and inadequate handover procedures have exacerbated the situation.

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[8] "Audit of USAID/Pakistan's Gender Equity Program," No. G391-13-002-P, March 28, 2013.
[9] "Audit of USAID's Compliance With Executive Order 13-536 Prohibiting Support to al-Shabaab," No. 4-649-13-011-P, September 17, 2013.

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, as exemplified by the following:

- One program designed to support the comprehensive peace agreement and increase the capacity of civil society and local government entities did not achieve its main goals. An audit[10] requested by USAID/Sudan found that key deliverables such as radio stations, resource centers, and annual state conferences were not completed on time.

  Performance targets for training, textbooks, and related activities were not met, sometimes because of factors like insecurity that were outside the control of the implementer and USAID, but also because of mismanagement. For example, the implementer undertook activities without first obtaining USAID's approval, leading to $1.2 million in questioned costs; the implementer charged another $339,015 in costs using questionable methods of allocating management costs and overhead to the USAID project. Furthermore, the implementer evacuated staff from insecure areas along the border between Sudan and South Sudan, leaving behind incomplete and unmonitored USAID investments. Because of these staff departures, the organization was unable to complete training and capacity building for local government entities.

Yemen. The country has endured political strife and secessionist movements since the 1960s, which have hurt safety and stability. Currently, the security threat level in Yemen is extremely high. In September 2012, a mob attacked the U.S. Embassy compound and demonstrations, which may quickly escalate and turn violent, continue to take place in various parts of the country. Violent crime and kidnapping is also a growing problem. Finally, terrorist organizations, including Al-Qaida in the Arabian Peninsula, are active in Yemen. These factors can make the successful delivery of assistance and the achievement of results more difficult.

Sustainability

The President, Secretary of State, and the USAID Administrator have stressed the importance of sustaining benefits from development projects, and USAID has launched several efforts to address sustainability. The challenge is to implement projects that improve the ability of countries receiving aid to sustain benefits after U.S. Government funding ends.

Specific difficulties in managing projects for sustainability are discussed below.

- USAID/Pakistan's Design for Sustainability in the Jamshoro Thermal Power Station Repair and Rehabilitation Project was designed to help the Pakistani Government improve the energy sector and two other thermal projects worth $19.3 million. Although USAID/Pakistan built sustainability into the project's design, the power station may not be financially sustainable unless the Pakistani Government reforms its energy policies.[11] More funds will be needed to cover increased operating costs, and the mission will need to implement a plan to engage the Pakistani Government to promote policy reform in the energy sector.

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[10] "Audit of USAID/South Sudan's Programs Implemented by Mercy Corps," No. 4-668-12-009-P, May 25, 2012.

[11] "Audit of USAID/Pakistan's Design for Sustainability in the Jamshoro Thermal Power Station Repair and Rehabilitation Project," Report No. G-391-13-001-P, January 17, 2013.

The need for policy reform arose because rather than permitting power rates to be set by the market, the government established those rates and provided subsidies. In addition, a government policy to use alternative fuels undermined sustainability efforts because the government limits the amount of natural gas provided to the power station, which caused the station to use more expensive furnace oil to generate power. Finally, the project did not complete any capacity-building activities. As a result of this slow progress, power station staff continue to lack the management skills necessary to provide sustainability after the project ends.

- USAID/Egypt's Education Support Program[12] was designed to strengthen local education systems to support professional development and community involvement in educational decision-making and quality improvement. To implement the program, the mission awarded a cooperative agreement worth about $18.6 million. The program's designers, however, did not address how to work with teachers and administrators at the local level, who resisted the training. Nor did the design include coordination with a potentially key Ministry of Education office. Some assistant teachers said they would have been able to use the skills they learned in program training if senior teachers or school principals had been trained as well. However, because the Ministry of Education's primary interest was to train the newly hired assistant teachers, the mission chose not to include training for other school employees.

- USAID/Lebanon implemented a $34.4 million Water and Wastewater Sector Support Program.[13] The goal was to help the Lebanese Government improve water and wastewater services. However, the sustainability of equipment and infrastructure projects in the program was not certain because of staff shortages and the government's inability to hire enough competent people who could operate and maintain the equipment. For example, the project installed 33 water meters, measuring the flow of water in various areas. However, the head of operations for water supply indicated that none of the meters were working or being read, and that the government did not have the funds to repair or replace them.

- On September 10, 2010, USAID/West Bank and Gaza initiated a 5-year, $100 million Local Government and Infrastructure Program.[14] The goal of the program is to encourage good local governance and provide basic infrastructure necessary to improve the quality of life for Palestinians in West Bank and Gaza. Under the program, USAID/West Bank and Gaza constructed and renovated several schools for the Palestinian Authority's Ministry of Education and Higher Education but did not assess whether it had the staff and financial resources to sustain the projects after completion. Mission officials said they did not do the assessments because they focused on other things, such as making sure that communities participated in the program activities and provided matching contributions. This despite the fact that the program description itself noted that the Palestinian Authority "has struggled to allocate sufficient resources to fully support the maintenance of existing infrastructure."

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[12] "Audit of USAID/Egypt's Education Support Program," No. 6-263-13-008-P, February 24, 2013.
[13] "Audit of USAID/Lebanon's Water and Wastewater Sector Support Program," No. 6-268-13-014-P, June 23, 2013.
[14] "Audit of USAID/West Bank and Gaza's Design for Sustainability for Selected Local Government and Infrastructure Program Activities," No. 6-294-13-005-P, January 27, 2013.

