USAID
FROM THE AMERICAN PEOPLE

AGENCY FINANCIAL REPORT
FISCAL YEAR 2015

Ending Extreme Poverty in This Generation

ABOUT THIS REPORT

The U.S. Agency for International Development's (USAID's) Agency Financial Report (AFR) for fiscal year (FY) 2015 provides an overview of the Agency's performance and financial information. The AFR demonstrates to Congress, the President, and the public USAID's commitment to its mission and accountability for the resources entrusted to it. This report is available on USAID's website at *https://www.usaid.gov/results-and-data/progress-data/agency-financial-report* and includes information that satisfies the reporting requirements contained in the following legislation:

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

In lieu of a combined PAR, USAID elects to produce an AFR with a primary focus on financial results and a high-level discussion of performance results, along with an Annual Performance Report (APR) which details strategic goals and performance results. The FY 2015 APR will be included in the USAID FY 2017 Congressional Budget Justification in February 2016. Additionally, USAID will publish a Summary of Performance and Financial Information (SPFI), also to be released in February 2016. The last report which summarizes the AFR and APR in a brief, user-friendly format will be produced jointly with the Department of State. All three reports will be available at *https://www.usaid.gov/results-and-data/performance-reporting*.

COVER PHOTO: DAVIDE OSORIO / USAID

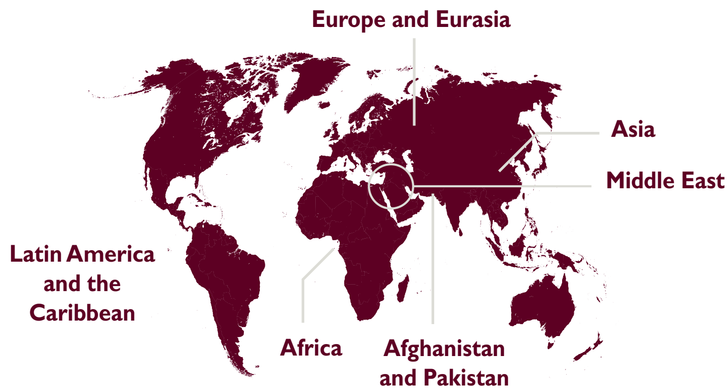
USAID AT A GLANCE

WHO USAID IS

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

WHERE USAID WORKS

Operating in more than 100 countries around the world, the investment USAID makes in developing countries has long-term benefits for America. To explore the portfolio of USAID projects from all international locations, visit *http://map.usaid.gov/*.



WHAT USAID DOES

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

Investing in agricultural productivity

Combating maternal and child mortality and deadly diseases

Providing life-saving assistance in the wake of disaster

Promoting democracy, human rights, and good governance

Helping communities adapt to a changing environment and global climate change

Fostering private sector development and sustainable economic growth

Elevating importance of gender considerations

Expanding access to education in regions witnessing crisis and conflict

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

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A MESSAGE FROM THE ACTING ADMINISTRATOR

Alfonso E. Lenhardt

Our Mission

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

As the world's premier development agency, the U.S. Agency for International Development (USAID) is uniquely positioned to partner with the global community to end extreme poverty and promote resilient, democratic societies all over the world. That is why we are leading by example in countries across the globe, modeling a new way of doing business that emphasizes local leadership and expanded partnerships while harnessing the immense power of science, technology, and innovation. In addition to bringing us closer to ending extreme poverty within a generation, these efforts strengthen American leadership on the international stage and enhance our own security and prosperity.

REAL RESULTS ON BEHALF OF THE AMERICAN PEOPLE

Using this enhanced approach to development, USAID and our partners are delivering unprecedented results on behalf of the American people. Whether we are combating hunger, preventing the spread of deadly diseases, or increasing access to education and clean energy, our efforts are helping millions of vulnerable people lift themselves out of poverty and lead full, healthy lives.

For example, when the 2014 Ebola outbreak devastated West Africa, we worked with other agencies to mount the largest U.S. response to a global health crisis in history, acting quickly to save lives and prevent future outbreaks. Through Power Africa, we are working to increase access to energy for millions across sub-Saharan Africa in partnership with more than 100 private sector companies—such as Off Grid Electric, which is installing more than 10,000 affordable solar systems in Tanzanian homes every month. In Honduras, smallholder farmers benefiting from Feed the Future, the U.S. Government's signature food security initiative, saw their average incomes increase by 55 percent between 2012 and 2014. In Kenya, an early grade reading program helped over 53,000 children substantially improve their reading skills. And, our efforts in Bangladesh have helped make childbirth safer, increasing the share of births taking place in a health facility and those attended by a skilled professional by over 25 percent each since 2011.

Results like these are driving life-changing outcomes in more than 100 countries across the globe. As we move forward, we are committed to maintaining our relentless focus on achieving measurable results in the places we work, and sharing our results and project evaluations with the public.

OPTIMIZING OUR RESOURCES AND ENHANCING OUR IMPACT

To end extreme poverty, we need to make our dollars go further than they ever have before. There is simply not enough official development assistance in the world to tackle its many problems. That is why we are using our assistance to leverage new sources of development finance. That includes expanding partnerships with the private sector and helping countries mobilize—and use—their own domestic resources.

For example, this year we joined with international partners to launch the innovative Global Financing Facility (GFF), which will help catalyze additional domestic and international resources to scale and sustain essential health services for women, newborns, children, and adolescents. Additionally, by offering loan guarantees through our Development Credit Authority (DCA), we are encouraging local financial institutions to lend much-needed capital to underserved borrowers like women entrepreneurs, and to invest in critical sectors, like water and energy. In 2015, DCA made 47 guarantees across 23 countries, mobilizing $695 million to seed small businesses and achieve key development goals.

By collaborating with key partners to tap into new sources of financing, we can take on enormous challenges and sustain progress for years to come. But, to reach our ambitious development targets by 2030, we also need to greatly accelerate progress. That is why we launched the U.S. Global Development Lab (Lab) in 2014 to source, test, and scale proven solutions that can help countries leapfrog major development challenges. Through open competitions and challenges such as Development Innovation Ventures (DIV) and Grand Challenges for Development, we are sourcing groundbreaking ideas from people all over the world. DIV has invested in 362 new solutions to food security, health, climate change, energy, and economic growth challenges that are working to improve and save lives. And, these initiatives have helped social entrepreneurs and innovators refine their business models and become investment-ready. From using technology to combat wildlife crime to addressing water shortages across the globe, we are helping scale up game-changing solutions to the world's toughest challenges.

Through innovation and the mobilization of new sources of financing, we are optimizing our limited resources and enhancing our impact around the world.

MANAGEMENT OPPORTUNITIES AND CHALLENGES

As USAID continues to optimize resources to deliver transformational results across the globe, we must also continually improve our stewardship of the precious resources entrusted to us by the American people. Recent reforms have helped make USAID a more accountable, nimble, and evidence-driven enterprise, but there is more work ahead. As the Statement of Most Serious Management and Performance Challenges by the Office of Inspector General (OIG) notes, we face challenges in nine areas, including work in nonpermissive environments, performance data, and sustainability.

For example, we face challenges in collecting accurate, high-quality data from our programs across the globe. This is especially true in countries facing conflict and crisis, such as Syria, Afghanistan, and Iraq, where obstacles on the ground can constrain our ability to monitor programs and conduct adequate oversight. Additionally, OIG audits continue to show the need to improve planning for the end of projects, ensuring we are eventually able to work ourselves out of a job and successfully transfer ownership of projects to resilient governments.

Over the past year, the Agency has made notable progress in addressing management and performance challenges in many areas. For example, to better support missions as they manage complex, multiyear projects, we have cut the time it takes to provide missions with their budget allowances. We also took action to address the backlog of audits for U.S.-based, for-profit entities. Because of this progress, the OIG no longer considers this backlog to be a management challenge. Most recently, USAID has initiated an effort to improve our human resources and procedures to better serve our development professionals and support staff.

As USAID continues to evolve into a true learning organization, we must always be looking for opportunities to learn, change, and grow. Moving forward, we will continue to make progress in addressing longstanding and emerging challenges, changing course when necessary, and doubling down on approaches that deliver results.

FINANCIAL REPORTING AND REPRESENTATION

The Agency Financial Report (AFR) is our principal report to convey to the President, the Congress, and the American people our commitment to sound financial management and stewardship of public funds. USAID remains committed to effective governance and financial integrity and takes seriously the responsibility with which we have been entrusted. To that end, we continue to work to improve our financial management and internal controls.

This year, we are pleased that in FY 2015 USAID moved from a disclaimer to an unmodified opinion, as determined by the OIG. The Agency did receive a material weakness finding related to Fund Balance with the U.S. Department of the Treasury (Treasury). During FY 2015, USAID worked diligently to address this material weakness. Our efforts included establishing effective cash reconciliation processes and completing an extensive reconciliation across all USAID funds. The complexity of the issue required continued analysis and corrective actions throughout FY 2015. Our work continues into FY 2016 to fully reconcile USAID's cash position with Treasury and eliminate this material weakness.

USAID made important strides to build and maintain a strong, sustainable internal control posture. Specifically, in FY 2015 USAID implemented improvements that addressed four recurring significant deficiencies: (1) deobligating unliquidated obligations (ULOs), (2) accounting for advances, (3) accounting for reimbursable agreements, and (4) supporting payroll deductions. Still, more work needs to be done, as the auditors identified four significant deficiencies in internal controls.

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

A WORLD WITHOUT EXTREME POVERTY

USAID is proud to represent our country's values around the world, the American people reaching out to help vulnerable people in need. Our progress over the past year has continued to build a strong foundation for lifting the remaining billion people out of extreme poverty, while promoting resilient, democratic societies everywhere.

This work will not be easy. Corruption and conflict impede growth and undermine development progress around the world, even reversing it in the most severe cases. Climate change also threatens to slow or turn back progress at every step. However, time and time again, USAID and our incredible partners have proven we can take on seemingly insurmountable challenges and deliver commendable results. Together, we can help people everywhere lead lives of dignity, setting them on a path toward self-sufficiency, prosperity, and overall well-being.

Alfonso E. Lenhardt
Acting Administrator
November 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Preceding page) **Hapsatou Ka is a role model for promoting nutrition and improving the well-being of her neighbors in her Senegal village through a USAID project. Get the full story "Hapsatou for Senegal's Health" at *stories.usaid.gov*.**

PHOTO: MORGANA WINGARD FOR USAID

(Above) **Students at Saffa Girls School benefit from a USAID program that trains teachers to improve the education provided in 57 schools in the West Bank. Get the full story "Today's Girls, Tomorrow's Future" at *stories.usaid.gov*.**

PHOTO: BOBBY NEPTUNE FOR USAID

MISSION AND ORGANIZATIONAL STRUCTURE

MISSION STATEMENT

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

ORGANIZATIONAL STRUCTURE

USAID is an independent federal agency that receives overall foreign policy guidance from the Secretary of State. With an official presence in over 100 countries and programs in several other non-presence countries, the Agency accelerates human progress in developing countries by reducing poverty, advancing democracy, empowering women, building market economies, promoting security, responding to crises, and improving the quality of life through investments in health and education. USAID is headed by an Administrator and Deputy Administrator, both appointed by the President and confirmed by the 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

USAID has elected to produce an Agency Financial Report (AFR), Annual Performance Report (APR), and Summary of Performance and Financial Information report as an alternative to the consolidated Performance and Accountability Report (PAR). The Agency will include its FY 2015 APR with its Congressional Budget Justification and will post it along with the Summary report on the Agency's website at *http://www.usaid.gov/results-and-data/progress-data/annual-performance-report* by February 17, 2016.

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

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

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 2015, the Agency's mission was supported by 3,797 permanent and non-permanent direct hire employees, including 2,097 in the Foreign Service and 1,700 in the Civil Service. Additional support came from 4,495 Foreign Service Nationals, and 1,119 other non-direct hire employees (not counting institutional support contractors). Of these employees, 3,035 are based in Washington, D.C., and 6,376 are deployed overseas.

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

ORGANIZATIONAL STRUCTURE IN WASHINGTON

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

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

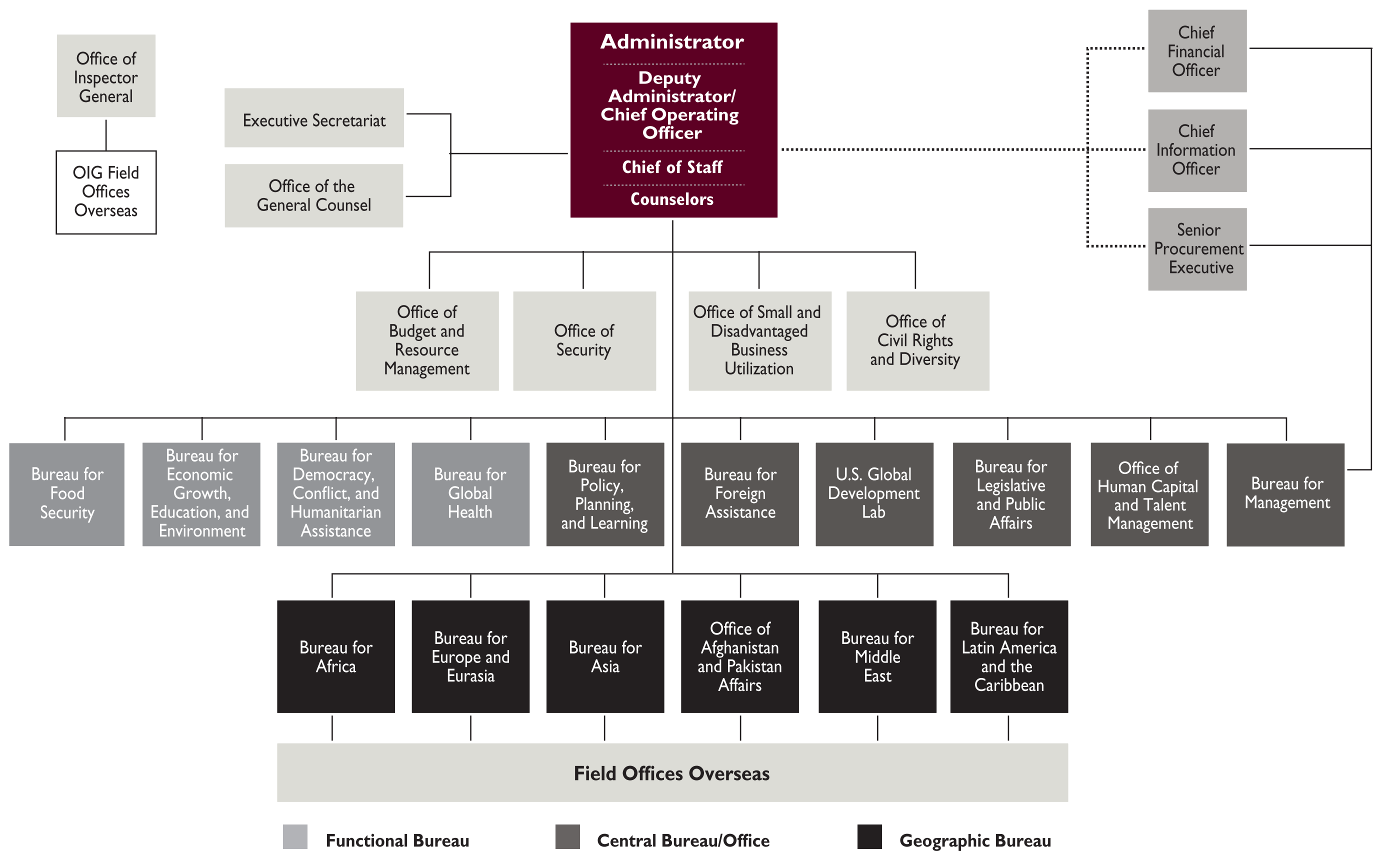
- Bureau for Food Security (BFS), which provides expertise in agricultural productivity and addressing hunger and malnutrition;
- Bureau for Economic Growth, Education, and Environment (E3), which provides expertise in economic growth, trade opportunities, technology, education, and environment/natural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

Central bureaus and offices include:

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

In addition to these central bureaus, USAID has seven independent offices that are responsible for discrete Agency functions that include diversity programs, security, and partnerships. These offices are: (1) the Office of the Executive Secretariat, (2) the Office of the General Counsel, (3) the Office of Budget and Resource Management, (4) the Office of Security, (5) the Office of Small and Disadvantaged Business and Utilization, and (6) the Office of Civil Rights and Diversity. Finally, (7) the Office of Inspector General (OIG) reviews the integrity of Agency operations through audits, appraisals, investigations, and inspections.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



ORGANIZATIONAL STRUCTURE OVERSEAS

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

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

PROGRAM PERFORMANCE OVERVIEW

USAID FORWARD

Five years ago, President Barack Obama and former Secretary of State Hillary Rodham Clinton called for the elevation of development as a key part of America's national security and foreign policy. Through both the Presidential Policy Directive on Global Development (PPD-6) (*http://fas.org/irp/offdocs/ppd/ppd-6.pdf*) and the 2010 Quadrennial Diplomacy and Development Review (QDDR) (*http://pdf.usaid.gov/pdf_docs/PDACQ604.pdf*), and reinforced in the 2015 QDDR (*https://www.usaid.gov/sites/default/files/documents/1870/QDDR2015.pdf*), President Obama set forth a new vision of a results-driven USAID that would lead the world in development. To meet this challenge, USAID undertook an ambitious reform agenda called USAID Forward, pioneering a new model of development that emphasizes partnerships, innovation, and results. In a time of fiscal restraint, USAID is applying the new model to seize this moment and reach more people, save more lives, and leverage more private investment than ever before—delivering results for the American people and those in greatest need around the world.

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

Each year, the Agency releases fiscal year progress toward each of the USAID Forward indicators and the underlying data behind them.

1 DELIVER RESULTS ON A MEANINGFUL SCALE THROUGH A STRENGTHENED USAID

As noted in the PPD-6, the United States "cannot do all things, do them well, and do them everywhere." In order to maximize USAID's impact with every development dollar, the Agency is pursuing a more strategic, focused, and results-oriented approach. As of FY 2014, USAID has reduced the total number of country program areas by 42 percent. Food security and agricultural programs were phased out of 26 countries and global health programs were phased out of 23 countries where local institutions and systems can take charge from the baseline year of FY 2010. The Agency continues to support scale and focus by:

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

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

- Investing directly in partner governments and civil society organizations where the capacity exists, and strengthening it where there are gaps. The global average of mission funds programmed through local systems has increased from 9.6 percent in FY 2010 to 16.9 percent in FY 2014. USAID's prudent and strategic approach is yielding results. For example, 6,419 families from 199 communities in Peru giving up illicit coca by planting more than 7,700 hectares of alternative crops, thanks to government-to-government assistance. Peru exemplifies how USAID's government-to-government assistance can sustainably reduce illicit coca production, increase alternative crop production, double child literacy, and reduce chronic child malnutrition in key regions.

- Forging public-private partnerships with new and existing partners that leverage new resources and expertise to expand the reach and impact of the Agency's work. In FY 2014, USAID had 266 active public-private partnerships with more than 700 partners, about half of which were local partners. Together, these partnerships leverage about $2.3 billion from non-U.S. Government partners over the life of the programs.

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

In consecutive State of the Union addresses, President Obama called upon the Nation to join the world in ending extreme poverty in the next two decades. The President's call presents an incredible opportunity to harness science, technology, innovation, and partnership to achieve progress. USAID is fostering a culture of innovation and using convening power to test and scale breakthrough innovations to solve development challenges faster and cheaper. For example, the Agency recently worked with a pharmaceutical company in Nepal to cut the risk of infant death by 34 percent. Today, the Agency is sustaining and extending its development impact by:

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

- Supporting the growth of lasting, inclusive economic infrastructure to expand access to and usage of critical financial services to empower women, improve government transparency and efficiency, and create platforms for innovative business models such as pay-as-you-go solar energy distribution. To harness innovation and technology, the Agency has made investments in 10 markets to foster the growth of digital financial services and sponsored a global alliance of industry and government partners dedicated to advancing inclusive finance.

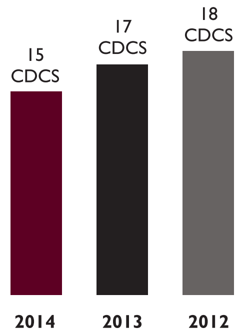
FORWARD PROGRESS

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

- Seeking to increase the application of science, technology, innovation, and partnerships to achieve, sustain, and extend the Agency's development impact. The U.S. Global Development Lab (Lab) sources, tests, and delivers proven solutions—from expanding the reach of mobile banking to teaching a child to read in her local language. As of FY 2014, more than 360 new solutions are in testing, field trials, or being scaled.

- Building the capacity of countries to lead their own development. USAID missions are using, strengthening, and partnering with local systems—governments, civil society, and private sector together—to achieve sustainable development. Excluding Afghanistan and Pakistan, USAID increased direct obligations from 12.3 percent in FY 2010 to 15.1 percent in FY 2014. In FY 2014, USAID launched the worldwide Small Business Indicator with 12.1 percent ($461,401,890) of funds going to small businesses.

- Shifting in the way USAID delivers assistance has substantially strengthened both its Development Credit Authority (DCA) and public-private partnerships. In FY 2014, USAID remained committed to working with private sector partners, with missions leveraging $250 million in private sector resources toward new Global Development Alliances. Since the launch of USAID Forward, the size and impact of USAID's DCA credit guarantees has nearly doubled—in FY 2014 alone, USAID leveraged $768.8 million in credit using just $25.7 million in USAID funds.



NUMBER OF CDCSs APPROVED

One CDCS per country

- Strengthening its risk assessment tools, such as the Public Financial Management Risk Assessment Framework, to determine strengths and weaknesses in host country systems and to develop strong risk mitigation plans so that every taxpayer dollar is used for its intended purpose and is accounted for.
- Renewing its internal capacity to make sure it has the right people with the right skills in the right places. The Agency hired more than 1,100 new staff, including 75 percent more contracting officers and 90 percent more financial managers since 2007. These new USAID employees have also filled nearly all the vacant positions USAID had in its missions in Africa. Today, the USAID family numbers 9,411 people and includes epidemiologists, agronomists, and financial experts. USAID hosts the largest number of fellows from the American Association for the Advancement of Science of any federal agency, as well as a growing cadre of field investment officers dedicated to structuring innovative private sector deals.
- Bolstering its re-established policy and budget capabilities and implementing world-class policies on gender, fragility, and resilience.
- Testing what works and what doesn't through rigorous evaluations and making changes as needed. The Agency completed 224 program evaluations in FY 2014, bringing the total number of evaluations completed since USAID published the Evaluation Policy in 2011 to more than 900. Evaluation reports are made available to the public on the Development Experience Clearinghouse (DEC) website, and select reports are available via a USAID iPhone app.

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

DISCIPLINE OF DEVELOPMENT

In 2011, USAID introduced the Program Cycle as the foundational framework for evidence-based development. The Program Cycle reinforces the linkages between Agency policies and strategies, country-level strategic planning (through Country Development Cooperation Strategies (CDCS)), project design and implementation, and performance evaluation and monitoring. These components, representing the discipline of development, are informed by continuous learning and adapting, influence the annual budget and resource management processes, and focus on achieving results. Currently, 50 USAID missions have completed a CDCS. Where Program Management Plans have been developed for a CDCS, USAID missions and offices utilize each strategy's Performance Management Plan to target and track progress toward intended results. They are also responsible for reporting key indicator data in their annual performance reports. These performance reports inform decisions on funding, program development, and implementation. To continue to improve its effectiveness, USAID is in the process of updating and streamlining Program Cycle processes based on the experience of the last few years.

QUALITY EVALUATION

To ensure country programs and strategies are achieving the results they were designed to deliver, the Agency introduced a new evaluation policy in 2011 that has been called "a model for other federal agencies" by the American Evaluation Association. Under this policy, USAID's program resources are subject to high-quality evaluations conducted by external evaluators. Findings must be action-oriented and should identify ways to apply the lessons learned. Based on these and other criteria, USAID completed 224 evaluations worldwide in FY 2014, bringing the total number of evaluations completed since the Evaluation Policy was put into place to over 900. These evaluations are helping the Agency make informed decisions, improve program effectiveness, be accountable to stakeholders, and support organizational learning.

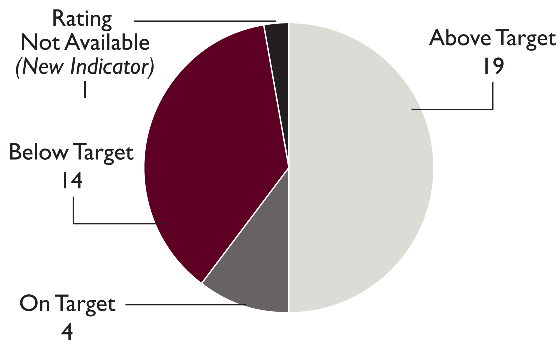
To ensure these data are publicly available, the Agency has built an accessible website where its evaluations can be read and easily shared. These can be viewed in USAID's DEC at *https://dec.usaid.gov*.

The Agency is also collecting baseline data and employing study designs to better understand the impact of its interventions over the course of its work. For example, in Feed the Future (FTF), President Obama's global food security program, a robust measurement system that uses 57 indicators—from childhood stunting to new roads to farm sales—assesses progress annually. 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.

PERFORMANCE INDICATORS AND TRENDS

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

FY 2014 PERFORMANCE RESULTS



Total Results: 38

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 2014.

DATA QUALITY

Data are only useful for decision making if they are of high quality and provide the groundwork for informed decisions. As indicated in USAID's Automated Directive System Chapter 203, (*http://www.usaid.gov/ads/200/203*), USAID missions and offices are required to conduct annual data quality assessments for all performance data reported to Washington. These assessments verify the quality of the data against the five standards of validity, integrity, precision, reliability, and timeliness. USAID obtains performance data from three sources: (1) primary (data collected by USAID or where collection is funded by USAID), (2) secondary (data compiled by USAID implementing partners but collected from other sources), and (3) third-party (data from other government agencies or other organizations). Primary and secondary data go through rigorous USAID assessments to ensure that they meet the five quality standards.

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.

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

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

Also per GPRAMA, USAID and State publicly report, on a quarterly basis, on the progress of the APGs on Performance.gov (*http://www.performance.gov/agency/department-state-and-usaid?view=public#apg*). The five APGs for FY 2014 – FY 2015 are in the following areas: Food Security, Global Health, Climate Change, Consular Service Delivery, and USAID Procurement Reform. Progress updates on each of these APGs are included in the applicable Performance Goal update sections in the report and on Performance.gov. An example of results achieved for the FY 2014 - 2015 APGs includes increasing the percent of prime contract acquisition dollars USAID obligated to U.S. small businesses worldwide from 5.6 percent in the first quarter of FY 2014 to 12.1 percent in the final quarter, exceeding the target of 6.5 percent. USAID expects the results for FY 2015 to be even higher than the previous year. The Agency utilizes U.S. small businesses to build capacity of local organizations at some missions, and sees an opportunity to replicate this model in other countries in the future. See Performance.gov for the latest progress update on USAID's APGs.

STATE-USAID JOINT STRATEGIC GOAL FRAMEWORK

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

HAITIAN STARTUP SUCCEEDS WHILE ANSWERING NEED FOR CLEANER COOKING

Grants help entrepreneurs grow businesses, generate income

July 2015—The growth of small businesses is essential for Haiti's economic development, but few financial services exist to help connect them with needed credit, preventing many would-be business owners from ever realizing their aspirations.

Kalinda Magloire is CEO and co-founder of SWITCH S.A., a local startup providing a market-based solution for Haiti's environmental crisis. Now three years into operation and running a growing business, she recounts how it all started with a grant from USAID.

In 2012, Magloire had an idea; what she didn't have was a plan. She knew deforestation in Haiti was a staggering problem, with roughly 30 million trees cut down each year. Significant numbers of these trees are destined to become charcoal and used for cooking fuel.

This practice is so deeply entrenched in Haitian society that, at first, finding a solution seemed doubtful. But, when Magloire began to examine the issue from a business perspective, the problem appeared simple. It boiled down to supply and demand.

"Cutting off the supply was not a viable option in Haiti," she says. "But I could affect demand."

In her view, most Haitians would prefer not to cut down Haiti's forests, but without an affordable alternative to charcoal, they had no other choice. She decided her company would provide an alternative: cleaner, more cost-efficient cookstoves fueled by liquid petroleum gas (LPG).

Magloire was keenly aware that aspiring entrepreneurs in Haiti face significant challenges. "Then I was surfing Facebook one day," she says, "and I saw a post about a new USAID program that was holding a competition for business ideas. The timing seemed like fate."

Kalinda Magloire, CEO and co-founder of SWITCH S.A., a producer of clean cookstoves. PHOTO: PADF

The program, called Leveraging Effective Application of Direct Investments (LEAD), maximizes investments from the private sector by providing matching grants to small and medium-sized businesses and social enterprises. It also provides technical assistance to local enterprises so they can attract capital, grow, create jobs, and generate income.

LEAD held its first business plan competition in 2012 for entrepreneurs and investors with an interest in launching businesses in Haiti. The prize was a matching grant of $50 thousand to $200 thousand, meaning winners needed to supply funds at least equal to the size of the grant.

During the application phase of the competition, LEAD staff helped contestants prepare their business plans, which contestants later presented to a panel of judges. For Magloire, the experience was transformative.

"It forced us to really think about how to translate our ideas into something concrete," she says. "We couldn't leave anything up to chance. We had to plan."

Winning LEAD's business plan competition boosted Magloire's business beyond providing essential startup funds. She also earned new credibility with financial institutions.

"With the backing of USAID, I had new confidence and was able to create new opportunities for my business," she says. "When I was just starting out, I couldn't get a loan to buy a fleet of LPG tanks, which limited our potential for growth."

Today, SWITCH is the only clean-energy cookstove company in Port-au-Prince offering a full-service startup kit, which includes the cookstove and the LPG tank.

In its first three years, SWITCH has sold over 930 commercial stoves to street vendors and converted 78 schools and nearly 24 hundred homes from traditional charcoal stoves to LPG stoves. With the launch of its diaspora marketing program this August, they expect to double their sales and increase their profits by 40 percent.

For Magloire, it's a source of pride that her business is protecting both the environment and the health of Haitian people.

"It was shocking," she says, "to learn just how much our cookstoves improve the lives of other women," who routinely suffer health complications from exposure to open flames and smoke. "As a woman," she adds, "that is very empowering."

The LEAD program runs from 2011 to 2017.

ILLUSTRATIVE ACCOMPLISHMENTS

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

STRATEGIC GOAL 1:

Strengthen America's economic reach and positive economic impact

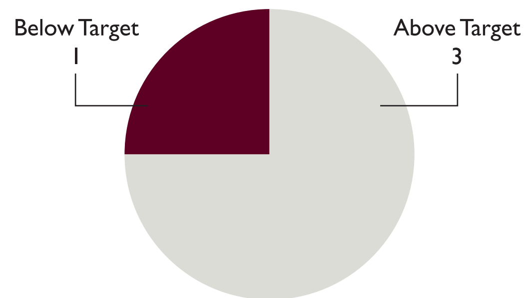
PUBLIC BENEFIT

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

LINKING ACTIVITIES TO OUTCOMES

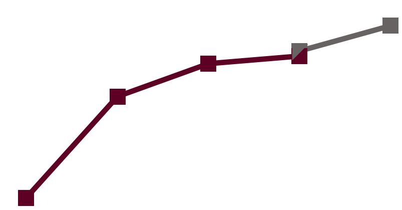
Improving food security has risen to prominence as a global development goal in recent years due to factors such as food price spikes, increasing poverty rates, and social unrest related to poverty and hunger. Led by USAID, the FTF initiative is the U.S. Government's contribution to the collaborative global effort to fight poverty, hunger, and malnutrition. In 2014, FTF reached more than 12 million children with nutrition interventions and helped nearly 7 million farmers gain access to new tools or technologies such as high-yielding seeds, fertilizer application, soil conservation, and water management. Data demonstrate these efforts are contributing to substantial reductions in both poverty and childhood stunting (*www.feedthefuture.gov/progress*).

FY 2014 STRATEGIC GOAL 1 PERFORMANCE RESULTS



Total Results: 4

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



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Result	1.2M	5.2M	6.5M	6.8M	N/A
Target	N/A	N/A	N/A	7M	8M

Source: *FY 2014 Annual Performance Report/ FY 2016 Annual Performance Plan.*

However, there are two main reasons the target for number of farmers and others who have applied new technologies or management practices as a result of U.S. Government assistance was not reached. First, many of USAID's flagship and large value chain programs are coming to a close and new programming is not yet in place to generate results at the same level. Second, each year, USAID is improving how it monitors, tracks, and reports data, which often results in greater refinements in how USAID defines and tracks the indicator. Also, the initiative is developing an approach to better track farmers applying the technologies and practices that programs are promoting over time, not just those receiving direct assistance in a given year.

SAVING MOTHERS, GIVING LIFE

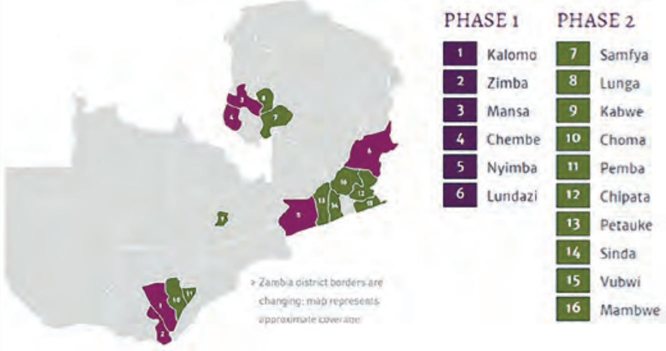
October 2015—For the staff at the Matanda Rural Health Center in northern Zambia, help during emergencies was hard to find. The nearest hospital is 60 kilometers away—40 of them over a rough gravel road. Lacking a cell tower, health center staff would walk or ride 27 kilometers in order to call for an ambulance. Until recently, nurse Esther Kabaye was the center's only clinician; she treated women in the region when complications arose during pregnancy.

Through Saving Mothers, Giving Life, a public-private partnership launched in 2012, Kabaye began a mentorship program in which she met once a month with a district mentor, developing the necessary skills and knowledge for emergency obstetric and neonatal care.

These efforts were rewarded after only a few months, when Helen, a 35-year-old woman from a nearby village, was brought to the health center in labor. She successfully delivered a healthy baby, but afterwards began bleeding heavily. Kabaye identified the emergency as a postpartum hemorrhage, and promptly performed a bimanual compression of the uterus, saving Helen's life.