Local Solutions (formerly called Implementation and Procurement Reform)

USAID's Local Solutions initiative is a part of the USAID Forward reform effort, designed to make USAID's assistance programs more efficient, effective, and sustainable. By the end of FY 2015, USAID plans to deliver 30 percent of its missions' assistance programs through partner-country systems in government ministries, local NGOs, and local for-profit firms. Some of the management challenges associated with the Local Solutions initiative are discussed below:

- USAID has implemented a number of assessment and monitoring procedures to help ensure that local partners will responsibly manage USAID resources entrusted to them. But no system of internal control is perfect, and USAID must be able to sanction individuals and organizations that misuse USAID funds. While USAID has supported rule-of-law strengthening programs for many years, the reality is that, in many countries where USAID operates, justice system strengthening is a work in progress. In these circumstances, it may be difficult for USAID to defend its interests by successfully seeking application of civil or criminal penalties.

  For example, despite ample evidence of fraud involving an NGO in the Philippines, the ensuing prosecution effort was stalled by a requirement that a USAID official waive, or partially waive, diplomatic immunity to provide testimony in the case, potentially exposing the official to counterclaims that would be adjudicated in a local court. Meanwhile, local witnesses in the case have been intimidated by a series of lawsuits filed by the NGO that allegedly committed the fraud.

  As another example, after allegations of fraud led to the dismissal of an employee of a local NGO in Pakistan, the employee sued the NGO, a USAID mission official, and an OIG employee in Pakistani civil court. Although the court eventually dismissed the lawsuit against the USAID mission employee, an accredited diplomat with associated privileges and immunities, the OIG employee, a local hire, was required to appear in court. The U.S. Government will cover the cost of counsel for the OIG local hire employee, but at this time, civil proceedings against the employee continue.

- Given the critical role that assessments play in determining the adequacy of host country systems, OIG conducted a review of USAID's Partner-Country and Local Organization Assessments.[15] USAID missions had successfully conducted 23 high-level rapid assessments of partner-country public financial management systems. Moreover, 17 more detailed risk assessments of partner-country public financial systems (Stage 2 assessments) conducted by five USAID missions provided a reasonable basis for using those systems. However, the Stage 2 assessments conducted by two other USAID mission did not provide a reasonable basis for deciding whether to use partner-country public financial systems. In addition, USAID had not adequately established oversight governing the assessment process and guidance concerning the assessment process did not effectively address three key issues: (1) the relationship between project design and the assessment process and how these inform one another, (2) consideration of the technical capacity of the proposed entity to implement the

[15] "Review of USAID's Partner-Country and Local Organization Assessments Under Implementation and Procurement Reform," Report No. 9-000-13-003-S, June 7, 2013.

specific type of program, and (3) the appropriate type and extent of testing in Stage 2 risk assessments, as well as documentation of that testing.

- To advance the overall Local Solutions strategy, USAID/Pakistan launched the Assessment and Strengthening Program in October 2010. Its goals were to help potential Pakistani implementing partners (1) increase capacity to manage and account for U.S. Government development assistance funds, (2) reduce the vulnerability of the funds to waste and misuse, and (3) increase speed and efficiency in getting USAID development resources to the intended beneficiaries. To initiate the process of capacity building, the mission conducted risk assessments with selected partners. Following the assessments, USAID developed a program to help Pakistani implementers to increase the capacity of local organizations and government entities to manage USAID funds. However the results framework and preliminary performance management plan for that program both needed improvements. Furthermore, the USAID/Pakistan office managing the program lacked experience designing, planning, and implementing programs that build capacity in areas other than finance.[16]

- OIG led a joint OIG-USAID team in performing a risk assessment of the Ministry of Environment and Natural Resources in El Salvador.[17] The team assessed the ministry as a high-risk because it had vulnerabilities directly affecting its operations and programs. The risk assessment also identified actions that MARN and stakeholders might adopt to address those vulnerabilities.

Performance Management and Reporting

Performance management and reporting remains a management challenge. Program managers are responsible for approving performance management plans that support the objectives of each program and provide measures or indicators and targets for monitoring overall progress. Creating the plans is a time-consuming process, involving research and the collection of baseline data. Monitoring requires making site visits to confirm that scheduled activities are taking place and that targeted groups are receiving the intended benefits. It requires managers to assess data quality and check the numbers reported by implementers, not just against targets and previous reports but also against what is possible in the local context. Reporting results means compiling data from many implementers, in some cases from manual records, and verifying the compiled information under tight deadlines.

Performance Management. According to USAID's Automated Directives System 200.2, a mission's performance management responsibilities include planning, designing, and managing development programs, projects, and activities. USAID's challenges in project monitoring result from causes both internal and external to USAID. During the planning phase, USAID does not always assess and document external weaknesses that could impair project execution. Often weaknesses in local institutions or implementing partners do not become evident until the project monitoring phase. The following examples highlight planning and monitoring difficulties:

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[16] "Audit of USAID/Pakistan's Assessment and Strengthening Program," No. G-391-12-009-P, September 30, 2012.
[17] "Stage II Risk Assessment for the Ministry of Environment and Natural Resources of El Salvador (MARN)," Report No. 1-519-13-001-S, December 31, 2012.

- Feed the Future activities in Ethiopia include projects aimed at developing the agriculture sector in ways that deliver resiliency and ultimately deliver growth. OIG's audit[18] of four Feed the Future projects found that while some of the related activities were showing positive results, they were difficult to quantify because baselines were not established nor were targets set (USAID and its partners are responsible for establishing baselines and targets). In the absence of finalized baselines and targets, USAID/Ethiopia could not measure the impact of $15 million spent to achieve increased growth with resiliency in rural Ethiopia. In addition, the standard contract provision on antiterrorism was omitted from an award; that provision, which helps guard against funds being diverted to terrorist purposes, was also missing from subcontracts.

- USAID's Local Development Program in Kyrgyzstan is a 3-year, $27 million project. OIG's audit[19] found that activities completed or in progress as of May 31, 2012, were not producing the economic results envisioned in the target municipalities largely because most of the program's activities started later than planned. As a result, many activities were not expected to achieve their full potential for generating economic growth until the program is over, assuming they are sustainable. USAID's ability to measure the program's overall performance and progress was not certain as data on results were overstated and could not be attributed clearly to the USAID program.