"I am so happy that I am able to effectively handle emergencies and save lives that would have been lost," Kabaye said. She now teaches other nurses, amplifying the lifesaving impact that she has had on her own community and others nearby.

Stories like Kabaye's are not uncommon within Saving Mothers, Giving Life districts. USAID is a founding member of the partnership, launched in 2012 by then Secretary of State



Target districts in Uganda (left) and Zambia. High levels of success during Phase 1 (June 2012–June 2013) led to the expansion of the program during Phase 2. Mid-Initiative results show even greater improvements in maternal mortality during Phase 2.

PHOTO: SAVING MOTHERS, GIVING LIFE

The Chikomeni Rural Health Centre in eastern Zambia offers basic emergency obstetrics and newborn care services to its clients.

PHOTO: ANNE JENNINGS, RABIN MARTIN

Hillary Clinton as an innovative, integrated approach to health systems. Saving Mothers, Giving Life seeks to reduce maternal and newborn mortality by increasing the demand for services, facilitating access to lifesaving care, and strengthening health systems at the district level.

The initiative is supported by a range of partners, including the governments of Uganda, Zambia, the United States, and Norway; Merck for Mothers; Every Mother Counts; Project C.U.R.E.; and the American College of Obstetricians and Gynecologists.

Initially implemented in four districts each in Uganda and Zambia, Saving Mothers, Giving Life emphasizes adequate and timely care for pregnant women and new mothers. The initiative focuses on three primary delays to lifesaving maternal care: the delay in seeking services, reaching services, and receiving high-quality care. The initiative generated astounding results. The target facilities in both Uganda and Zambia saw a 35 percent drop in maternal mortality *in a single year.*

Based on such astonishing success, the program was expanded in 2014 to an additional 12 districts in Zambia, and another 6 districts in Uganda. Claudia Morrissey Conlon, USAID's Senior Maternal and Newborn Health Advisor and the U.S. Government Lead for Saving Mothers, Giving Life is excited to share the continued success of the initiative with the 2015 Mid-Initiative Report.

In Uganda, the institutional maternal mortality rate has fallen by 45 percent since the beginning of the initiative. This reflects a 30 percent increase in the rate of delivery in facilities that provide emergency obstetric and newborn care. Such inspiring results are not limited to health facilities, however. Across the target districts as a whole, maternal deaths have decreased by 41 percent—not just among women who delivered in a facility, but among the districts' entire population.

In Uganda's Kabarole District, District Health Officer Dr. Richard Mugahi faced a challenge. "We had enough midwives and equipment, but mothers were not delivering in facilities," he says. "They preferred delivering with the support of traditional birth attendants."

With the support of Saving Mothers, Giving Life, the Kabarole District established a Demand Creation Committee to encourage women to take advantage of family planning services, prenatal care visits, and health facility deliveries. The Kabarole District has also used radio broadcasts to educate communities about the risks of giving birth at home and encourage them to give birth in a facility. The initiative is community-owned, sustainable in the long term, and—most importantly—effective.

The results from Zambia are equally as encouraging. Since the launch of Saving Mothers, Giving Life, institutional maternal mortality has fallen by 53 percent in the target districts. Nearly 90 percent of women are now giving birth in a facility, compared to 63 percent at the outset of the initiative. And the number of women who have received treatment to prevent the spread of HIV/AIDS to their infants has increased by 81 percent.

These results are heartening. They speak to the success of the approach employed through Saving Mothers, Giving Life that revolves around localized, evidence-based interventions. Efforts at the district level strengthen districts' health systems as a whole, while community-level interventions generate demand for services among women and their families by changing social norms. The initiative is active in two dozen districts across Uganda and Zambia, with expansions underway in additional districts, as well as in Nigeria.

Mwasemphangwe Zonal Rural Health Centre in Zambia offers basic emergency obstetrics and newborn care services to its clients. PHOTO: ANNE JENNINGS, RABIN MARTIN

Women queue up for health services at the Chikomeni Rural Health Centre in eastern Zambia. PHOTO: ANNE JENNINGS, RABIN MARTIN

Yet perhaps even more encouraging is the potential that Saving Mothers, Giving Life has to extend far beyond the borders of Uganda, Zambia, and Nigeria. The approach has proven to be successful, and is continuously fine-tuned and developed through extensive monitoring and feedback. The organizing principles employed by Saving Mothers, Giving Life can serve as an example to countries across the globe, who can adapt the model for use in their own communities.

The partnership has brought together the diverse strengths of a variety of organizations, contributing substantially to the mission to end preventable child and maternal deaths within a generation. Saving Mothers, Giving Life has amazed and inspired Ms. Conlon over the past two and a half years that she has directed the Secretariat, and is excited to see what the partnership is able to accomplish in two and a half more.

STRATEGIC GOAL 2:

Strengthen America's foreign policy impact on our strategic challenges

PUBLIC BENEFIT

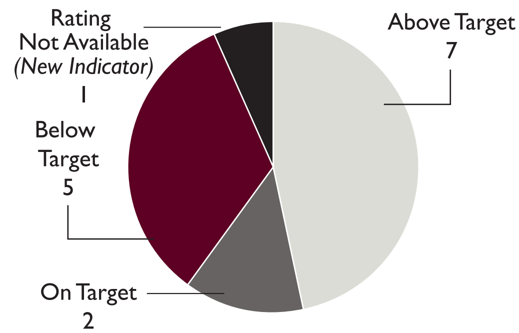
President Obama has stated that development is a vital part of U.S. foreign policy strategy, and working to invest in developing countries has mutually beneficial outcomes. USAID knows the difference the United States can make around the world, and it continues to deliver security, development, and humanitarian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

LINKING ACTIVITIES TO OUTCOMES

USAID with its partners in the U.S. Government and the global community are committed to the goal of ending preventable child and maternal deaths. During FY 2014, USAID's programs across maternal, newborn and child health, family planning, malaria, and nutrition programs aggressively targeted the drivers of death and disease. Across its priority countries, the under-five mortality rate—the key indicator used to measure progress toward the overall goal—dropped by 2.4 deaths per one thousand deaths. Also, to address a leading cause of child death in Africa, USAID's work under the President's Malaria Initiative continues to exceed expectations, contributing to dramatic increases in bed net availability and usage, malaria treatment, and other control measures.

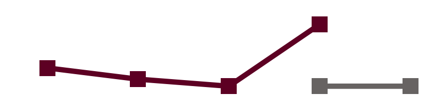
The U.S. President's Malaria Initiative, led by USAID, has provided leadership, funding, and technical assistance to save lives. Together with partner countries, USAID is bringing effective tools for the prevention and control of malaria, including use of insecticide-treated mosquito nets, indoor residual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

FY 2014 STRATEGIC GOAL 2 PERFORMANCE RESULTS



Total Results: 15

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



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Result	58M	50M	45M	89M	N/A
Target	N/A	N/A	N/A	45M	45M

Source: *FY 2014 Annual Performance Report/ FY 2016 Annual Performance Plan.*

Since 2000, global malaria deaths have dropped 60 percent with six million deaths, mostly children under five in sub-Saharan Africa, were averted. Increased use of tools such as bed nets, rapid diagnostic tests, anti-malarial medicines, preventative treatments, and insecticide sprays have all helped to loosen malaria's grip. The financial and technical contributions of the U.S. Government are a major catalyst in the remarkable progress that has been achieved in many countries to reduce the devastating burden of malaria on child mortality.

THAI FARMERS PLANT TREES TO EARN A STABLE LIVING AND CREATE CLEAN FUEL

Switching from pesticides to low-maintenance crops, earth-friendly profits

June 2015—Thai farmers are turning away from pesticides and restoring highly degraded land with trees that can live in damaged soil. The trees grow quickly and can thrive in areas where many other species struggle. They require no irrigation and can survive even the driest conditions.

In 2005, a severe drought damaged the entire sugarcane crop of Toom Sumpaoporka and her husband, Manoon. Several years later, they stopped using pesticides and began planting leucaena trees, which provide fuel for clean energy. The trees provide a source of income through the leaves and wood.

"Leucaena trees are like a green gold," said Toom. "This business allowed us to have a better life with more stable income, while also doing something good for the environment."

Wood from the tree can be used as pellets for clean energy fuel in power plants. The tree's leaves make excellent animal feed and improve soil fertility, stimulating growth for other plants while providing another source of income for farmers.

Once planted, the leucaena tree can be harvested annually without re-planting for the next 25 years.

Toom Sumpaoporka stands next to one of her many leucaena trees on the family farm in Lopburi, Thailand. PHOTO: USAID PFAN-ASIA

ThaiBiomass, a Bangkok-based biomass trader and manufacturer, contacted Toom in 2012 and encouraged the struggling farmers to plant leucaena instead of sugarcane.

The couple had invested heavily in pesticides, chemical fertilizers, and workers for their 50-acre (20-hectare) sugarcane farmland in Lopburi province, Thailand. The excessive use of chemicals further degraded the soil already damaged by the drought, and they were forced to mortgage their land to repay their debts.

In 2014, USAID, through its Private Financing Advisory Network-Asia (PFAN-Asia) program, began helping ThaiBiomass to secure additional investors. The program helps governments and businesses in Asia's developing countries to secure funding for their clean energy projects.

USAID provided a mentor and support on key elements of the company's business plan. The company also received an opportunity to present to over 30 potential investors gathered at an annual investor forum held in Singapore.

ThaiBioMass has been actively engaged with local farming communities to raise awareness on the benefits of growing leucaena trees since 2011. It provides training sessions as well as leucaena seed kits to local farmers so they can grow the trees in a sustainable manner. As the company works to expand this success to more local farmers, it improves the livelihoods of its suppliers while securing its own supply of biomass such as wood pellets.

With no expenses now in fertilizers and pesticides, Toom's 50 acres of leucaena have garnered an annual income of up to $17,000 compared to a net income of $7,800 per year from planting sugarcane in the past. In a few years, she will not only be able to pay off her debts, but will also have the assurance of a more reliable income for years to come.

The PFAN-Asia program, which runs from 2013 to 2018, helps companies pitch their projects to investors and improve their work plans. The program is working to allocate at least $1 billion in funds directly or indirectly for clean energy investments that will avoid or reduce greenhouse gas emissions and increase access to more sustainable clean electricity. The program also helps to create self-sustaining, long-term access to regional clean energy financing.

STRATEGIC GOAL 3

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

PUBLIC BENEFIT

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

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

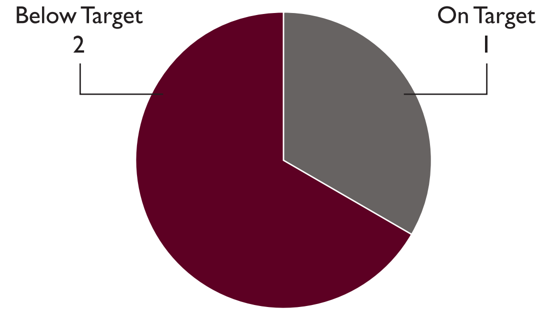
LINKING ACTIVITIES TO OUTCOMES

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

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

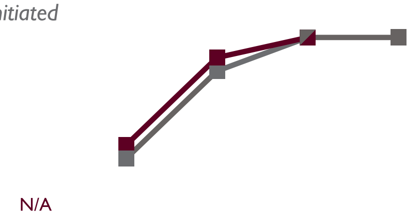
USAID, which has been designated as the coordinator for the 12 U.S. Government departments and agencies including State that are implementing Power Africa, seeks to increase access to reliable, affordable energy services for underserved rural and urban populations across sub-Saharan Africa. By accelerating private sector investments and supporting innovative business and financing models, Power Africa is unlocking barriers that

FY 2014 STRATEGIC GOAL 3 PERFORMANCE RESULTS



Total Results: 3

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



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Result	N/A	9	22	25	N/A
Target	N/A	7	20	25	25

Source: *FY 2014 Annual Performance Report/ FY 2016 Annual Performance Plan.*

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

limit sustainable power sector development in communities marked by extreme energy poverty. By investing in clean energy technology, including wind, solar, geothermal, and biomass, Power Africa is creating opportunities for emerging economies in Africa to not only access the power that they need to grow businesses, provide high quality health care, and enable students to study after dark, but Power Africa is helping countries to develop sustainable, low emissions development pathways.

In Thailand, local farmers are opting to plant low-maintenance crops to lessen their need for pesticides, while stabilizing their incomes and creating a source of clean-burning fuel. The United States assists them in finding funding through the USAID-sponsored Private-Financing Advisory

Network-Asia (PFAN-Asia) division. PFAN-Asia works to provide at least $1 billion worth of investment money to clean energy projects that will avoid or reduce greenhouse gas emissions and increase access to more sustainable clean electricity.

In addition, USAID and State seek to enable economic growth together with significant reductions in national emissions trajectories through 2020 and the longer term by supporting the development and implementation of Low Emission Development Strategies (LEDS). In South Africa, USAID recruited a climate advisor for South Africa's Department of Environmental Affairs to oversee climate response and reporting for the country. USAID's support initiated the development, marketing, and data collection associated with the National Climate Change Response Database, which tracks national implementation of emissions reduction projects.

STRATEGIC GOAL 4

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

PUBLIC BENEFIT

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

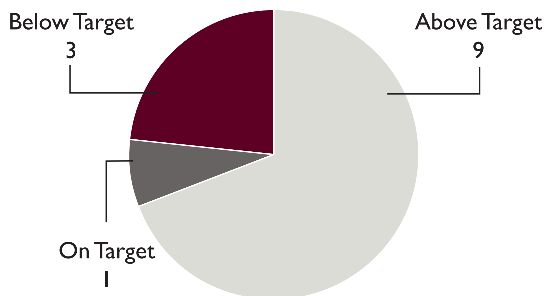
LINKING ACTIVITIES TO OUTCOMES

As represented in recent years through the Arab Spring, civil strife in Egypt, and sweeping independence movements in Kosovo, democratic governance and human rights are critical components of sustainable development and lasting peace. Countries that have ineffective government institutions, rampant corruption, and weak rule of law have a 30 percent to 45 percent higher risk of civil war and higher risk of extreme criminal violence than other developing countries.

The United States recognizes the need to promote resilient, democratic societies in order to ensure both domestic and international security and stability. To do so, USAID partners with numerous civil society groups worldwide, aiming to increase civilian participation, advocate for human rights, and adopt policies that strengthen independence for all members of countries' respective populations.

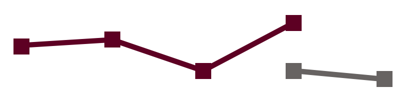
In Kosovo, USAID has partnered with the National Democratic Institute for the last four years to improve civil rights. In May 2015, USAID and the National Democratic Institute hosted the Week of Women, a week-long summit organized to bring together women thought leaders in politics, business, media, etc. The event provided 30 participants the opportunity to pursue training sessions related to policy development, public speaking, communications, advocacy, and new media at the Women's Leadership Academy.

FY 2014 STRATEGIC GOAL 4 PERFORMANCE RESULTS



Total Results: 13

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



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Result	1.76M	1.89M	.80M	2.52M	N/A
Target	N/A	N/A	N/A	.78M	.53M

Source: *FY 2014 Annual Performance Report/ FY 2016 Annual Performance Plan.*

Kosovo President Atifete Jahjaga, second from right, poses for a selfie with conference attendees. PHOTO: NDI KOSOVO

KOSOVO WOMEN LEADERS ADVOCATE FOR A 'PLACE AT THE TABLE'

Week-long annual gathering spotlights rule of law, gender equality

May 2015—When women are elected, they become advocates for issues that affect everyone: better health care, child care, and education, among others. In Kosovo, like elsewhere, women often struggle to make their voices heard in predominately male organizations, where their contributions can be dismissed as nothing more than meeting a quota.

Even though Kosovo is led by a woman president, women there continue to face economic, political, and social disadvantages. In politics, their representation is seen more as a requirement for political parties than a benefit. This often discourages women from running for office.

In 2015, for the fourth year, USAID partnered with the National Democratic Institute to organize the Week of Women, a week-long gathering of Kosovo's women thought leaders in politics, business, and the media held each year in March.

"When we talk about gender equality in any society, one thing is clear: It cannot be achieved without an active, vocal, organized group of empowered women leaders advocating for their place at the table," said U.S. Ambassador Tracey Ann Jacobson in her opening remarks for the 2014 conference.

In past years, discussions have centered on women in politics and government, with major local and national elections looming. This year, the conference tackled the impact of and women's contributions to Kosovo's rule of law. The conference drew women leaders from all aspects of Kosovo society, with a special focus on the needs of women with disabilities.

"I was happy to see other women with disabilities here as well," said political activist Xhevrie Peci. "It was so helpful to have an opportunity not only to bring our concerns to the table, but to discuss our shared concerns as women."

"This week gives women 'wind on their back' to push them forward on their chosen field," added inter-ethnic relations expert Gordana Lazovic.

Following the Week of Women, a select group of 30 women went on for enhanced training in policy development, communications, public speaking, advocacy, and new media at the annual Women's Leadership Academy.

Previous academy graduates have achieved real change. A group from 2012 successfully advocated for the city of Ferizaj/Uroševac to offer free child care for the children of single mothers. The European Union Commission also added rights of single mothers as an objective of its advocacy agenda, and as a result, two Kosovo non-governmental organizations (NGO) received grants to research the issue.

STRATEGIC GOAL 5

Modernize the way we do diplomacy and development

PUBLIC BENEFIT

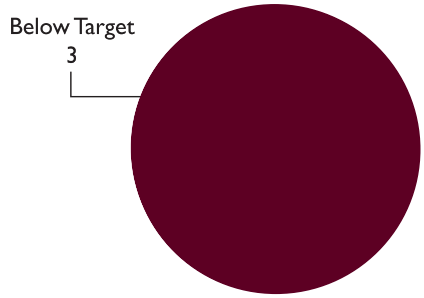
USAID is modernizing the way it does development, advancing new theories of change, and institutionalizing its new model of development through enhanced public-private partnerships and multi-stakeholder alliances. USAID will enhance its effectiveness by implementing new technology solutions geared at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

LINKING ACTIVITIES TO OUTCOMES

USAID focuses on ensuring it is a strategically managed and effective development partner. To accomplish this, USAID has adapted evidence-based strategic planning and results management best practices for its operations, which include using data to drive management improvements and decision making. Moreover, stakeholders from around the globe are also using USAID's open data to improve development outcomes. In Honduras, USAID partnered with the Ministry of Natural Resources and Environment to better analyze the depth and flow of the river systems and make the data publicly available. This allows Hondurans to prepare for and mitigate flood and drought disasters.

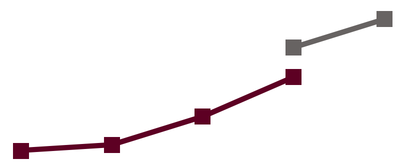
Also, as part of its procurement reform efforts to reduce the Procurement Action Lead Time (PALT), the Agency tracks contractor past performance assessment reporting in the Contractor Performance Assessment Reporting System (CPARS). The availability of CPARS improves the efficiency of the procurement process as it allows USAID to make informed, timely business decisions when awarding government contracts and orders. Owing to focused efforts by Agency staff and management, USAID's

FY 2014 STRATEGIC GOAL 5 PERFORMANCE RESULTS



Total Results: 3

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



	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Result	7%	11%	31%	59%	N/A
Target	N/A	N/A	N/A	80%	100%

Source: *FY 2014 Annual Performance Report/ FY 2016 Annual Performance Plan.*

CPARS completion rate went from 7 percent in FY 2011 to nearly 60 percent by the end of FY 2014.

USAID considers past performance reporting a top priority. Over the past three fiscal years, USAID has demonstrated this through the substantive progress it has made toward meeting the annual targets established by the Office of Management and Budget (OMB). By the end of FY 2015, the Agency had achieved a compliance rate of 82 percent, one of the highest rates in the Federal Government. Despite these significant efforts, USAID did not reach the third-year target of 100 percent. Some of the factors that contributed to this shortfall were a persistent backlog of older awards, resource limitations, and competing demands of the contracting workforce during the fourth quarter of FY 2015.

HYDROLOGY DATA IMPROVE DISASTER PREP

Engineers, emergency agencies, power plants, and communities can now access timely and accurate water information.

Honduras was not prepared for a major natural disaster like Hurricane Mitch in 1998. Officials were unable to gauge how quickly the rivers were rising from the constant rain, and thus did not know when to take the necessary steps to evacuate people into secure areas. On the other end of the spectrum, droughts are characteristic in parts of Honduras, but residents usually do not become aware of the shrinking rivers until it is too late.

Being able to measure the depth and flow of rivers during both the rainy season and the dry season is vital to the health and well-being of Hondurans. Working with the Ministry of Natural Resources and Environment, USAID helped Honduras construct and implement a hydrological network that will help the government track this information.

Twenty-three telemetric stations were set up throughout the country to measure precipitation and river levels and transmit data to satellites. The information is then posted on the Internet, where engineers, emergency agencies, power plants, and communities can access timely and accurate water information—essential to preparing for and mitigating flood and drought disasters. Now that officials can track river levels, they are more able to plan targeted evacuations during heavy rains and help farmers better prepare for droughts during the dry season.

Staff from the Ministry of Natural Resources and Environment measure water levels on the Choluteca River. PHOTO: U.S. GEOLOGICAL SURVEY

USAID has already enacted solutions to address these challenges. For example, in the recent policy revision that was published on June 30, 2015, the Agency issued formalized guidance on processing older awards. This policy document also made training mandatory and advised on best practices, which over time will enable staff to more quickly and efficiently produce quality assessments no matter the particular obstacles.

USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS[1]

STRATEGIC GOAL 1: STRENGTHEN AMERICA'S ECONOMIC REACH AND POSITIVE ECONOMIC IMPACT

Indicator Title	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Target	FY 2014 Results	FY 2015 Target
Number of people trained in disaster preparedness as a result of U.S. Government assistance	12,396	26,768	28,647	16,805	148,714	34,428
Percent of operating units using at least one gender empowerment and female equality indicator in their performance report	N/A	N/A	N/A	30%	45%	40%
Number of communities and stakeholders involved in the development of plans, policies, and strategies related to hazard risk reduction	N/A	N/A	N/A	60	117	60
Number of farmers and others who have applied new technologies or management practices as a result of U.S. Government assistance	1.2 million	5.2 million	6.5 million	7 million	6.8 million	8 million

STRATEGIC GOAL 2: STRENGTHEN AMERICA'S FOREIGN POLICY IMPACT ON OUR STRATEGIC CHALLENGES

Indicator Title	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Target	FY 2014 Results	FY 2015 Target
Number of country programs that aim to decrease youth unemployment rates	N/A	N/A	7	7	7	7
Percent of designated USAID focus countries in which foreign assistance resources are aligned with the U.S. National Action Plan on Women, Peace and Security	N/A	N/A	54%	65%	74%	75%
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	440	17,148	12,733	14,296	10,849	492
Percent of U.S. Government-declared international disasters responded to within 72 hours	N/A	N/A	N/A	95%	86%	95%
Number of internally displaced and host population beneficiaries provided with basic inputs for survival, recovery, or restoration of productive capacity as a result of U.S. Government assistance	59,007,997	48,989,676	61,315,940	46,462,565	54,079,863	46,381,077
Number of domestic NGOs engaged in monitoring or advocacy work on human rights receiving U.S. Government support	4,662	818	914	777	1,002	422
Prevalence of stunted children under five years of age	N/A	N/A	N/A	38.20%	37.70%	37%
Prevalence of anemia among women of reproductive age	41.4	40.9	38.5	37.9	35.1	37.4
Number of people gaining access to an improved sanitation facility	N/A	N/A	1,884,169	1,717,076	1,903,544	2,087,731
Number of people gaining access to an improved drinking water source	N/A	N/A	3,131,707	3,266,609	3,232,648	4,226,216
First birth under 18	24.0%	23.3%	22.5%	21.4%	23.3%	22.6%
Number of neglected tropical disease treatments delivered through U.S. Government-funded programs	N/A	N/A	169.5 million	190 million	133.4 million	218 million
Case notification rate in new sputum smear positive pulmonary tuberculosis cases per 100,000 population nationally	115 per 100,000	120 per 100,000	129 per 100,000	131 per 100,000	131 per 100,000	133 per 100,000
Percent of registered tuberculosis cases that were cured and completed treatment (all forms) (treatment success rate)	N/A	N/A	N/A	N/A	86%	87%
Annual total number of people protected against malaria with insecticide treated nets	58 million	50 million	45 million	45 million	89 million	45 million

[1] *Indicators and data are from the FY 2014 Annual Performance Report/FY 2016 Annual Performance Plan, available at* https://www.usaid.gov/sites/default/files/documents/1868/State-USAID_FY16_APP_FY%2014_APR.pdf. *Some performance indicators were introduced in FY 2014, and thus data was not collected in previous years. Where appropriate, N/A (not applicable) has been indicated.*

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

STRATEGIC GOAL 3: PROMOTE THE TRANSITION TO LOW-EMISSION, CLIMATE-RESILIENT WORLD WHILE EXPANDING ACCESS TO SUSTAINABLE ENERGY

Indicator Title	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Target	FY 2014 Results	FY 2015 Target
Clean energy generation capacity installed or rehabilitated as a result of U.S. Government assistance	N/A	N/A	29	250	0	60
Number of megawatts of U.S. Government supported generation transactions that have achieved financial closure	N/A	N/A	N/A	4,999	4,147	5,493
Number of countries in which U.S. Government technical assistance for LEDS has been initiated	N/A	9	22	25	25	25

STRATEGIC GOAL 4: PROTEXT CORE U.S. INTERESTS BY ADVANCING DEMOCRACY AND HUMAN RIGHTS AND STRENGTHENING CIVIL SOCIETY

Indicator Title	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Target	FY 2014 Results	FY 2015 Target
Number of executive oversight actions taken by legislature receiving U.S. Government assistance	317	279	359	75	254	181
Number of U.S. Government-supported activities designed to promote or strengthen the civic participation of women	N/A	N/A	359	231	106	181
Number of domestic election observers and/or party agents trained with U.S. Government assistance	N/A	N/A	41,302	27,984	28,892	14,600
Number of individuals/ groups from low income or marginalized communities who received legal aid or victim's assistance with U.S. Government support	N/A	N/A	36,759	87,460	185,631	168,306
Number of human rights defenders trained and supported	3,345	15,426	21,078	12,260	48,224	28,907
Number of domestic NGOs engaged in monitoring or advocacy work on human rights receiving U.S. Government support	4,662	818	914	777	1,001	422
Percent of defenders and civil society organizations receiving Rapid Response Fund assistance (% receiving assistance) able to carry out work and/or report positive safety or security impacts	N/A	N/A	N/A	70%	86%	75%
Percentage of NGO or other International Organization projects that include dedicated activities to prevent and/or respond to gender-based violence	38%	45%	56%	35%	30%	37%
Number of training and capacity-building activities conducted with U.S. Government assistance that are designed to promote the participation of women or the integration of gender perspectives in security sector institutions or activities	N/A	145	149	254	219	229
Number of participants in the Young African Leaders Initiative	N/A	N/A	N/A	500	500	500
Number of individuals receiving voter and civic education through U.S. Government-assisted programs	19,108,679	58,020,113	140,950,044	55,087,384	65,046,830	73,589,893
Number of civil society organizations receiving U.S. Government assistance engaged in advocacy interventions	4,362	11,247	13,570	16,875	18,238	10,950
Number of people reached by a U.S.-funded intervention providing gender-based violence services (e.g., health, legal, psycho-social counseling, shelters, hotlines, other)	1,757,601	1,886,460	800,634	782,967	2,515,862	528,125

[1] *Indicators and data are from the FY 2014 Annual Performance Report/FY 2016 Annual Performance Plan, available at* https://www.usaid.gov/sites/default/files/documents/1868/State-USAID_FY16_APP_FY%2014_APR.pdf. *Some performance indicators were introduced in FY 2014, and thus data was not collected in previous years. Where appropriate, N/A (not applicable) has been indicated.*

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

STRATEGIC GOAL 5: MODERNIZE THE WAY WE DO DIPLOMACY AND DEVELOPMENT

Indicator Title	FY 2011 Results	FY 2012 Results	FY 2013 Results	FY 2014 Target	FY 2014 Results	FY 2015 Target
Percent of USAID-funded evaluations published online	N/A	N/A	67%	80%	38%[2]	75%
Number of data sets added to usaid.gov/data	N/A	N/A	N/A	200	77	20
Percent of contractor performance assessment reports (CPARS) completed in Past Performance Information Retrieval System (PPIRS)	7%	11%	31%	80%	59%	100%

1 *Indicators and data are from the FY 2014 Annual Performance Report/FY 2016 Annual Performance Plan, available at* https://www.usaid.gov/sites/default/files/documents/1868/State-USAID_FY16_APP_FY%2014_APR.pdf. *Some performance indicators were introduced in FY 2014, and thus data was not collected in previous years. Where appropriate, N/A (not applicable) has been indicated.*

2 *Data for the Annual Performance Report/Annual Performance Plan is collected before many evaluations are completed in a given fiscal year, therefore the percentage of evaluations published online appears artificially low. In-progress evaluations are not reflected in this indicator.*

ANALYSIS OF FINANCIAL STATEMENTS

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

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

CHANGES IN FINANCIAL POSITION IN FY 2015
(In Thousands)

Net Financial Condition	2015	2014 (Restated)	% Change in Financial Position
Fund Balance with Treasury	$ 32,344,408	$ 30,862,134	5%
Direct Loans and Loan Guarantees, Net	2,013,413	2,267,008	-11%
Accounts Receivable, Net	120,569	60,979	98%
Cash and Other Monetary Assets, Advances and Other Assets	1,033,414	1,081,752	-4%
PP&E, Net and Inventory, Net	127,081	111,780	14%
Total Assets	$ 35,638,885	$ 34,383,653	4%
Debt and Liability for Capital Transfers to the General Fund of the Treasury	2,316,021	2,541,155	-9%
Accounts Payable	1,850,783	1,775,704	4%
Loan Guarantee Liability	2,866,890	2,352,070	22%
Other Liabilities and Federal Employees and Veteran's Benefits	1,708,989	1,511,470	13%
Total Liabilities	$ 8,742,683	$ 8,180,399	7%
Unexpended Appropriations	26,339,211	25,608,990	3%
Cumulative Results of Operations	556,991	594,264	-6%
Total Net Position	26,896,202	26,203,254	3%
Net Cost of Operations	$ 12,528,594	$ 11,592,034	8%
Budgetary Resources	$ 27,149,433	$ 24,223,913	12%

FORWARD LOOKING

USAID is committed to advancing sustainable development through strong local ownership and accountability. USAID Forward is a set of organizational and programmatic reforms which are enabling USAID to lead as a premier development institution in the 21st century. The reforms are grounding our investments in sound development theory and practice, increasing our Foreign Service talent, bringing scientific thinking to the forefront, spurring innovation and technology, and prioritizing partnerships as the foundation for sustainable development. As a subset of USAID Forward, Local Solutions focuses on using, strengthening, and partnering with local actors strategically, purposefully, and cost-effectively to achieve development objectives sustainably. Local Solutions has an aspirational target of 30 percent of USAID funds obligated to local systems, including governments, civil society, and the private sector. While this direct assistance may result in slower disbursements in the near term and needs to be grounded in local ownership of priorities, results, and resources, over time this approach will create the conditions that enable countries to sustain their own development.

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 partnerships through delivering assistance through host government systems and community organizations.

A summary of USAID's major financial activities in FY 2015 and FY 2014 is presented in the table on the preceding page. This table represents the resources available, assets on hand to pay liabilities, and the corresponding net position. The net cost of operations is the cost of operating USAID's lines of business, less earned revenue. Budgetary resources are funds available to the Agency to incur obligations and fund operations. This summary section also includes an explanation of significant fluctuations on each of USAID's financial statements.

BALANCE SHEET SUMMARY

ASSETS – WHAT WE OWN AND MANAGE

Total assets were $35.6 billion as of September 30, 2015. This represents an increase of $1.3 billion (4 percent) over the restated FY 2014 total of $34.4 billion. The most significant assets are the Fund Balance with Treasury and Direct Loans and Loan Guarantees, Net which represent 91 percent and 6 percent of USAID's assets, as of September 30, 2015, respectively. The Fund Balance with Treasury consists of cash appropriated to USAID by Congress or transferred from other federal agencies and held in U.S. Department of the Treasury's (Treasury) accounts that are accessible by the Agency to pay the Agency's obligations incurred.

LIABILITIES – WHAT WE OWE

The Consolidated Balance Sheet reflects total liabilities of $8.7 billion, of which $5.2 billion or 59 percent comprises Debt and Liabilities for Capital Transfers to the General Fund of the Treasury, and Loan Guarantee Liability. These liabilities represent funds borrowed from Treasury to carry out the Agency's Federal Credit Reform program activities and net liquidating account equity. Loan Guarantee Liability increased $515 million between the two fiscal years, an increase of 22 percent. This was driven by additional loan guarantees to Ukraine and Jordan for $1 billion and $1.5 billion, respectively.

ENDING NET POSITION – WHAT WE HAVE DONE OVER TIME

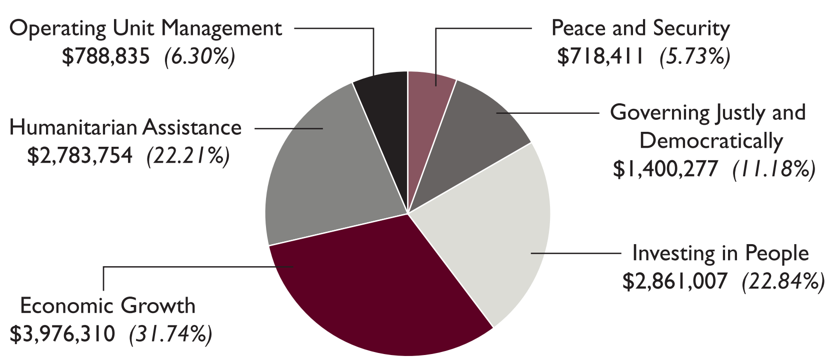
Net Position represents the Agency's equity, which includes the cumulative net earnings and unexpended authority granted by Congress. USAID's Net Position is shown on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position. The reported Net Position balance decreased only marginally between FY 2015 and FY 2014.

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 2015. As in FY 2014, three objectives—Economic Growth, Investing in People, and Humanitarian Assistance—represent the largest investments at 77 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.