- USAID's Global Climate Change Program with Mexico supports a 2009 bilateral agreement on clean energy and climate change. The OIG audit[20] covered two components of the program valued at $49 million. It found that these components of the program were beset with delays, some unavoidable. They occurred because USAID/Mexico did not identify potential problems or provide timely assistance and coordination. Specific weaknesses were identified in the areas of lack of start-up plans and problems hiring personnel. Performance management difficulties were found in monitoring work plans. Further, indicator and results reporting were not always accurate or complete. Data for some indicators were missing, and results reported at the program level did not always match the results included in the mission's performance plan and report.

- An audit of USAID/Liberia's Malaria Interventions[21] found that expected results were not realized. The lack of adequate oversight and of communication between principals, as well as incomplete reports and records contributed to difficulties in work with pharmacies, training workers, and having medicine on hand. Auditors noted that while the company charged with implementing the program in the United States provided some technical support, management was not sufficient to make sure the project succeeded.

Reporting. Quality, reliability, and sufficiency of program data are essential to assess whether projects are making adequate progress and having the intended impact. USAID guidance stresses that data must be of high enough quality to support decision making. Even though USAID has extensive guidance to help manage projects, accurate and supported results continues to be problematic, as demonstrated in the following examples.

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[18] "Audit of Feed the Future Activities in Ethiopia," Report No. 4-663-13-005-P, March 1, 2013.
[19] "Audit of USAID/Kyrgyzstan's Local Development Program," Report No. 5-116-13-001-P, November 8, 2012.
[20] "Audit of USAID/Mexico's Global Climate Change Program," Report No. 1-523-13-006-P, June 20, 2013.
[21] "Audit of USAID/Liberia's Malaria Interventions," Report No. 7-668-13-002-P, May 14, 2013.

- Under the President's Malaria Initiative (PMI), the U.S. Government reported delivering $17.9 million in PMI-funded commodities to Zambia. OIG conducted an audit of these commodities and determined that some of USAID/Zambia's reporting on its malaria-related performance indicators did not meet data quality standards. For example, the mission reported that 1.7 million artemisinin-based combination treatments for malaria had been purchased with U.S. Government support. In contrast, the mission's implementing partners had reported that only 324,690 had been purchased. Similarly, USAID/Zambia reported that 1.8 million insecticide treated mosquito nets had been distributed or sold with U.S. Government funds; but it had actually distributed only 1.4 million such nets.[22]

- Reported data is sometimes not adequately supported. This was the case with USAID's $50 million education assistance program in Jordan,[23] which was designed to support the Jordanian Government's Knowledge Economy Initiative of 2003. For example, USAID's implementing partner reported that it there were 1,564 newly hired teachers who had successfully completed the Induction Professional Development program (a performance indicator for the project). Nevertheless, the partner only had documentation that 443 newly hired teachers had completed this training. In addition, this partner had reported that 432 Management Information Stream teachers had been trained and had implemented Management Information Stream-Online, when the partner's documentation only indicated that 224 teachers had done so (another performance indicator for the project).

Management of Information Technology Security

It is critical for USAID to have an overall information technology security program that protects information and information systems from unauthorized use, disclosure, disruption, unauthorized modification, or destruction. The Agency has related challenges in the following areas.

- 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, including those provided or managed by another agency, contractor, or other source. The act also requires agencies to have an annual assessment of their information systems. In November 2012, OIG reported that USAID has not established an effective risk management program to ensure that policies and procedures are assessed and working as intended.[24] The lack of an effective risk management program, combined with a substantial number of open FISMA-related recommendations from prior audits represents a significant deficiency in the security of enterprise-wide information systems, including USAID's financial systems. In response to the significant deficiency, USAID developed a three-phase action plan to improve its information security that is expected to be complete in June 2015.

- 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. OIG reported that USAID lacked the

[22] "Audit of Commodities Funded Under the President's Malaria Initiative in Zambia", Report No. 4-611-13-002-P, November 8, 2012.
[23] "Audit of USAID Jordan's Education Reform Support Program," Report No. 6-278-13-007-P, February 18, 2013.
[24] "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.

resources to comply with this U.S. Government-wide directive.[25] Although USAID reported that in 2009 the Agency met the requirements for credentials that allow access to buildings at headquarters, it has not yet met requirements for credentials that enable access to information systems. The Agency completed a pilot program to use the credentials at select locations in Washington, D.C., and plans to use the program in all of its headquarters offices. Nevertheless, complying with HSPD-12 at overseas locations, where USAID plans to follow the direction of the State Department, will continue to be a challenge because USAID's progress will be dependent upon that of State.

- In January 2013, OIG reported that USAID did not implement selected controls over its badges to prevent unauthorized access to facilities for former employees.[26] Agency officials acknowledged that this problem will continue until it implements a solution in which all Agency entities provide USAID's Office of Security with data for employees who leave the Agency. Officials report that they have begun efforts to identify badges that may no longer be needed.

- In 2011, USAID conducted a self-assessment and OIG conducted a review of the Agency's handling of classified material to safeguard classified information from improper disclosure.[27] At USAID's request, the Information Security Oversight Office and the Office of the National Counterintelligence Executive also conducted assessments. All three assessments found areas in which USAID could strengthen its procedures. During FY 2013, OIG examined USAID's implementation of recommendations made in the external assessment and review.[28] The Agency reported that final action had been completed on 37 of the 60 recommendations. However, OIG found that some closed recommendations had not been implemented. Although USAID has made progress to address the remaining recommendations, many of them require coordination with the State Department.

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. However, USAID has not made timely requests for many of these audits, and DCAA has been slow to respond to audit requests. As a result, as of September 2013, USAID has a backlog of about 210 incurred-cost audits; in FY 2012, the backlog was about 370.