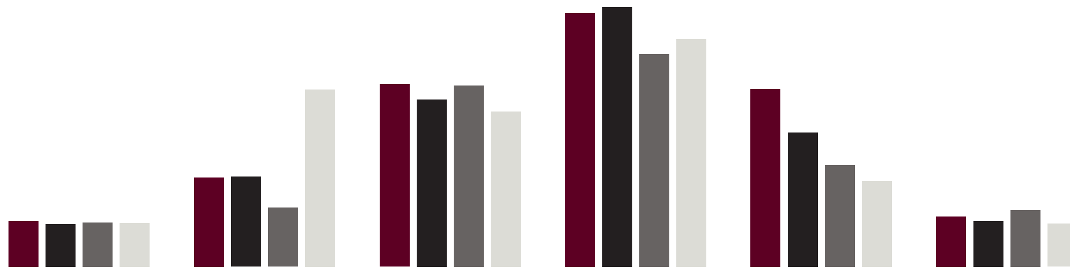
FY 2015 NET COST OF OPERATIONS
(In Thousands)



Total Net Cost: $12,528,594

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 2015	$ 718,411	$ 1,400,277	$ 2,861,007	$ 3,976,310	$ 2,783,754	$ 788,835
FY 2014	$ 666,716	$ 1,410,669	$ 2,622,193	$ 4,071,538	$ 2,106,819	$ 714,099
FY 2013	$ 691,795	$ 925,010	$ 2,842,875	$ 3,331,564	$ 1,595,385	$ 888,311
FY 2012	$ 685,459	$ 2,781,422	$ 2,432,231	$ 3,570,384	$ 1,347,484	$ 674,138

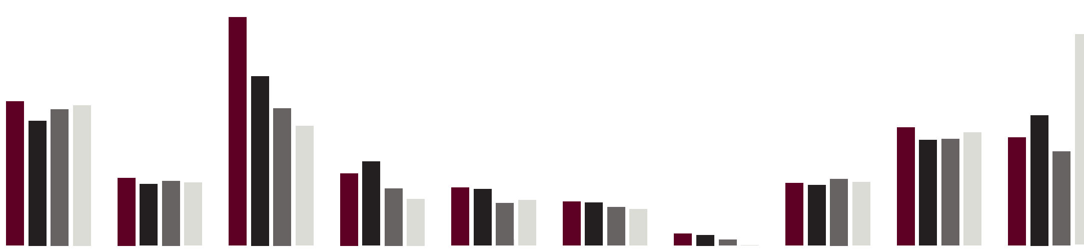
For FY 2015 and FY 2014, USAID's net cost of operations totaled $12.5 billion and $11.6 billion, respectively. Over this period net costs of operations increased by 8 percent. This increase was led by the year-over-year change in strategic objectives as follows: Peace and Security by $52 million or 8 percent, Investing in People by $239 million or 9 percent, Humanitarian Assistance by $677 million or 32 percent, and Operating Unit Management by $75 million or 11 percent.

Major elements of net cost are broken out above. This chart compares the major elements of net cost by year from FY 2012 through FY 2015.

USAID also tracks its expenses by responsibility segment as shown in Note 15, *Schedule of Costs and Earned Revenue* and Note 16, *Sub-organization Program Costs/ Program Costs by Program Area*. The Agency recognizes 27 program areas, and includes its six geographic bureaus and four technical bureaus as responsibility segments. The chart below summarizes costs by responsibility segment for FY 2012 through FY 2015. The Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) remained the largest technical segment in FY 2015. In addition to DCHA, Africa and the Middle East geographic bureaus rounded out the top three responsibility segments as measured by net costs of operations in FY 2015.

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 2015	$ 1,973,054	$ 926,370	$ 3,126,324	$ 990,309	$ 794,340	$ 602,105	$ 163,454	$ 856,920	$ 1,616,584	$ 1,479,134
FY 2014	$ 1,708,903	$ 843,344	$ 2,320,375	$ 1,151,885	$ 773,553	$ 589,170	$ 144,943	$ 828,629	$ 1,447,336	$ 1,783,896
FY 2013	$ 1,868,303	$ 887,592	$ 1,882,344	$ 785,409	$ 581,034	$ 526,273	$ 82,248	$ 913,462	$ 1,460,122	$ 1,288,153
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 2015 NET COST BY PROGRAM AREAS
(In Thousands)

Objective	Program Area	Total
Peace and Security	Counterterrorism	$ 44,867
	Combating Weapons of Mass Destruction (WMD)	55,363
	Stabilization Operations and Security Sector Reform	30,506
	Counternarcotics	159,367
	Transnational Crime	11,197
	Conflict Mitigation and Reconciliation	417,111
Peace and Security Total		718,411
Governing Justly and Democratically	Rule of Law and Human Rights	164,398
	Good Governance	792,723
	Political Competition and Consensus-Building	174,134
	Civil Society	269,022
Governing Justly and Democratically Total		1,400,277
Investing in People	Health	1,644,912
	Education	919,850
	Social and Economic Services and Protection for Vulnerable Populations	296,245
Investing in People Total		2,861,007
Economic Growth	Macroeconomic Foundation for Growth	1,282,546
	Trade and Investment	142,900
	Financial Sector	50,796
	Infrastructure	93,498
	Agriculture	1,152,183
	Private Sector Competitiveness	341,556
	Economic Opportunity	194,332
	Environment	718,499
Economic Growth Total		3,976,310
Humanitarian Assistance	Protection, Assistance and Solutions	2,624,112
	Disaster Readiness	148,533
	Migration Management	11,109
Humanitarian Assistance Total		2,783,754
Operating Unit Management	Crosscutting Management and Staffing	3,491
	Program Design and Learning	238,846
	Administration and Oversight	546,498
Operating Unit Management Total		788,835
Total Net Cost of Operations		$ 12,528,594

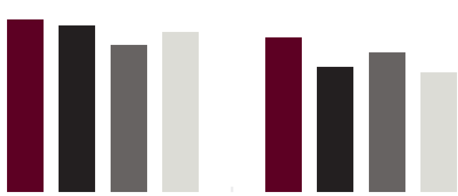
BUDGETARY RESOURCES

OUR FUNDS

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

Budgetary Resources consist of the resources available to USAID at the beginning of the year, plus the appropriations received, spending authority from offsetting collections, and other budgetary resources received during the year. The Agency received $27.1 billion in cumulative budgetary resources in FY 2015, of which it has obligated $14.3 billion.

STATUS OF BUDGETARY RESOURCES
FY 2012 – FY 2015
(In Thousands)



	Obligations Incurred	Unobligated Balance	Total Budgetary Resources
FY 2015	$ 14,323,918	$ 12,825,515	$ 27,149,433
FY 2014*	$ 13,831,404	$ 10,392,509	$ 24,223,913
FY 2013*	$ 12,214,142	$ 11,600,634	$ 23,814,776
FY 2012	$ 13,294,093	$ 9,953,608	$ 23,247,701

* FY 2014 and FY 2013 are Restated

OBLIGATIONS AND OUTLAYS

The Status of Budgetary Resources chart compares obligations incurred and unobligated balances at year-end for FY 2015, FY 2014, FY 2013, and FY 2012. Net outlays reflect disbursements net of offsetting collections and distributed offsetting receipts. USAID recorded total net outlays of $11.5 billion during the current fiscal year, and these outlays were disbursed timely according to contracted terms. Budgetary resources increased $2.9 billion or 12 percent, from FY 2014, while net outlays also increased by $2.6 billion or 29 percent. The growth in budgetary resources was driven by increases in recoveries of prior year obligations, spending authority from offsetting collections, and other changes in unobligated balance. On the outlay side, the increase of $261 million or 15 percent in actual offsetting collections only partially offset a 25 percent increase in gross outlays, resulting in the observed growth rate of 29 percent in net outlays.

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

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

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

- Effective and efficient operations;
- Compliance with applicable laws and regulations;
- Financial reporting reliability.

It also requires that the head of the agency, based on an evaluation, provide an annual Statement of Assurance (see below) on whether the agency has met this requirement. 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 Circular A-123 also requires that the agency head provide a separate assurance statement on the effectiveness of internal control over financial reporting (ICOFR). This is in addition to, and a component of, the overall FMFIA assurance statement. Appendix A of Circular A-123, *Internal Control Over Financial Reporting,* was added to improve governance and accountability for ICOFR in federal entities similar to the internal control requirements for publicly-traded companies contained in the Sarbanes-Oxley Act of 2002.

USAID STATEMENT OF ASSURANCE

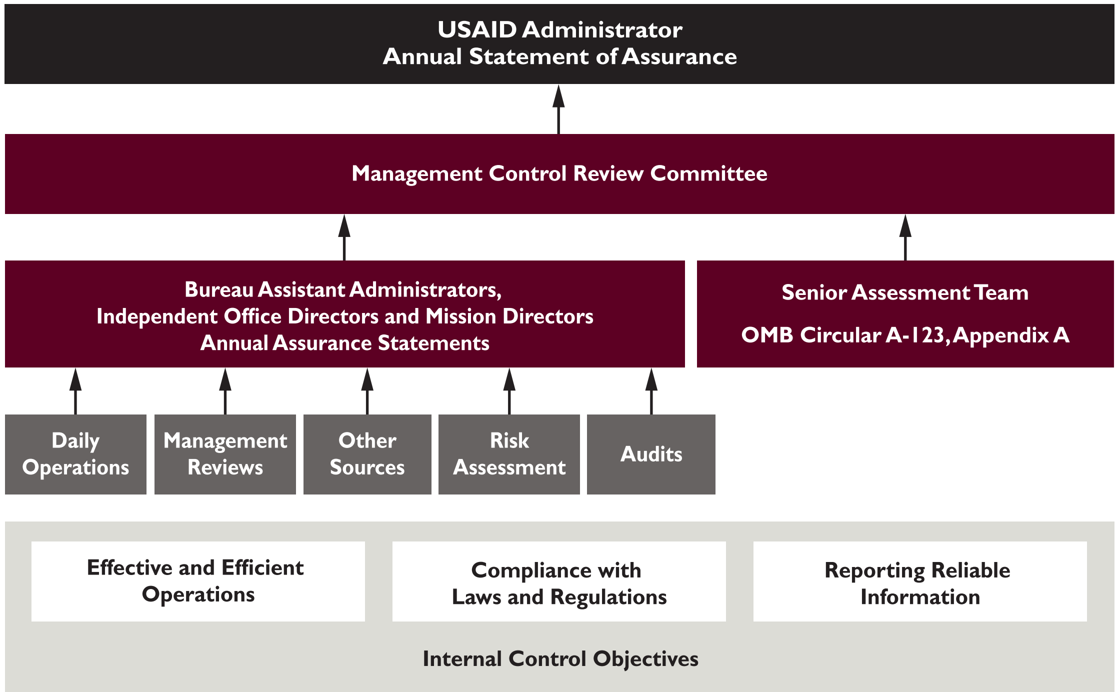
The U.S. Agency for International Development (USAID) managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). USAID conducted its assessment of internal control over programmatic operations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this assessment, USAID can provide reasonable assurance that its internal control over programmatic operations is in substantial compliance with applicable laws and guidance, and no material weaknesses were found as of September 30, 2015.

In addition, the Agency conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of the assessment, the Agency agreed with the Office of Inspector General's (OIG) identification of a material weakness in USAID's internal control over financial reporting detailed in Exhibit A as of September 30, 2015. Except for that material weakness, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

USAID can also provide reasonable assurance that its financial systems comply with applicable federal accounting standards as required by the Federal Financial Management Improvement Act of 1996 (FFMIA).

Alfonso E. Lenhardt
Acting Administrator
November 16, 2015

FMFIA ANNUAL ASSURANCE PROCESS



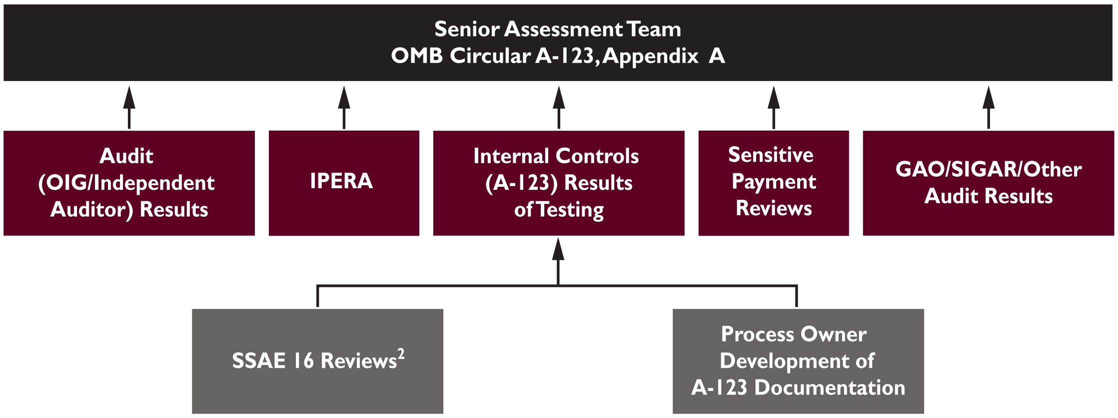
The Agency's Management Control Review Committee (MCRC) oversees the Agency's internal control program. The MCRC is chaired by the Deputy Administrator, and is comprised of 13 Bureau Assistant Administrators, 7 Independent Office Directors, the Agency Counselor, Executive Secretariat, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, Chief Acquisition Officer, General Counsel, and Inspector General (non-voting). Individual assurance statements from the Bureau Assistant Administrators and Independent Office Directors in Washington, D.C., and Mission Directors assigned overseas serve as the primary basis for the Agency's FMFIA assurance issued by the USAID Administrator. The assurance statements are based on information gathered from various sources, including the managers' personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, the OIG, the Special Inspector General for Afghanistan Reconstruction, and the Government Accountability Office (GAO) conduct reviews, audits, inspections, and investigations that are considered by management.

The Senior Assessment Team (SAT) provided oversight during 2015 for the ICOFR program to meet Appendix A requirements. The SAT reports to the MCRC and is comprised of senior executives from Bureau/Independent Offices that have significant responsibilities relative to the Agency's financial resources, processes, and reporting, and the OIG. An executive from the OIG is also a non-voting member of the SAT. In addition, the Agency's Internal Control Quality Assurance Team employs an integrated process to perform the work necessary to meet the requirements of Appendix A, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payment* (regarding the Improper Payments Elimination and Recovery Act), and the FMFIA. The Agency employs a risk-based approach in evaluating internal controls over financial reporting on a multi-year rotating basis, which has proven to be efficient. Based on this assessment, the Agency agreed with the OIG's identification of a material weakness[1] in USAID's ICOFR detailed in Exhibit A as of September 30, 2015.

The Agency's internal control program is designed to ensure full compliance with the goals, objectives,

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

INTERNAL CONTROL OVER FINANCIAL REPORTING PROCESS



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

EXHIBIT A – FMFIA MATERIAL WEAKNESS

The Agency reported one[3] material weakness for FY 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)
USAID did not reconcile its Fund Balance with Treasury account with the U.S. Department of the Treasury (Treasury), and resolve reconciling items in a timely manner.
Plan: USAID will: (1) resolve the differences between the general ledger and Treasury, (2) continue the reconciliation effort to investigate and resolve unreconciled differences and monitor and report the results to ensure that the balances in the general ledger and subsidiary ledger are consistently in agreement, and (3) consult with Treasury to obtain advice and approval for resolving unreconciled funds.
Progress to date: USAID continues to analyze and resolve the unreconciled differences noted on September 30, 2014, between the general ledger and Treasury from $154 million net ($2.011 billion, absolute value). USAID repeated the comparison between the general ledger and subsidiary ledger starting monthly on February 28, 2015, with the most recent extract performed on August 28, 2015. USAID initiated consultations with OMB and Treasury to resolve unreconciled funds.
Target completion date: December 31, 2015

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

3 The MCRC reassessed the prior year's material weakness related to "Management's Implementation of its Information Security Policies and Procedures is not Effective" and, based on progress made against the corrective action plan, recommended downgrading it to a significant deficiency. It was also noted that the Federal Information Security Management Act of 2002 (as amended by the Federal Information Security Modernization Act of 2014) no longer requires that a significant deficiency identified be reported as a material weakness for FMFIA.

FFMIA COMPLIANCE ASSESSMENT

The Federal Financial Management Improvement Act (FFMIA) requires that each agency implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. The purpose of the FFMIA is to advance federal financial management by verifying that financial management systems provide accurate, reliable, and timely financial management information. USAID assesses its financial management systems annually for conformance with the requirements of Appendix D to OMB Circular A-123, compliance with FFMIA, and other federal financial system requirements.

USAID's process for assessing its financial management systems is in compliance with Appendix D to OMB Circular A-123 and included the use of the FFMIA Compliance Determination Framework, which incorporates a risk model of risk levels against common goals and compliance indicators. Appendix D is an appendix to Circular A-123 and contains an outcome-based approach to assess FFMIA compliance through a series of financial management goals that are common to all agencies. Based on the results of the review, USAID concluded that its risk level for not meeting FFMIA requirements was nominal.

GOALS AND SUPPORTING FINANCIAL SYSTEM STRATEGIES

USAID continually strives to maximize development impact per dollar spent to deliver more innovative and sustainable results. In order to do so, USAID needs a financial management system that is accurate, efficient, useful for management, and compliant with federal regulations. In the past 15 years, USAID met that requirement by implementing a single, worldwide financial system called Phoenix, which enabled the Agency to produce auditable financial statements. As USAID shifts the way it administers assistance—channeling funding to local governments and organizations, and streamlining the procurement process—the financial systems strategy must also evolve. Maintaining and building upon a strong financial system framework better enables USAID to meet the Sustainable Development Goals in support of the 2030 Agenda, outlined by President Obama in his remarks to the United Nations; efforts to improve government-wide data transparency; and the goals of the USAID Forward reform agenda. Publishing foreign assistance budget and spending data on the public Foreign Assistance Dashboard helps stakeholders understand how U.S. taxpayer funds are used to achieve international development results. USAID provides transactional detail to the Foreign Assistance Dashboard that represents each financial record in Phoenix that has been processed in a given time period for program work with implementing partners and other administrative expenses. USAID's operational efficiency of financial management will enable the Agency to focus its resources where they achieve the most impact and directly support the Administration's expanded focus, not only on the dollars spent, but on the results achieved. This requires new technologies and data.

As the Federal Government undertakes new strategies and initiatives to improve financial management, USAID is updating its systems and processes accordingly, as funding permits. The Agency completed the planning stages for upgrading its financial system, Phoenix, in 2016. The team continues to make progress achieving key milestones for the planned Phoenix upgrade, which will allow Phoenix to incorporate a "Single Sign On" solution, aligning with the Agency's Information Technology (IT) Strategic Plan objective of "More Effective and Efficient IT Services." The Agency has also done extensive strategic and technical work to prepare the Phoenix system for the major update to the Department of State's (State) Office of U.S. Foreign Assistance Resources (F) Standardized Program Structure and Definitions, expected to be deployed in 2017.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

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

An improvement made to financial management processes this year was the deployment of the Mission Agreement Project Pipeline Reporting (MAPPR) tool that allows users to add mission-defined metadata to financial information; i.e., office, bilateral agreement, or activity, at the level missions need to better manage their portfolios and more quickly and accurately conduct pipeline reporting. Phoenix MAPPR was successfully deployed in FY 2014 and is currently being used by approximately 65 USAID missions. An updated version of MAPPR was released in August 2015 to include a dashboard reporting feature that provides a single location for viewing the real-time status of the mission's managing offices, agreements, and activities. The upgraded version also included a Summary Pipeline Reporting capability to satisfy federal President's Emergency Plan for AIDS Relief (PEPFAR) requirements.

USAID successfully implemented the Auto-Deobligation application, which leverages functionality in the current Phoenix Viewer reporting tool to streamline the deobligation process. The new application allows authorized users to review and then mark obligations for deobligation, which are then processed via a batch function in Phoenix on a quarterly basis. This simplifies the current process, which requires manual work and coordination between multiple offices and missions. The application has been deployed to users across bureaus in Washington and in the missions to ensure Agency funds are available for reuse.

USAID will continue to make improvements to financial management processes so that they are more efficient and take advantage of shared services, when possible. With the planned Phoenix upgrade in 2016, the Agency will have the software available to implement the Invoice Processing Platform (IPP), a Web-based system that efficiently manages government invoicing from purchase order through payment notifications and centralizes all invoice transaction data and documents. The IPP capability would automate vendor invoicing and payments that should reduce transactional costs, improve accuracy of payment and accounting data, and help USAID comply with federal accounting and IT standards, many driven by Treasury.

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

AUDIT FOLLOW-UP

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

During the fiscal year, the OIG issued a total of 1,191 audit recommendations. The Agency closed 953 recommendations and 1,031 audit recommendations remain open. Of the number closed, 704 were procedural or non-monetary; 244 were questioned costs, representing $3.7 million in disallowed costs that were recovered; and five were recommendations with management efficiencies[1], representing $111.5 million in funds that were put to better use.[2]

In addition, significant effort was made to complete corrective action on OIG audit recommendations within one year of a management decision.[3] As of September 30, 2015, there were 164 open recommendations over one year old. Of these, 98 were at the mission or bureau/independent office level for closure, while the remaining were under a repayment plan, transferred to Treasury for debt collection, or under formal administrative or judicial appeal with USAID's Senior Procurement Executive or the Civilian Board of Contracts Appeals.

At the end of the fiscal year, one audit recommendation was over six months old with no management decision. A management decision will be reached when the USAID/Pakistan mission determines whether the questioned costs are allowed or disallowed.

The following tables show that USAID made management decisions to act on 318 audit recommendations with management efficiencies and planned recoveries[4] totaling more than $37.7 million. Final actions were completed for five "better use" and 142 questioned costs audit recommendations, representing a total of $115.2 million in cost savings.

[1] Management efficiencies relate to funds put to better use.

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

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

[4] Planned recoveries relate to collections of disallowed costs.

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Recommendations	Dollar Value ($000)
Management decisions:		
Beginning balance 10/1/2014	2	$ 64,599
Management decisions during the fiscal year	4	50,800
Total management decisions made	6	115,399
Final actions:		
Recommendations implemented	5	111,500
Recommendations not implemented	–	–
Total final actions	5	111,500
Ending Balance 9/30/2015[5]	1	$ 3,899

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS

	Recommendations	Dollar Value ($000)
Management decisions:		
Beginning balance 10/1/2014	175	$ 62,546
Management decisions during the fiscal year	318	37,712
Total management decisions made	493	100,258
Final actions:		
Collections/Offsets/Other	139	3,728
Write-offs	3	1
Total final actions	142	3,729
Ending Balance 9/30/2015[5]	351	$ 96,529

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

FEDERAL REAL PROPERTY INITIATIVE

USAID seeks to maintain the real property portfolio at the right size, in the right condition, and at the right cost. The Agency's real property inventory holdings consist of both overseas and domestic assets. For overseas, this includes 1,544 total assets as of December 31, 2014, the latest reporting period for the Federal Real Property Profile. Of this total count in overseas inventory[6] there are 165 owned assets and eight capital leases. This total includes 58 owned assets that have reversionary interests as trust-funded properties. The total plant replacement value for owned assets is $198 million[7]. There are also 1,371 leased assets with rent payments of $61 million in 2014. These leases include facilities such as office buildings, warehouses, housing units, guard booths, and secure parking areas. The portfolio is managed by the Overseas Management Division with oversight from USAID's Senior Real Property Officer and in collaboration with State's Bureau of Overseas Buildings Operations.

Domestically, USAID maintains five occupancy agreements with the General Services Administration and one direct lease with a private landlord.

5 "Ending Balance 9/30/2015" equals "Total management decisions made" minus "Total final actions."

6 This figure includes land parcels.

7 This figure does not include real property leases.

Domestic office and warehouse space is included in the baseline measurements for the Freeze the Footprint initiative. Under the baseline reporting requirements, USAID reports on usable square feet for office and warehouse space in the Washington, D.C. area. The administration of Occupancy Agreements and leases, as well as the management of the space is the responsibility of the USAID's Headquarters Management Division under the oversight of the Senior Real Property Officer.

The Executive Office of the President promotes the efficient and effective management of real property through Executive Order 13327, which provides a framework for establishing and improving asset management programs. Under the oversight of the OMB, USAID was one of the first agencies to earn recognition under the Asset Management Initiative. Since initial implementation of the Asset Management Initiative, USAID has continued to strive for a high quality standard for managing the real property portfolio achieving success in key government-wide initiatives, such as the Cost Savings and Innovation Plan; the Freeze the Footprint policy under which USAID has continued to meet the facility needs of the Agency without expanding the space footprint; and the recent President's Management Agenda Benchmarking Initiative, with the inaugural reporting period highlighting USAID with one of the highest utilization rates in the Federal Government.

Real property also plays a major role in federal sustainability goals, such as those outlined in Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*; as well as via objectives from the Energy Independence and Security Act of 2007 (EISA2007), Energy Policy Act of 2005 (EPAct2005), and the Telework Enhancement Act of 2010. USAID is an active participant in realizing the goals of sustainable real property both domestically and overseas. The recent workplace transformation pilot at the Washington headquarters building earned LEED® Silver certification for a space that is more open and collaborative, and boasts a higher utilization rate, thus promoting healthy, safe, and quality workspaces as the Agency positions to roll out this new workplace template in future modernization efforts. As a global agency, USAID supports many recognized sustainability standards. In Pretoria, South Africa, its construction team has achieved a four-star Greenstar rating for a new office complex, one of the first such project ratings in the South African region. USAID also commits to the long-term implementation of sustainable goals across the real property portfolio with a core team of real property professionals holding credentials from the United States Green Building Council and Green Globes.

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

EXPANDING INTERNAL AND EXTERNAL NETWORKS

CUSTOMER SERVICE

To improve internal customer service and collaboration across operating units, USAID launched an interactive internal communications platform. My.USAID.gov is the Agency's dynamic new portal that provides Agency staff with one-stop-shop access to corporate applications, operating unit-specific information, and a document and task management system with electronic clearance capability. This platform facilitates peer-networking, best practice sharing, and collaboration between Washington and overseas staff. The site also allows users access to authoritative corporate content through *Pages*.

To continually improve customer service, the Agency administers a survey to all staff to solicit feedback from the users of its support services. The 2015 Management Support Services Customer Survey gathered input on 14 operating units providing management services to Agency staff. Responses indicate 60 percent of those utilizing services have their needs met, a four percentage point increase from the 2014 survey. The operating units are developing action plans to improve customer satisfaction and increase the efficiency and effectiveness of management operations based on results from the survey.

To improve external customer service, USAID regularly engages with external partners, such as the Professional Services Council (PSC) and InterAction. During the M Bureau Summit in March 2015, the Agency organized a partners day session with more than 150 partners. During this session, USAID heard from the PSC Council of International Development Companies, the Small Business Association for International Companies, and InsideNGO. Many of these organizations also participated in the Agency's quarterly "Ask the Procurement Executive" teleconference, and the Quarterly Business Forecast Reviews. Feedback from the Agency's partners on this measure, to increase transparency and respond to their concerns, has been very positive.

PEOPLE AND CULTURE

USAID contributes to the People and Culture Cross-Agency Priority (CAP) goal through investing in a strengthened workforce. USAID is creating and implementing a workforce planning model to justify overseas and Washington positions. This will lead to better alignment between mission and personnel. The Agency is also diagnosing the reasons for staff turnover with information collected from an exit survey. USAID will use the exit survey data to help with strategic planning aimed at decreasing the number of departing staff.

USAID is also supporting the People and Culture goal through its focus on employee engagement and leveraging data from the Federal Employee Viewpoint Survey (FEVS). USAID values an inclusive work environment, one where the Agency learns from every member of its team and fosters his or her active engagement. USAID recognizes the relationship between employee engagement and mission performance. The Agency is committed to achieving an Employee Engagement Index score of 67 percent on the 2016 FEVS. In 2015, USAID's Employee Engagement Index score was 66.6 percent, increasing from 63.7 percent in 2014 and nearly achieving the target.

APPLYING NEW TECHNOLOGIES

OPEN GOVERNMENT AND DATA

Making U.S. Government data accessible, discoverable, and usable by USAID's partners and the international community fuels entrepreneurship, innovation, scientific discovery, and enhanced development outcomes. It contributes to improved design and implementation of development programs while reducing expensive and duplicative data collection efforts. Studies estimate that trillions of dollars in economic value can be unleashed globally by opening untapped data sources. To this end USAID recently hosted a first-of-its-kind Open Data Hack-a-thon, focusing on crime and violence in Latin America and the Caribbean. The event attracted over 100 participants from approximately 50 organizations worldwide. Participants across four different cities formed teams based on skill sets and interests to create eight unique projects in less than 48 hours. The projects illustrated how open data can help understand crime in the region, informing more responsive program design.

USAID plays a leading role in ensuring the U.S. Government meets its commitments under the International Aid Transparency Initiative (IATI) (*http://www.aidtransparency.net/*) to publish up-to-date information in a common, open format. Fulfilling the commitment from its Open Government Plan 3.0 (*https://www.usaid.gov/sites/default/files/documents/1868/USAID-Open-Gov-Plan-3.0.2014-07-23.pdf*), in July 2015 the Agency published a multiphase cost management plan (CMP) to improve USAID's reporting to IATI. After USAID implemented Phase One of the CMP, the Agency's score in Publish What You Fund's 2015 U.S. Aid Transparency Review (*http://roadto2015.org/wp-content/uploads/2015/06/2015-US-Aid-Transparency-Review.pdf*) increased more than 20 points and moved USAID from the "Fair" to "Good" category. USAID also made the most progress of all U.S. agencies.

Following the release of Executive Order 13642, *Making Open and Machine Readable the New Default for Government Information*, on May 9, 2013, USAID established its first ever open data policy (Automated Directives System (ADS) 579, *USAID Development Data* (*https://www.usaid.gov/sites/default/files/documents/1868/579.pdf*)). The Agency also established a business process to make its data available to the public in formats easily readable by computers. In accordance with this policy, USAID established an Information Governance Committee to oversee data management practices and to ensure the Agency speaks with one voice as it advances its open data efforts. USAID modified all of its grants, cooperative agreements, and contracts to require award recipients to provide the Agency with copies of or access to the data on international development they create or obtain in performance of USAID-funded awards. Since releasing the policy, the Agency's open data team has briefed more than 100 implementing partners on open data requirements, along with more than 100 USAID data stewards across nearly 80 operating units worldwide. Implementing partners are now submitting datasets on a weekly basis, and dozens are in active clearance in addition to the 66 datasets currently in USAID's Development Data Library (*http://www.usaid.gov/data*). USAID is noted for outstanding public engagement on open data and serves as a model of best practice in the Federal Government.

Unstructured, qualitative data remain available through the Development Experience Clearinghouse (DEC) (*https://dec.usaid.gov*), which contains more than 200 thousand documents. Recent innovations on the DEC include a mobile application which, with one click on a map, pulls all country-based evaluations instantaneously. Notably, 247 project evaluations completed in FY 2014 are available online. Evidence from these evaluations is used to make mid-course corrections and in future project design.

USAID's Foreign Aid Explorer, or Economic Analysis and Data Services (EADS), partners with operating units and the greater development community to meet their data needs. EADS' team provides a central source of data-driven analysis to support USAID's goals. Through EADS, USAID has direct access to more than 100 sources of international development data, more than 65 years of foreign assistance spending data, and a wealth of analytical tools and services that disseminate information, enhance understanding, and inform data-driven decisions.

INSIDER THREAT AND SECURITY CLEARANCE

USAID seeks to mitigate the inherent risks and vulnerabilities posed by personnel with trusted access to government information, facilities, systems, and other personnel. In support of USAID's efforts to protect its personnel and facilities, safeguard national security information, and promote and preserve personal integrity, USAID appointed a Senior Agency Official for Insider Threat and created the Insider Threat Implementation Plan in November 2014 to achieve Initial Operating Capability (IOC). To support implementation of the Federal Investigative Standards for security clearances, USAID completed a gap analysis and system requirements for its Personnel Security IT system. Actions are underway to increase capacity for automated records checks to meet IOC for Tiers 1 and 2.

To improve oversight and the quality of background investigations and adjudications, the Agency developed interim policies and procedures related to quality for credentialed investigators. USAID scheduled training and certification for investigators and adjudicators to begin before the end of FY 2015.

ACCOUNTABLE GOVERNMENT INITIATIVE

BENCHMARK AND IMPROVE MISSION SUPPORT OPERATIONS

The Benchmark and Improve Mission Support Operations CAP goal covers the areas of acquisition, financial management, human capital, real property, and IT.

USAID continues to have one of the highest rates of competitive bidding on contracts across the Federal Government, with 93.8 percent of procurements competitively bid during FY 2014. This is an improvement of 1.2 percentage points from the previous year (FY 2013, 92.6 percent). USAID also certified 100 percent of its Treasury Account Symbols, ranking first place. Furthermore, in FY 2014, USAID was one of two agencies that certified 100 percent of its contracting professionals for two consecutive years.

In FY 2014, USAID improved five out of seven financial management metrics. This included the: (1) proportion that USAID spends on full-time equivalents (FTE), (2) cost spent per vendor invoice, (3) number of invoices processed per accounts payable per FTE, (4) interest paid on vendor invoices, and (5) The timeliness of vendor payments. During this same year, USAID improved its efficiency in making timely payments to vendors, and moved up three places to third when compared to other federal agencies. The percent of transactions in which the Agency paid late fees decreased from 0.00079 percent in FY 2013, to 0.0003 percent in FY 2014.

To improve overall information and system security, USAID has been tightening policies and practices for privileged users (users with system administrator level access). During a 30-day Cybersecurity Sprint, the Agency accelerated full Personal Identity Verification (PIV) implementation across USAID. As part of this, the Agency is able to report it is moving to 100 percent enforcement of PIV cards for privileged users.

In FY 2014, USAID's cost per email inbox was $74.24. In comparison, the government-wide median was $77.70 the same year. The Agency accomplished this without jeopardizing the quality of its email system, as the email uptime was nearly 100 percent.

USAID is also one of the most efficient utilizers of space within the Federal Government. USAID had one of the lowest ratios in square feet per employee (on average 166 square feet in FY 2013) compared to other agencies. USAID is also conducting studies to define space requirements to inform how the Agency can consolidate to achieve optimal utilization.

HUMAN CAPITAL MANAGEMENT

USAID continues to strategically align human capital management to meet the needs of the Agency. In FY 2015, dynamic programs were developed that focused on Foreign Service Officers (FSO) and Foreign Service Nationals (FSN), as well as crosscutting initiatives that benefit the entire workforce. Created by the Agency Leadership Council and spearheading USAID Forward's call to develop human talent and sharpen leaders' skills, the Foreign Service Optimization initiative addresses performance management, career development and planning, and position management for USAID's Foreign Service workforce. Over the past year, Foreign Service Optimization has strengthened the transparency and efficiency of the assignment process and its link to global development priorities, expanded Foreign Service career development opportunities and career pathing, and linked core competencies to assignments.