To clear the backlog, the Agency has taken or plans to take several 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 within DCAA to monitor

[25] "Audit of USAID's Implementation of Selected Homeland Security Presidential Directive 12 Requirements for Personal Identity Verification of Federal Employees and Contractors," No. A-000-08-004-P, February 6, 2008.
[26] "Audit of Selected Controls Over USAID Badges Used to Access USAID Facilities," Report No. A-000-13-004-P, January 30, 2013.
[27] "USAID Self-Assessment Report on Handling of Classified Information, January 28, 2011, and "Review of Selected Controls Over the Removal of Classified Electronic Material," No. 2-000-11-003-S, June 8, 2011.
[28] "Assessment of Safeguarding and Counterintelligence Postures for Classified National Security Information on Automated Systems," October 3, 2011.

audits requested by USAID, bring valid issues to the attention of appropriate DCAA management officials for resolution, and see that USAID receives periodic status reports. Finally, DCAA has dedicated three teams of five auditors in its Columbia, Maryland, branch office solely to USAID audits.

During FY 2013, USAID established a goal to fund audits of 75 percent of the complete audit submissions provided by contractors and accepted by the Office of Acquisitions and Assistance within 18 months. USAID also established a goal of clearing the incurred cost audit backlog within the next 4 years.

December 13, 2013

MEMORANDUM FOR THE ACTING INSPECTOR GENERAL

FROM: USAID Administrator, Rajiv Shah

SUBJECT: Most Serious Management and Performance Challenges for USAID

USAID is committed to addressing the most serious management and performance challenges outlined in the OIG statement for FY 2013. The statement outlines numerous actions the Agency is taking to address the challenges and additional plans over the coming months. We offer the following additional information on USAID's efforts to address the challenges with sustainability and performance monitoring and reporting.

Sustainability

The OIG identified several challenges to sustaining the benefits of programs after USG funding is complete. This includes taking into account external conditions that can make programs unsustainable such as a changing policy environment, the difficulty of transferring necessary skills to maintain a program or its equipment, a lack of coordination with local partners, and not sufficiently assessing upfront local partners' abilities to fund or manage a project or program once USG funding has ended.

To begin to address these challenges during planning stages, USAID has made sustainability analysis mandatory during project design, as documented in ADS Chapter 201, Planning (http://inside.usaid.gov/ADS/200/201.pdf). Project design teams must work with host country partners to define the degree of sustainability that is considered essential for the success of the project, reference the sustainability objectives of the project or project components (with the understanding that not all projects aim to be fully sustainable at their conclusion), and indicate how the project intends to meet these objectives. Project design teams must build in monitoring and evaluation in order to track a project's results in achieving sustainable outcomes during implementation and to build in learning to manage adaptively.

Performance Management and Reporting

The OIG identified several issues related to performance management and reporting. Performance management and reporting is time consuming, requires planning, research, data quality assessments, accurate reporting of data supported by documentation, and compiling data sometimes manually from many implementers. Common issues include a lack of targets and baseline data, delayed start dates putting performance targets at risk, issues of attribution of some results to USAID funding, and data reported not being accurate or supported. USAID has done several things over the past year to address these issues:

- The Agency revised its performance management guidelines found in Agency Directives

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System (ADS) Chapter 203, Assessing and Learning (http://inside.usaid.gov/ADS/200/203.pdf) in November 2012 to make program monitoring and reporting requirements clear and less burdensome.

- To standardize requirements across missions, USAID headquarters provides a standard mission order on performance monitoring for missions to adapt.

- USAID's revamped program cycle brings renewed emphasis to monitoring plans during country strategic and program planning efforts. These guide subsequent performance management plans and annual reporting. Requirements also include defining context indicators to help missions monitor external risks and opportunities in addition to manage for performance within a program.

- Missions now develop one performance management plan (PMP) covering the entire country program and linked to the country development cooperation strategy (CDCS) covering indicators for the strategic goal, development objectives and intermediate results. Monitoring and evaluation (M&E) plans are prepared at the project level.

- Missions are encouraged to only collect and report on the information that is directly useful for management. Where possible, missions should align their performance monitoring needs with those of their host country counterparts, other donors, and implementing partners to lessen the overall data collection burden and help promote aid effectiveness.

- USAID is testing information systems to reduce the burden of compiling and analyzing data across partners and projects. One system, AIDTracker, allows partners to input the data into one database that is shared automatically with missions, and draws data from other USAID systems to assist in analysis. Several missions use AIDTracker. Sixteen missions will start using it in FY 2014. The Agency is considering a development information system as a tool.

- Data quality assessment (DQA) requirements were simplified. Any data reported externally (includes data reported in the annual performance plan and report) must have had a DQA conducted within the three years prior to reporting to document any weaknesses related to five quality areas: the validity, integrity, precision, reliability and timeliness of data. There is no proscribed method for doing the assessment, and missions can customize their approaches for doing DQAs to work for their circumstances.

On page 8, under "*Performance Management*," first paragraph, second sentence, the words "project monitoring" should be "project implementation."

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The Office of Management and Budget (OMB) requires all agencies to prepare Table 1 (Summary of Financial Statement Audit) and Table 2 (Summary of Management Assurances). Table 1 shows that the Independent Auditor gave the Agency an unmodified opinion on the financial statements with one material weakness. Table 2 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 is not in 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.

SUMMARY OF FINANCIAL STATEMENT AUDIT

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Unmodified

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	0	1	0	0	1
USAID Recorded Unsupported Adjustments to bring Its Fund Balance with Treasury Account into Agreement with the U.S. Treasury's Balance	1	0	1	0	0
USAID Made Adjustments to Various Accounts in its General Ledger that it could not justify	1	0	1	0	0
Total Material Weaknesses	**2**	**1**	**2**	**0**	**1**

SUMMARY OF MANAGEMENT ASSURANCES

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**

(continued on next page)

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES *(continued)*

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**

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 Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. System Requirements	Noncompliance noted	Noncompliance noted
2. Accounting Standards	No noncompliance noted	No noncompliance noted
3. USSGL at Transaction Level	No noncompliance noted	No noncompliance 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 ELIMINATION AND RECOVERY ACT REPORTING DETAILS

IMPROPER PAYMENT COMPLIANCE

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 (Pub. L. No. 107-300). The IPIA requires 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, Part I*, provides requirements for identification and reporting. OMB Circular A-136 revised, *Financial Reporting Requirements*, provides the final reporting tables for IPIA and Recapture of Improper Payments reporting. During July 2010, Congress passed the Improper Payments Elimination and Recovery Act (IPERA), which amended IPIA. IPERA is designed to cut waste, fraud, and abuse due to improper payments by Federal Government agencies.