During FY 2015, USAID took measures to address the challenges of executing programs and activities in complex non-permissive environments (NPE). Progress has been made by accomplishing the following: (1) competency expectations for employees assigned to NPEs were defined, (2) policies on mandatory training for NPEs were set, (3) a course on "Working Effectively and Safely in NPEs" was designed and offered, and (4) a "Crisis Leadership" session was added to Mission Director orientations. Significant progress was made on this critical initiative, which will serve as the foundation for future efforts.

USAID addressed management challenge areas, including the shortage of experienced, highly skilled personnel; recruiting and hiring sufficient qualified candidates; retention of quality staff; preparation of and supervisory training for managers; and effectively managing/utilizing experiences and skills of FSOs and FSNs workforce. Progress was made in FY 2015 with regard to these challenges through the following efforts: (1) utilizing the Consolidated Workforce Planning Model data analysis to inform senior leadership of workforce gaps based on specific workforce drivers, (2) increasing the number of FSOs to 1,850 by the end of FY 2015, (3) significantly reducing the hiring time for USAID's Civil Service workforce, (4) focusing efforts on launching an Eligible Family Member Spousal Employment Program to create a better work life balance for the Foreign Service workforce, (5) expanding and improving leadership courses for all of USAID's hiring categories, and (6) developing and launching a Global Workforce Learning Strategy for 2015–2019 for the entire workforce.

Supporting efforts of the Quadrennial Diplomacy and Development Review (QDDR), the Office of Human Capital and Talent Management (HCTM) has taken actions to enhance the leadership of FSNs, which comprise half of USAID's workforce. This includes the creation and expansion of the FSN Fellowship Program, an FSN Senior Advisory Corps, and integrating FSNs on selection panels for new FSOs. Building on these efforts, the establishment of the FSN Advocacy Council to strengthen partnership, talent management, FSN empowerment, and professional growth among USAID's professional FSN cadre was accomplished in FY 2015. Also in support of the QDDR, as noted above, HCTM has partnered with State to enhance its Eligible Family Member Spousal Employment opportunities. This effort is critical for retention of USAID's officers in recognition of the fact that two-career families are increasingly the norm in both American society and in the Foreign Service. USAID's efforts are focused on ensuring opportunities for spousal employment is integrated in its plans to retain and motivate staff.

Recognizing that diversity adds to the strength of its organization, USAID is building upon ongoing efforts to recruit and retain a workforce that is representative of the diversity of the Nation. In pursuit of the 2010 QDDR's goal of expanded diversity hiring, the Donald M. Payne Fellowship Program supports some of the best and brightest students to study for master's degrees in academic fields such as public health administration, democracy and governance, natural resource management, and more. As students graduate they join the ranks of other new FSOs who are committed to achieving USAID's development goals and objectives.

ENHANCED ACCOUNTABILITY IN ACQUISITION AND ASSISTANCE

The complex acquisition and assistance (A&A) portfolio designed, competed, and awarded by USAID annually enables the Agency to harness strategic technical assistance as well as provide goods and commodities to complete its mission. The Agency launched a senior management review process in 2013, which has been central to ensuring that complex awards (valued at $25 million or greater) fulfill qualifying criteria. The reviews have enabled the Agency to maximize resources, sharpen the focus on results, emphasize the use of small business and in-country organizations, leverage science and technology, incorporate open data requirements, and strengthen how the Agency articulates the importance of its programs. During FY 2015, the Agency expanded the scope of the reviews to include non-emergency humanitarian assistance awards and streamlined the review process. On a case-by-case basis, the responsible Assistant Administrator may now delegate approval authority to Mission Directors for planned awards of $25 million to $75 million and the Administrator approves planned awards of $75 million or greater. The review process has proven to be a valuable tool for focusing attention on the scope of awards, their impact, and the value for money.

CONFERENCE MANAGEMENT

OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, requires that federal agencies ensure that conference expenses are appropriate, necessary, and managed in a way that minimizes expenses to taxpayers. In response, USAID has implemented comprehensive policies and other controls to mitigate the risk of inappropriate spending on conferences. A corporate, Web-based conference management and tracking system captures requests to convene conferences from Washington offices and missions around the world, and facilitates senior management review and approval of conference expenses. During FY 2015, USAID streamlined the review and approval process and issued best practices aimed at keeping costs low. As a result, the Agency saved $660 thousand in conference costs.

SUSTAINABILITY

USAID submits an annual Agency Sustainability Plan to the White House Council on Environmental Quality (CEQ) and OMB detailing Agency emissions from the previous year. This is to comply with Executive Order 13693, *Planning for Federal Sustainability in the Next Decade*, to improve environmental performance with an overall goal of reducing greenhouse gas emissions. The report also includes innovative efforts the Agency is undertaking in the missions to reduce greenhouse gas emissions and reduce energy consumption. USAID will investigate establishing a goal for reduction of emissions from Washington-based employee commuting through encouraging teleworking, flexible work schedules, and low emission commuting modes.

In addition to the greenhouse gas emissions and energy consumption reductions goals stated in Executive Order 13693, USAID has submitted three iterations of an Agency Climate Change Adaptation Plan to CEQ and OMB in accordance with Executive Order 13653, *Preparing the United States for the Impacts of Climate Change*. The Climate Change Adaptation Plan details how the Agency integrates consideration of climate change into operations and overall mission objectives. Consideration of climate change impacts on Agency mission objectives will: (1) reduce the risk of the negative climate change impacts on Agency projects and assets, (2) improve the Agency's resilience to climate change, and (3) avoid dedicating Agency resources to activities vulnerable to the negative effects of climate change.

USAID will submit further updates to the Climate Change Adaptation Plan on progress toward integration of climate change into the Agency's portfolio to CEQ and OMB as required.

AWARD COST EFFICIENCY STUDY

In FY 2013, USAID undertook an ambitious reform agenda called USAID Forward. This was to streamline processes, provide tools and guidance that meet changing needs, achieve consistency, and support the flexible and creative environment necessary to accomplish its mission. The Agency engaged in continuously improving and strengthening A&A pre and post-award processes to increase cost efficiency and maximize the development impact of foreign assistance dollars.

The Award Cost Efficiency Study (ACES) identified opportunities to increase the value for money with a review of 60 awards. The Agency selected Washington and mission awards with more than two years remaining, and greater than $10 million in total estimated cost. ACES further reviewed the Agency's A&A processes, interviewed USAID and implementing partner staff, and analyzed the procurement processes of peer development agencies.

In line with ACES recommendations, USAID implemented a variety of process improvements designed to enhance award planning and management, strengthen and streamline A&A processes, and provide greater transparency and evaluation of costs.

USAID instituted a Procurement Action Lead Time (PALT) tracking process with each bureau and mission to ensure internal transparency on procurement processes and identify delays. In FY 2014 there were process changes that required fewer milestones in USAID's procurement system, Global Acquisition and Assistance System (GLAAS) for some types of awards. This increased the likelihood contracting officers would enter the required information. To increase PALT accuracy, USAID also instituted GLAAS enhancements forcing most awards to have a milestone plan associated with them. USAID took several steps to promote procurement efficiency and effectiveness in FY 2015 (e.g., developing additional procurement trainings and templates, hiring additional contracting personnel to effectively manage the procurement workload, streamlining procurement planning, etc.).

The Agency Secure Image and Storage Tracking (ASIST) system is an electronic filing system where USAID will store all new award documents. This will ensure a uniform file standard across the Agency, ease of access to awards, and encourage review of relevant award and cost information. In FY 2015, USAID created the central repository system in Washington to house all documents for USAID. In FY 2016, USAID will finish moving mission documents into the Washington ASIST system.

USAID will upgrade GLAAS to enhance overall standardization of Agency A&A instruments. This enhanced functionality streamlines data entry; visually indicates required fields; and includes FedConnect, a vendor/partner portal for submitting electronic proposals/applications.

AGENCY ACQUISITION AND ASSISTANCE PLAN

USAID delivers much of its development assistance through A&A awards. Agency teams are required to forecast and track the status of anticipated Agency A&A awards per: (1) Federal Acquisition Regulation (FAR) (Part 7.102); (2) ADS 300, *Agency Acquisition and Assistance Planning*; and (3) ADS 201, *Planning*. Advanced planning allows the Agency to ensure that the government meets its needs in an effective, transparent, cost-efficient, and expeditious manner.

The Agency A&A Plan is USAID's business system to track, monitor, and report the status of A&A planning worldwide. This business management tool captures planned A&A actions from all bureaus, independent offices, and missions, helping ensure USAID obligates funds in a timely manner and providing an overview of planned A&A activities for senior managers. USAID deployed a new Web-based A&A plan system at the beginning of FY 2015, which has enabled a more detailed, accurate overview of all planned actions for the year.

Currently, the A&A system captures all planned actions for more than 118 specific operating units representing some 22 Bureaus and Independent Offices within the Agency. For each action, plan users provide data identifying more than 47 data elements, including technical sector (ex. Global Health), total estimated cost range, anticipated obligation amount, title, brief description, type of instrument, if the action will be a small business set aside, or if an action will be funded by monies set to expire in a given fiscal year. To date, there are more than 480 registered active users and more than 4,600 planned actions have been entered into the A&A plan system. The Agency aggregates the plan data, and when combined with expiring and encumbered funds information from its financial management system, is able to create a clear picture of the status of USAID's business mechanisms and can engage operating units to ensure resources are directed where needed.

COST SAVINGS

USAID demonstrates strong fiscal stewardship and performance in undertaking government cost savings reform. The Agency remains committed to the central focus of government reform—productivity, efficiency, and spending restraint through short and long-term cost savings. To date, the Agency realized cost savings and cost avoidance of more than $17.7 million in FY 2013, $24 million in FY 2014, and projected savings and avoidance of more than $12 million in FY 2015. The Agency accomplished these efficiencies primarily through reductions in conferences, printing, IT, and the disposal of real estate. USAID will continue to pursue cost savings with a goal of streamlining processes and increasing efficiency.

AGENCY RULEMAKING

As a U.S. Government agency, USAID uses the rulemaking process to create, amend, or repeal rules that involve notice to the public and the opportunity for the public to comment. As required, USAID gives notice to the public that it is considering a specific regulatory change that will alter the rights and interests of outside parties.

In 2015, USAID continues its commitment to transparency via the rulemaking process and partner/stakeholder engagement. USAID currently has eight rules in process which will be identified in the 2015 Fall Unified Semi-Annual Agenda of Regulations. Most notably, USAID Partner Vetting sparked tremendous response from the implementing partner community. USAID, in support of continued environmental sustainability efforts, published a new National Environmental Protection Act regulation to completely address the Agency's various funding sources. USAID is dedicated to maintaining public engagement, and the rulemaking process is an integral part of that effort.

SOVEREIGN BOND GUARANTEE PROGRAM

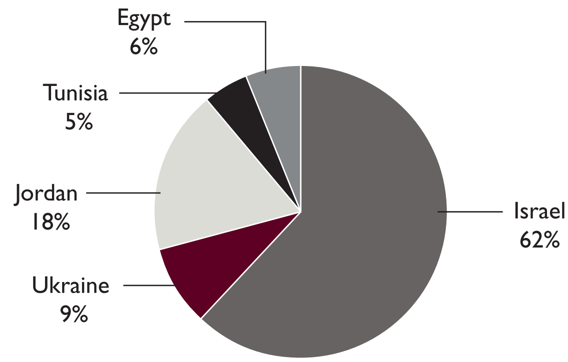
The United States has provided 10 sovereign bond guarantees to 5 different countries since 1993 (Israel, Egypt, Tunisia, Jordan, and Ukraine). Sovereign guarantees are specifically authorized by Congress and administered by USAID. Sovereign guarantees are authorized to support economic reform initiatives in the target countries. Once Congress authorizes the use of a sovereign guarantee, an interagency committee meets to structure the guarantee and agree on terms and conditions. The interagency group is coordinated by State with active participation of USAID, Treasury, and OMB.

Between 1993 and 2015, the U.S. Government guaranteed 10 sovereign bond issuances covering a total of $21.29 billion. The total outstanding principal exposure on all guarantees issued is $16.7 billion, of which $6.2 billion covers bonds issued by three non-investment grade issuers (Tunisia, Jordan, and Ukraine). All of this coverage entered into the portfolio within the past few years.

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

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

SOVEREIGN BOND GUARANTEE PROGRAM (1993–2015)



SOVEREIGN BOND GUARANTEE PORTFOLIO
(Dollars in Millions)

Country	Year	Amount
Israel	1993	$ 9,200
Israel	2003	$ 4,100
Egypt	2005	$ 1,250
Tunisia	2012	$ 485
Tunisia	2014	$ 500
Jordan	2014	$ 1,250
Jordan	2014	$ 1,000
Ukraine	2014	$ 1,000
Ukraine	2015	$ 1,000
Jordan	2015	$ 1,500
Total		$ 21,285

FINANCIAL SECTION

(Preceding page) **As part of the U.S. Government's Ebola response effort, USAID mobilized burial teams across the country to provide safe disposal of contagious bodies. Get the full story "Facing Death Six Days a Week" at *stories.usaid.gov.***

PHOTO: MORGANA WINGARD FOR USAID

(Above) **A malaria fighter, Habiba Suleiman travels around Zanzibar to identify, treat, and eventually eradicate the disease from this Tanzanian island. Get the full story "Zanzibar's Malaria Hunter" at *stories.usaid.gov.***

PHOTO: MORGANA WINGARD FOR USAID

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Reginald W. Mitchell

I am honored to join the Acting Administrator in presenting USAID's Agency Financial Report (AFR) for fiscal year (FY) 2015. We hope that you will find the AFR a useful summary of USAID's use of resources, operating performance, financial stewardship, and internal controls.

We are pleased that in FY 2015 USAID moved from a disclaimer to an unmodified opinion, as determined by our Office of Inspector General (OIG). Our Agency did receive a material weakness finding related to Fund Balance with the U.S. Department of the Treasury (Treasury).

During FY 2015, USAID worked diligently to address this material weakness. Our efforts included establishing effective cash reconciliation processes and completing an extensive reconciliation across all USAID funds. The complexity of the issue required continued analysis and corrective actions throughout the year. Our work continues into FY 2016 to fully reconcile USAID's cash position with Treasury. I appreciate the hard work and dedication of the staff, as well as our collaboration with the Office of Management and Budget (OMB) and Treasury. We look forward to completing our work on this challenging issue, with the goals of obtaining full cash reconciliation with Treasury, maintaining the effective processes established as part of this effort, and eliminating this material weakness.

Through similar efforts, USAID made significant progress in reconciling intragovernmental transfers. The Agency did so by establishing with Treasury an effective means to align the Treasury General Fund with USAID accounting related to Capital Transfers-Credit Reform reporting. We expect to resolve this issue in FY 2016.

This past year, USAID made important strides to build and maintain a strong, sustainable internal control posture. We achieved these improvements through working as a team and focusing our efforts to address the root causes as well as the specifics of each identified deficiency. Major efforts included: undertaking a large-scale, worldwide review and analysis, enabling operating units to identify unliquidated obligations (ULOs) for deobligation across the Agency; updating and refining Agency policy on accounting for advances and implementing cyclical reviews and procedures; updating policy and procedures for accounting for reimbursable agreements; and identifying and employing processes to minimize errors related to payroll deductions.

Still, more work needs to be done, as the auditors identified four significant deficiencies in internal controls. The deficiencies pertain to USAID's processes for (1) supporting funds obligated and expenses accrued in a timely manner, (2) reconciling intragovernmental transactions, (3) accounting for reimbursable agreements, and (4) corresponding USAID's general ledger with related accounts in the subsidiary ledger. We are committed to maintaining robust internal controls and improving in the above mentioned areas.

During FY 2015, USAID conducted Federal Managers' Financial Integrity Act (FMFIA) compliance reviews and a financial management systems review, in accordance with Appendix D to OMB Circular A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*. Based on these reviews, USAID can provide reasonable assurance that our financial systems substantially comply with financial system requirements and applicable FMFIA provisions as of September 30, 2015.

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

The Bureau for Management, Office of the Chief Financial Officer (M/CFO) continues to play a strong supporting role in the Agency's Local Solutions initiative, which seeks to strengthen partner country public financial management capacity and improve aid effectiveness and sustainability. In August 2015, M/CFO led a cross-Agency effort involving multiple USAID bureaus and offices that culminated in a Memorandum of Understanding (MOU) between USAID and the International Monetary Fund (IMF). The MOU establishes multiple areas of collaboration, including IMF training for USAID staff, capacity development activities, co-organized events, and exchanges of information. Significantly, this new initiative will enable USAID staff to more efficiently support accountancy and capacity development in partner countries together with IMF global efforts.

Finally, I want to thank our staff for the diligent work performed in FY 2015, especially in the effort to reconcile the legacy cash differences with Treasury. In FY 2016, we will work closely with our auditors in our effort to improve financial operations. We are committed to holding ourselves, and the Agency to the highest financial management standards. The Agency affirms its commitment to promoting effective internal controls and resolving any impediments to producing fairly represented financial statements today and in the future.