USAID is dedicated to reducing fraud, waste, and abuse by adequately reviewing and reporting programs susceptible to improper payments under IPIA and OMB Circular A-123. 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, Part I of OMB Circular A-123 requires all executive branch agencies to determine if the risk of improper payments is significant and to provide statistically valid annual estimates of improper payments.

Appendix C, Part I of OMB Circular A-123 defines an improper payment 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 and OMB Circular A-123, Appendix C, Part I consists of four steps:

1. Review all programs and activities to identify those susceptible to significant improper payments;

2. 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. Implement a plan to reduce erroneous payments;
4. 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 all Agency payments and for reporting erroneous payments annually. The above four-step process was conducted for the 12-month reporting period July 1, 2012, through June 30, 2013.

IMPROPER PAYMENTS REPORTING DETAILS

I. RISK ASSESSMENT

In FY 2013, 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, 2012, to June 30, 2013. M/CFO identified programs most susceptible to improper payments under the IPIA and OMB Circular A-123, Appendix C through the results of the risk assessment. USAID has 27 program areas considered to be susceptible to improper payments at some level. 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 from lowest to highest. 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 2.5 percent of program payments and $10 million or $100 million regardless of percentage. However, based on the risk assessment results, M/CFO deemed Good Governance; Health; and Protection, Assistance, and Solutions as programs susceptible to erroneous payments. In the prior IPIA reporting period, the Education program was considered high risk; its ratings were reduced in the current year because sufficient controls are in place to warrant its downgrade, and statistical sampling procedures were not performed.

II. STATISTICAL SAMPLING

The objective of sampling the three mentioned programs for the period July 1, 2012, through June 30, 2013, 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 2.5 percentage points around the estimate of the percentage of erroneous payments;

TABLE 1. ANALYSIS OF SAMPLES BY PROGRAM AREA
(Dollars in Millions)

Code	Description	Samples Selected	Total Accounting Lines	Total Dollar Amount
A08	Good Governance	236	2,346	$ 560
A11	Health	184	2,800	1,000
A22	Protection, Assistance and Solutions	192	3,170	1,127
	Totals	**612**	**8,316**	**$ 2,687**

- 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 Table 1 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, root cause information, and associated corrective actions. Improper payments reported at USAID are part of the OMB defined category of Administrative and Documentation error; no improper payments in the categories of Authentication and Medical Necessity errors or Verification errors were identified.

The root cause of amounts identified within the category of Administrative and Documentation 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. Those 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 staff associated with payments.

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 the provisions of IPIA, Part I of OMB Circular A-123, 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 2.5 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 OMB Circular A-123, 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 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 2 on the following page reflects the outlays, improper payment percentage, and improper payment amounts for the FY 2012 and FY 2013 reporting periods. In addition, this table depicts estimates and improper payment reduction outlooks for FY 2014 through FY 2016.

TABLE 2. IMPROPER PAYMENT REDUCTION OUTLOOK

(Dollars in Millions)

Program Areas	PY Outlays[(a)]	PY IP %[(b),(c)]	PY IP[(d)]	CY Outlays[(a)]	CY IP %[(b)]	CY IP	CY Over-payments	CY Under-payments
A08 – Good Governance	$ 1,416	0.3834%	$ 5.43	$ 560	0.0527%	$ 0.30	$ 0.30	$ 0.00
A11 – Health	1,257	0.0712%	0.89	1,000	0.1095%	1.10	1.10	0.00
A22 – Protection, Assistance, and Solutions	1,054	0.1315%	1.39	1,127	0.3771%	4.25	4.25	0.00
All Other Program Areas[(e)]	6,593	0.0000%	0.47	6,736	0.0000%	0.00	0.00	0.00
Totals (rounded)	**$10,320**	**0.0792%**	**$ 8.18**	**$ 9,423**	**0.0599%**	**$ 5.65**	**$ 5.65**	**$ 0.00**

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)]
A08 – Good Governance	$ 588	0.0127%	$ 0.07	$ 617	0.0000%	$0.00	$ 648	0.0000%	$ 0.00
A11 – Health	1,050	0.0695%	0.73	1,103	0.0000%	0.00	1,158	0.0000%	0.00
A22 – Protection, Assistance, and Solutions	1,183	0.3371%	3.99	1,243	0.2971%	3.69	1,305	0.2571%	3.35
All Other Program Areas[(e)]	7,072	0.0000%	0.00	7,425	0.0000%	0.00	7,797	0.0000%	0.00
Totals (rounded)	**$ 9,893**	**0.0485%**	**$ 4.79**	**$10,388**	**0.0355%**	**$3.69**	**$10,907**	**0.0308%**	**$3.35**

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

(b) The improper payment rates of 0.08 percent and 0.06 percent for high risk programs for FY 2012 and FY 2013, 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 2012 and FY 2013 was calculated by dividing the improper payment amount by the outlays for just the program area.

(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 each year within each program area until improper payments are zero percent. A growth rate of five percent is estimated for FY 2014 through FY 2016.

(e) Prior year's Improper Payment Reduction Outlook table identified all of USAID's 27 program areas. For FY 2013, 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.

V. RECAPTURE OF IMPROPER PAYMENTS REPORTING

The IPIA and recovery auditing review process is an ongoing activity under OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*. 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 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 OIG audits, OMB Circular A-133 audits, and contract and grant close-outs. This results in the leverage of efforts performed by the OIG, Regional Inspectors General, and the Defense Contract Audit Agency 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 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 3. PAYMENT RECAPTURE AUDIT REPORTING

(In Millions)

Program Area	Type of Payment	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	$ 2,728	$ 2,728	$ 3	$ 1	33.33%	$ 2	66.67%	$ –	0.00%
N/A[f]	Grants and Cooperative Agreements	904	904	7	2	28.57%	5	71.43%	–	0.00%
N/A[f]	Other	5,791	5,791	4	4	100.00%	0	0.00%	–	0.00%
	Totals	**$ 9,423**	**$ 9,423**	**$ 14**	**$ 7**	**26.32%**	**$ 7**	**50.00%**	**$ –**	**0.00%**

Program Area	Type of Payment	Amounts Identified for Recovery (PYs)[g]	Amounts Recovered (PYs)[g]	Cumulative Amounts Identified for Recovery (CY + PYs)[g]	Cumulative Amounts Recovered (CY + PYs)[g]	Cumulative Amounts Outstanding (CY + PYs)[g]	Cumulative Amounts Determined Not to be Collectable (CY + PYs)[g]
N/A[f]	Contracts	$ 459	$ 459	$ 462	$ 460	$ 2	$ –
N/A[f]	Grants and Cooperative Agreements	61	53	68	55	13	–
N/A[f]	Other	30	27	34	31	3	–
	Totals	**$ 550**	**$ 539**	**$ 564**	**$ 546**	**$ 18**	**$ –**

TABLE 4. PAYMENT RECAPTURE AUDIT TARGETS

(In Millions)

Program Area	Type of Payment	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	$ 3	$ 1	33.33%	95.00%	95.00%	95.00%
N/A[f]	Grants and Cooperative Agreements	7	2	28.57%	95.00%	95.00%	95.00%
N/A[f]	Other	4	4	100.00%	95.00%	95.00%	95.00%
	Totals	**$ 14**	**$ 7**	**50.00%**			

(f) Totals were not reported by program area. If amounts were reported at the program level, many programs with improper payment amounts would round down to zero resulting in a lower than actual improper payment amount. Further, if amounts were rounded up, the improper payment amount would be higher than actual. This is a result of the low improper payment amount at the Agency.

(g) 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 5. AGING OF OUTSTANDING OVERPAYMENTS

(In Millions)

Program Area	Type of Payment	CY Amount Outstanding (0 - 6 months)	CY Amount Outstanding (6 months - 1 year)	CY Amount Outstanding (over 1 year)
N/A[f]	Contracts	$ 2	$ –	$ –
N/A[f]	Grants and Cooperative Agreements	3	2	4
N/A[f]	Other	–	–	1
	Totals	**$ 5**	**$ 2**	**$ 5**

TABLE 6. DISPOSITION OF RECAPTURED FUNDS

(In Millions)

Program Area	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of the Inspector General	Returned to Treasury
N/A[f]	Contracts	$ –	$ –	$ –	$ 3	$ –	$ –
N/A[f]	Grants and Cooperative Agreements	–	–	–	7	–	–
N/A[f]	Other	–	–	–	4	–	–
	Totals	**$ –**	**$ –**	**$ –**	**$ 14**	**$ –**	**$ –**

TABLE 7. OVERPAYMENTS RECAPTURED OUTSIDE OF PAYMENT RECAPTURE AUDITS

(In Millions)

Agency Source	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)[g]	Amount Recovered (PY)[g]	Cumulative Amount Identified (CY + PYs)[g]	Cumulative Amount Recovered (CY + PYs)[g]
IPIA Samples	$ –	$ –	$ 1	$ 1	$ 1	$ 1
Recovery Audit Sample	1	1	1	–	2	1
OIG Reviews	10	3	21	16	31	19
Other	3	3	1	1	4	4
Totals	**$ 14**	**$ 7**	**$ 24**	**$ 18**	**$ 38**	**$ 25**

(f) Totals were not reported by program area. If amounts were reported at the program level, many programs with improper payment amounts would round down to zero resulting in a lower than actual improper payment amount. Further, if amounts were rounded up, the improper payment amount would be higher than actual. This is a result of the low improper payment amount at the Agency.

(g) 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.

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, *Management's Responsibility for Internal Control*, revised Appendix A 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 OMB Circular A-123, Appendix C, *Payment Recapture Audits*, with emphasis on identifying and preventing overpayments to contactors, and OMB Circular A-136, *Recapture of Improper Payments* reporting requirements;

  - 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 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:

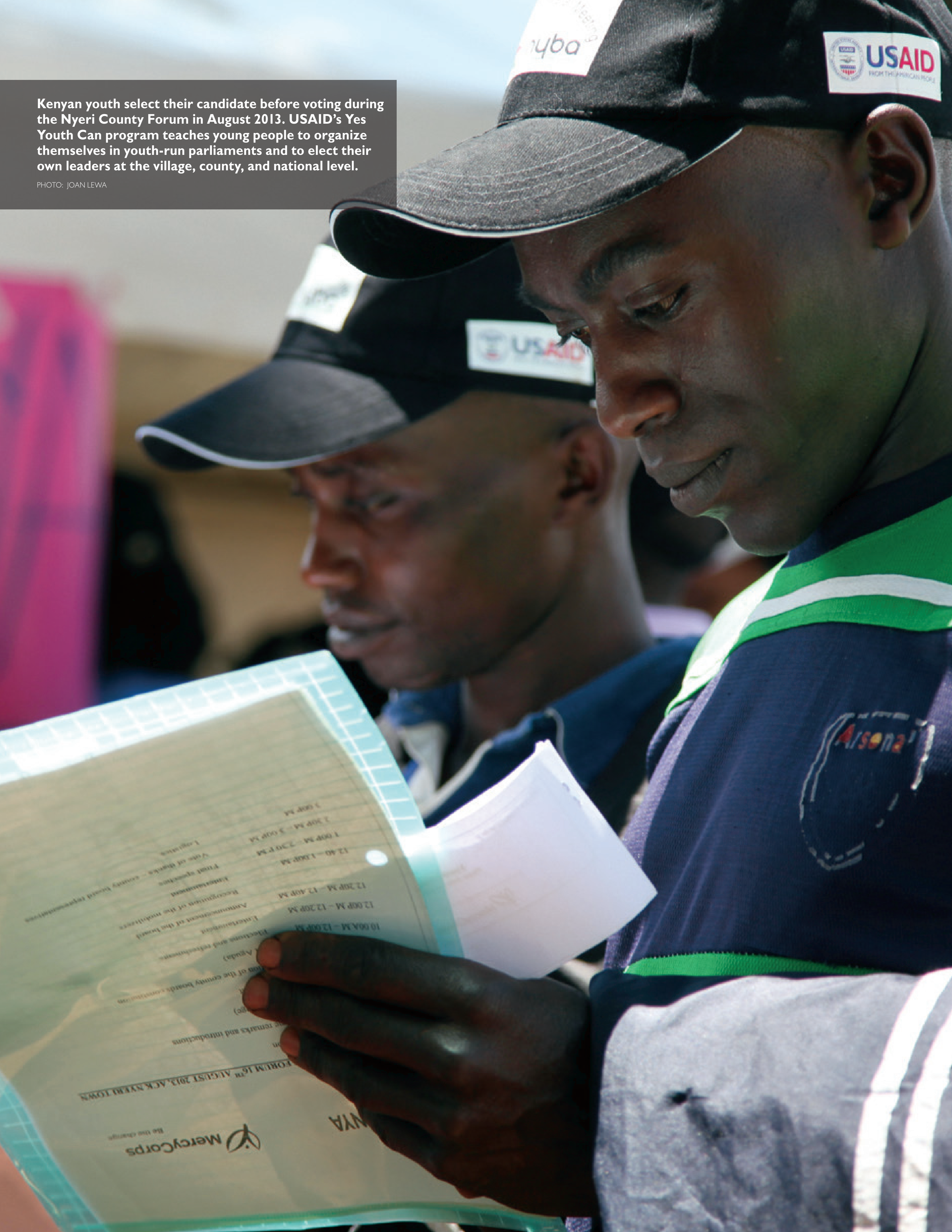
- The availability of the Agency's financial data in Phoenix has enhanced internal controls and transparency of the entire Agency's financial activities. It allowed implementation of procedures where current financial data are subject to various monthly reviews and cross referenced with other internal and external reports, including:
  - Funds returned from the Department of the 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;
  - USAID's 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) directive. 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 review processes and further refined the IPIA approach and strategy for FY 2013; 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.

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

APPENDICES

Students study Geographic Information Systems (GIS) community mapping during a USAID-funded project outside of Cap Haitien, Haiti, on May 14, 2013. The project is helping create detailed maps of streets, houses, shops, restaurants, schools, hospitals, water points, and agricultural areas.

PHOTO: KENDRA HELMER / USAID



Kenyan youth select their candidate before voting during the Nyeri County Forum in August 2013. USAID's Yes Youth Can program teaches young people to organize themselves in youth-run parliaments and to elect their own leaders at the village, county, and national level.

PHOTO: JOAN LEWA

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 2012 can be expected to also impact targets for FY 2013 and possibly beyond, just as results for FY 2011 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 2012 Performance Reports as collected in the Foreign Assistance Coordination and Tracking System (FACTS Info).

4. Data Source: For FY 2012, 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 identifies 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 2012 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 2009-2012 results, and out-year targets for FY 2013 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 2009-2012 results and out-year targets for FY 2013 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 2012 results and FY 2013 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 2012 results and FY 2013 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 2012 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 2012 target and FY 2012 result): Ghana, Indonesia, Liberia, and Mozambique. FY 2012 targets are not available for all countries that reported FY 2012 PPRs results through the U.S. Government FACTS Info reporting system. 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 2012 PPR.

26. Data Source: DHS, WHO/UNICEF MICS, or other survey results, as reported through the FY 2012 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 2012 target and FY 2012 result) in the FY 2012 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 2012 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 2012 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 2011 and FY 2012; out-year targets for FY 2013 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: UNESCO Institute of 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 comes from the acknowledged third-party organization (in this case a multilateral) responsible for collecting and maintaining global education data. Each country reports their country-level data to the UIS, which reviews all data for errors. Because of lags at each stage, there is a two-year delay in reporting. Problems with reliability remain with all global education data, and data is often delayed or missing for countries. However, this is the most straightforward and widely-used indicator for assessment and interpretation.

34. Data Source: FY 2012 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 2011 reflects achievements in the 2010 calendar year. Calendar year 2011 data are not yet available for FY 2012 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 is 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 2012 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 is 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 2012 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 2012 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 2012 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 2012 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 Competitive 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 is 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 2012 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 was collected through E3/Global Climate Change's (GCC) online reporting tool. Starting in FY 2011, it is 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 2012 and should continue in in FY 2013.

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 2012 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 2014 drawing on FY 2013 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.
ABBREVIATIONS AND ACRONYMS

A

ACI	Africa Cocoa Initiative
ADS	Automated Directives System
AFR	Agency Financial Report
AIDNET	Agency for International Development Network
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	Bureau for Food Security
BRM	Office of Budget and Resource Management

C

CACS	Consolidated Audit and Compliance System
CAP	Cross-Agency Priority
CDCS	Country Development Cooperation Strategy
CFO	Chief Financial Officer
CGAP	Consultative Group to Assist the Poor
CHCO	Chief Human Capital Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
CPC	Critical Priority Country
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
DNP	Do Not Pay
DoD	Department of Defense
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
DRR	Disaster Risk Reduction

E

E3	Economic Growth, Education, and Environment Bureau
EC-LEDS	Enhancing Capacity for Low Emission Development Strategies
eCART	Enhanced Web-based Cash Reconciliation Tool

F

FA	Foreign Assistance Bureau
FACTS	Foreign Assistance Coordination and Tracking System
FALAH	Family Advancement for Life and Health
FAR	Federal Acquisition Regulation
FDMS	Federal Docket Management System
FedBizOpps	Federal Business Opportunities
FFMIA	Federal Financial Management Improvement Act
FFP	Office of Food for Peace

FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FPDS-NG	Federal Procurement Data System – Next Generation
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
GCI	Global Competitive Index
GDP	Gross Domestic Product
GH	Global Health Bureau
GHI	Global Health Initiative
GIS	Geographic Information Systems
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
GSS	General Support System
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

H

HHS	Department of Health and Human Services
HIV/AIDS	Human Immune Deficiency Virus/Acquired Immune Deficiency Syndrome
HR	Human Resources

I

IAVI	International AIDS Vaccine Initiative
IDEA	Office of Innovation and Development Alliances
IFDC	International Fertilizer Development Centre
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

K

KMS	Knowledge Management Services

L

LPA	Legislative and Public Affairs Bureau

M

M	Management Bureau
MAPPR	Mission Agreement Project Pipeline Reporting
MCH	Maternal and Child Health
MCPR	Modern Contraceptive Prevalence Rate
MCRC	Management Control Review Committee
MD&A	Management's Discussion and Analysis
MICS	Multiple Indicator Cluster Survey

N

N/A	Not Applicable
NER	Net Enrollment Rate
NFC	National Finance Center
NGO	Non-Governmental Organization

NIEM	National Information Exchange Model
NIST	National Institute of Standards and Technology
NTD	Neglected Tropical Disease

O

OAA	Office of Acquisition and Assistance
OAPA	Office of Afghanistan and Pakistan Affairs
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

P

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
POA&M	Plan of Action and Milestones
PP&E	Property, Plant and Equipment
PPD-6	Presidential Policy Directive on Global Development
PPL	Planning, Policy, and Learning Bureau
PPR	Performance Plan and Report
Pub. L.	Public Law
PY	Prior Year

Q

QDDR	Quadrennial Diplomacy and Development Review

R

Recovery Act	American Recovery and Reinvestment Act
RHS	Reproductive Health Survey

S

SAM	System for Award Management
SAVE	Securing American's Value and Efficiency
SBR	Statement of Budgetary Resources
SOS	Schedule of Spending
SPANS	Special Programs Addressing the Needs of Survivors
State	Department of State

T

TFA 2020	Tropical Forest Alliance 2020
TP	Trading Partners
Treasury	Department of the Treasury

U

U.S.	United States
U.S.C.	United States Code
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
USSGL	U.S. Standard General Ledger

V

VDAP	Volcano Disaster Assistance Program

W

WFP	World Food Program
WHO	World Health Organization

ACKNOWLEDGMENTS

This report was produced with the energies and talents of the USAID staff. To these individuals we would like to offer our sincerest thanks and acknowledgment. In particular, we would like to recognize the following organizations and individuals for their contributions:

USAID Front Office:
Ariana Berengaut

Executive Secretariat:
Christine Brown, John VanSandt, Connie Miconi

Office of the Chief Operating Officer:
Margie Sullivan, Acting COO; Michele Sumilas

Office of Human Resources:
Elizabeth Kolmstetter, CHCO; George Thompson, Robert Baker, Joann Jones, Cecilia Miller, Helena Olivares

Bureau for Management:
Angelique Crumbly, PIO; Christa Skerry White, Samidha Redkar

Office of the Chief Financial Officer:
Kent Kuyumjian, Acting M/CFO; Eileen Devitt, M/DCFO for Overseas Operations; Richard Bachman, Mekonnen Berhe, Michael Bowanko, Alfred Buck, Angela Burkard, Antionette Cattledge, Thomas Clarkson, Cathy Collins, Marble Dilneshau, Luke Lindberg, Nancy Mausolf, Herbert Morgan, Ohjin Pak, Jocelyn Rodriguez, Alfred Sandy, Scott Smith, Gloria White; with special thanks to the **Financial Statement Preparation Team** – Jacquelyn Manson, Vanessa Wilks, Tanina Cook, James Diawuo-Takyi, Michael Frank, James Gallagher, Andrew Pierce, Kwame Opoku-Mensah, David Roberts, Shelley Smith, Eyasu Tilahun, Hayward Trapps, David Whittle; **Internal Control Program Team** – James Esposito, Richard Persons, Julie Callahan, Jason Bakelar, Lacey Doran, Frederick Dzekashu, Anna Elias, Teresa Frakes, Mimi Goodwin, Sarah Lakkis, Lester Latney, Nancy Laurine, John Moynihan, Robert Reinard, Joseph Sunday, Samuel Tweneboah, Davida Wilhelm, Genet Yohannes; **Audit Follow-up Team** – Jeanetta Marshall, Teresa Cooper, Deborah Frye, Gary Jacobs, Veronica Ndum, Diane Travis

Office of the Chief Information Officer:
Shirl Hendley, Kwadwo Opoku

Office of Management Policy, Budget and Performance: Angela McNerney, Colleen Allen, George Higginbotham, Ruth Buckley, Sandra Malone-Gilmer, Diana Lambert, Margaret Mesaros, Portia Persley

Office of Management Services:
Dean Walter, Robert Coulson

Office of the General Counsel:
Susan Pascocello, William Buckhold, Betty Chung, Christina Reyes

Bureau for Legislative and Public Affairs:
Nan Dearborn, Angela Rucker, Patricia Adams, Kate Bunting, Scott Gruber

Bureau for Policy, Planning, and Learning:
Cindy Clapp-Wincek, Gary Russell, Amena Chenzai

We would also like to acknowledge the **Office of Inspector General** for the professional manner in which its staff conducted the audit of the FY 2013 financial statements. We offer special thanks to The DesignPond for its outstanding contributions in the design and production of this report.

We welcome your comments on how we can improve this report. Please provide comments to:

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PD-ACX-233