Reginald W. Mitchell
Chief Financial Officer
November 16, 2015

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

(Preceding page) **A role model, Jessel Edgardo Recinos and his skate club keep Honduran youth away from gang violence. Get the full story "Skate Brothers" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI / RUOM FOR USAID

(Above) **Orley Blanquiceth used to work in the drug trade. USAID helps provide growers in Colombia's coca belt with more stable and viable options to earn a living. Get the full story "One Bean at a Time" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI / RUOM FOR USAID

Office of Inspector General

November 16, 2015

MEMORANDUM

TO: Reginald W. Mitchell, Chief Financial Officer

FROM: Nathan Lokos, AIG/A

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2015 and 2014 (Report No. 0-000-16-001-C)

The Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2015 and 2014*. The Government Management Reform Act of 1994, Public Law 103–356, requires USAID to prepare consolidated financial statements for each fiscal year. Office of Management and Budget (OMB) Circular A–136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report, including audited financial statements, to OMB, the Department of the Treasury, and the Government Accountability Office by November 16, 2015. 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 issued unmodified opinions on each of USAID's principal financial statements for fiscal years 2015 and 2014. 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 deficiencies in internal control that we consider significant deficiencies. The significant deficiencies pertain to USAID's processes for (1) supporting funds obligated and expenses accrued; (2) reconciling intragovernmental transactions; (3) complying with federal accounting standards for reimbursable agreements; and (4) making adjustments between the subsidiary ledger (SL) and general ledger (GL) in the Phoenix Financial Management System.

We found no instances of substantial noncompliance with requirements for federal financial management systems, but one each for federal accounting standards and 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.

This report contains no recommendations to improve USAID's internal control over financial reporting because the Agency has developed and is currently implementing new procedures to remediate the findings identified and reported.

U.S. Agency for International Development
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We have considered your responses to the draft report. Your comments appear in their entirety in Appendix II. Your responses to the material weakness and significant deficiencies identified in our audits were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them. Please forward all information to your Office of Audit Performance and Compliance for final action.

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USAID as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Change of Opinion

In our report dated November 17, 2014, we did not express an opinion on USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources as of September 30, 2014, because USAID was unable to provide sufficient support to validate the adjustments between its general ledger and its subsidiary ledger that affected USAID and Treasury FBWT accounts. As described in Note 19 to the financial statements, USAID restated its 2014 financial statements. Accordingly, our present opinion on the restated 2014 financial statements, as presented herein, is different from that expressed in our previous report.

Required Supplementary Information

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

The Agency's Responses to Findings

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

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

In accordance with *Government Auditing Standards*, we have also issued our reports, dated November 16, 2015, on our consideration of USAID's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

USAID Office of Inspector General
November 16, 2015

REPORT ON INTERNAL CONTROL

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of USAID's financial statements for the fiscal years ended September 30, 2015 and 2014, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's system of internal control, determining whether internal controls had been placed in operation, assessing control risk, and testing controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Public Law 97-225, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on internal control.

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

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

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

- Supporting funds obligated and expenses accrued.
- Reconciling intragovernmental transactions.
- Complying with federal accounting standards for reimbursable agreements.
- Making adjustments between the subsidiary ledger (SL) and general ledger (GL).

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 U.S. generally accepted accounting principles to supplement the basic consolidated financial statements. We have applied certain limited procedures to this supplementary information, primarily consisting of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries. However, we did not audit this information, and accordingly, we do not express an opinion on it.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated November 16, 2015.

Material Weakness

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

Although USAID has made progress in reconciling its Fund Balance With Treasury (FBWT) account with the fund balance reported by the U.S. Treasury, it continues to have large unreconciled differences. As of September 30, 2015, these differences totaled approximately $172 million net ($510 million, absolute value). Table 1 illustrates the differences for the past 6 fiscal years.

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

Fiscal Year	Net Difference	Absolute Value
2010	64	894
2011	96	2,100
2012	114	127
2013	121	1,915
2014	154	2,011
2015	172	510

These differences persist because, in the past, USAID did not reconcile the FBWT account with Treasury's fund balance each month and research and resolve those differences promptly. Instead, USAID adjusted its FBWT account to agree with Treasury's fund balance. Despite these adjustments, USAID's general ledger differs from the amount in Treasury's records by $172 million, of which $93 million is due to outstanding reconciling items and $79 million cannot be explained. Most of this amount ($79 million) has been reported in the no-year Development Assistance Fund. This difference has accumulated because of problems with a legacy system, difficulties with data migration, and the lack of an integrated system to control reconciliations performed by missions situated around the world. Management asserts that the difference cannot be reconciled and plans to work with Treasury and OMB to resolve the unexplainable difference in FY 2016.

Fund Balance With Treasury, Reconciliation Procedures, a Supplement to the Treasury Financial Manual, Volume I, Part 2-5100, Section IV, states: "Federal agencies must reconcile their USSGL [U.S. Government Standard General Ledger] account 1010 and any related subaccounts with the GWA [Governmentwide Accounting] Account Statement on a monthly basis (at minimum)."[2] 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."[3]

Recognizing the importance of maintaining account balances consistent with Treasury's, management started a comprehensive review of its FBWT records in FY 2014 to ascertain the reasons for the differences and take corrective action. It determined that the account balances in the subsidiary ledger (SL) were more accurate than those in the general ledger (GL) and undertook a reconciliation of the two records. In FY 2015, USAID continued the reconciliation process and posted approximately 350 adjusting journal entries ($4.4 million) related to FBWT. As of September 30, 2015, there was still a difference of approximately $7.3 million between the SL and GL. Management plans to continue this reconciliation effort in FY 2016 until all the differences have been eliminated. Once completed, the process will help resolve the FBWT reconciliation problem that has plagued the Agency for many years and maintain its GL balance consistent with Treasury's.

We reported similar findings in previous audits and recognize that USAID is making significant progress in addressing its long-standing FBWT issues. Because we made recommendations in a previous audit[4] we do not make a new one, but we will continue to monitor USAID's progress in resolving the differences.

Significant Deficiencies

USAID Did Not Provide Support in a Timely Manner for Funds Obligated and Expenses Accrued

Providing support for the obligation of funds and accrued expenses continued to be a problem for USAID because contact information for those who keep the support was not current. The Agency did not maintain an updated listing of contracting officer's representatives (CORs), who maintain the official accrual documentation and notify the obligating official to deobligate excess or unneeded funds.

Unliquidated Obligations

For FY 2014, OIG reported that USAID had approximately $115 million in unliquidated obligations (ULOs) that had no disbursements for 3 or more years.[5] In response, USAID

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[2] *Fund Balance with Treasury, Reconciliation Procedures,* A Supplement to Treasury Financial Manual Volume 1, Part 2, Chapter 5100, Section 4A, March 2012, p. 2.
[3] *Fund Balance with Treasury, Reconciliation Procedures,* A Supplement to Treasury Financial Manual Volume 1, Part 2, Chapter 5100, Section 4C, March 2012, p. 3.
[4] USAID, *FY 2014 Agency Financial Report*, Report Number 0-000-15-001-C, page 60.
[5] *Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013*, Report Number 0-000-15-001-C, November 17, 2014, pp. 9-10.

developed and implemented two databases to expedite the review process. Using those databases, USAID reviewed ULOs totaling $91 million of the $115 million and deobligated $53 million, making it available for reprogramming.

This year OIG selected a random sample of the reviewed ULOs remaining, totaling $38 million, to test the review process—specifically, to validate the reasons USAID gave for not deobligating these items. Because we did not receive responses for 50 percent of the sample, we could not determine if the reasons were valid. We will pursue this matter further in FY 2016.

Accruals

We had the same problem with testing the process for accrued expenses—especially accrual modifications. We did not receive documentation to support some of the modified accrual amounts recorded in USAID's general ledger, as shown below:

- Quarter 2: 17 modified accruals valued at $12.9 million out of a sample of 45, valued at $58.7 million. Of the 28 for which support was provided, 3 could not be reconciled to the general ledger, causing a difference of $2.7 million.

- Quarter 3: 65 modified accruals valued at $714 million out of a sample of 83, valued at $1 billion. Of the 18 for which support was provided, 5 could not be reconciled to the general ledger, causing a difference of $11.2 million.

In Quarter 4, after we sought and obtained the intervention of the Chief Financial Officer (CFO), we received support for all items in our sample of 52, valued at $618 million. However, 16 accruals totaling $515,000 could not be reconciled to the general ledger. Because fourth quarter balances were reported on the financial statements, we proposed that the CFO's office record an adjustment of $1 million, derived by projecting the error to the population.

Without accurate information to facilitate contacting the appropriate CORs/AORs, OIG must spend an inordinate amount of time determining whether recorded obligations are still needed and whether accrued expenses are reasonable. When we realized we could not rely on USAID databases to identify the responsible personnel, we had to enlist the CFO and his staff to obtain supporting documentation for our testing. Doing so was burdensome.

USAID's Automated Directives System (ADS) 621.3.5, "Authority to Incur Obligations," requires a COR/AOR to be designated for obligations. If the designated COR/AOR changes, the list must be updated in a timely manner. Furthermore, ADS 621.3.1, "Financial Documentation Responsibilities," states that CORs are responsible for retaining financial documentation and ensuring its availability for audit, and that source documentation must be readily available for audit.

Because USAID has implemented a new policy to ensure that personnel responsible for monitoring obligations and modifying and recording accrued expenses are easily identifiable, we do not make a recommendation but will monitor this new policy in FY 2016.

Intragovernmental Transactions Remained Unreconciled (Repeat Finding)

As of September 30, 2015, USAID had $15.3 billion in unreconciled intragovernmental transactions, according to the U.S. Treasury.[6] Of that amount, USAID was required to reconcile and confirm $2.96 billion 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, the differences are still significant.

USAID continually researches intragovernmental activity to improve its reconciliation process and eliminate the differences. Although some timing differences—those created when agencies record transactions in different periods—are likely to be resolved through current efforts, resolution of differences caused by accounting errors or different accounting methodologies will require a special effort by USAID and its trading partners. 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.

Given the magnitude of the problem for all agencies, in FY 2013 Treasury developed scorecards to track and correct these differences. The scorecards rank each agency by its contribution to government-wide differences. At the end of the fourth quarter of FY 2014, USAID had differences amounting to approximately $3.6 billion and ranked as the 22nd-largest contributor . According to the draft scorecard for the end of the fourth quarter of FY 2015, USAID’s differences had decreased to $2.95 billion, making the Agency the 23rd-largest contributor. The final scorecard will not be available until December 2015.

We reported a similar finding in last year’s audit[7] and recognize that resolution of these differences requires continuing coordination with other federal agencies. Therefore, we do not make a recommendation, but we will continue to monitor USAID’s progress.

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

In FY 2014 OIG reported that the way USAID accounted for transactions under reimbursable agreements[8] did not comply with *Statements of Federal Financial Accounting Standards* (Federal Generally Accepted Accounting Principles or FedGAAP) in three respects:

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[6] These transactions—e.g., for services provided under reimbursable agreements, described in the finding on reimbursable agreements—are between USAID and other federal agencies, which Treasury calls USAID’s “trading partners.” Differences arise when USAID’s trading partners record transactions in different accounting periods or use different methodologies to classify and report them. Large unreconciled intragovernmental transactions are a major obstacle preventing the Government Accountability Office from rendering an opinion on the U.S. Government’s consolidated financial statements.

[7] *Audit of USAID’s Financial Statements for Fiscal Years 2014 and 2013*, Report Number 0-000-15-001-C, November 17, 2014, pp. 12-13.

[8] Reimbursable agreements are contracts between two agencies. For example, the State Department might contract with USAID to implement a vaccination campaign. USAID would run the campaign, and the State Department would reimburse it for the drugs and the costs of administering them.

1. USAID recorded all reimbursable agreements as unfilled customer orders without advances even though it received cash advances for most agreements.

2. USAID received cash advances from trading partners and recorded them as receipts of cash and earned revenue although the revenue had not yet been earned. FedGAAP requires that a liability (deferred revenue) be recorded instead of earned revenue until the services required by the agreement have been rendered by USAID.

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

By following this approach to account for reimbursable agreements, USAID did not generate appropriate general ledger accounts for posting the transactions according to the U.S. Standard General Ledger (USSGL) guidance.

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

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

OMB Circular A-123, "Management's Responsibility for Internal Control," states:

> Financial events shall be recorded applying the requirements of the USSGL guidance in the Treasury Financial Manual. Application of the USSGL at the transaction level means that each time an approved transaction is recorded in the financial management system, it will generate appropriate general ledger accounts for posting the transaction according to the rules defined in the USSGL guidance.

These types of noncompliance occurred again in FY 2015 because USAID did not finish reconfiguring its financial management system to account for reimbursable agreements in accordance with FedGAAP. As a result, USAID recorded an adjustment of $395 million to bring its accounting for reimbursable agreements into compliance with the USSGL, accurately reflect the financial status of its reimbursable agreements, and present its financial statements in accordance with FedGAAP.

In FY 2015 USAID developed a plan to account for reimbursable agreements in accordance with FedGAAP. However, OIG cannot ascertain the plan's effectiveness until USAID implements it. Moreover, since the plan will apply only to reimbursable agreements that take effect in FY 2016 and after, agreements for prior years will have to be adjusted manually each year until the Agency's obligations under those agreements have been fulfilled.

Because USAID will implement its plan to account for reimbursable agreements in FY 2016, we make no recommendation, but will monitor the plan's implementation in FY 2016.

Certain Account Balances in USAID's General Ledger Did Not Agree With Balances in Corresponding Accounts in the Subsidiary Ledger

In FY 2014, the CFO's office reviewed its records to determine why there was a persistent difference between its Fund Balance With Treasury account and the fund balance reported by the U.S. Treasury. It determined that the account balances in the subsidiary ledger (SL) were more accurate than those in the general ledger (GL) and undertook a comprehensive reconciliation. Noting several differences, it recorded more than 12,860 adjusting journal entries to eliminate them. CFO then restated the FY 2013 ending balances, and OIG disclaimed an audit opinion. These entries, along with the restatement, put in doubt the ending balances for FY 2014 and the beginning balances for FY 2015. Therefore, the CFO's office continued the reconciliation effort in FY 2015 and posted approximately 2,697 adjusting journal entries. As of September 30, 2015, there was still a difference of approximately $7.1 million between the GL and the SL. Management intends to continue this reconciliation effort in FY 2016 until all the differences have been eliminated. Table 2 shows the effects on the FY 2015 statements.

Table 2. GL/SL Adjustments Affecting FY 2015 Balances

Financial Statement	Line Item	Effect
Balance Sheet (BS)	Cash	$15,842,820
BS	Cash & Other Monetary Assets	(6,987)
BS	Receivables	9,781,164
BS	Direct Loan Receivables	182,822
BS	Advances	(5,327,427)
BS	Other Liabilities	319,599
BS	Accounts Payable	(555,475)
BS	Loan Guarantee Liability	(151,936,622)
Statement of Changes in Net Position	Equity	183,058,305
Statement of Net Cost (SNC)	Revenue	(49,507,465)
SNC	Expenses	(1,857,733)
Statement of Budgetary Resources (SBR)	Resources	35,005,011
SBR	Available	(51,509,404)
SBR	Obligations - Unpaid	(4,597,793)
SBR	Obligations - Paid	4,201,336
SBR	Expenditures - Unpaid	26,811,716
SBR	Expenditures - Paid	(9,910,865)

The balance in many appropriations in the GL did not agree with the SL because, since USAID upgraded its accounting system (to Phoenix), USAID has made several entries in the GL that did not affect the SL. These entries were necessary to bring USAID's accounting records into agreement with Treasury's records so that USAID could complete its GTAS reporting on time, and were expected to self-reverse in the subsequent quarter but did not.[9] USAID has implemented new procedures requiring monthly reconciliation of GL to SL, which should eliminate differences between the two records and keep them in agreement. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states:[10]

> 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.

Because USAID has implemented new reconciliation procedures and will continue to resolve all old differences in FY 2016, we do not make a recommendation. However, we will monitor the progress to determine if the new procedures are effective.

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

USAID Office of Inspector General
November 16, 2015

[9] The Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is what federal agencies use to report trial balance data.
[10] "Control Activities," November 1999, page 11.

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

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

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

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

OMB Circular A–123

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

In FY 2015, USAID monitored key business processes, followed up on recommendations made in prior years, and developed new procedures for implementation in FY 2016.

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 USSGL at the transaction level. To meet this requirement, we performed tests of compliance with each of the three FFMIA Section 803(a) requirements. We observed two exceptions that we considered substantial noncompliance with FFMIA. Specifically, we noted noncompliance in accounting for reimbursable agreements, which deviated from:[11]

- Statement of Federal Financial Accounting Standards No.1, "Accounting for Selected Assets and Liabilities"

- USSGL at the transaction level

The CFO's office, which is responsible for the noncompliance, asserted that it has mitigating controls that negate the instances of noncompliance noted above. In addition, the office is developing new procedures for accounting for reimbursable agreement transactions in accordance with the standards. These procedures will be implemented in FY 2016.

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

- Reconciling its fund balance with the U.S. Treasury.
- Supporting funds obligated and expenses accrued.
- Reconciling intragovernmental transactions.
- Complying with federal accounting standards for reimbursable agreements.
- Making adjustments between the SL and the GL.

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

USAID Office of Inspector General
November 16, 2015

[11] Significant deficiency on noncompliance with federal standards in accounting for reimbursable agreements in the Report on Internal Control.

Appendix II
Page 1 of 2

MANAGEMENT COMMENTS

November 13, 2015

MEMORANDUM

TO: Nathan Lokos, AIG/A

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

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2015 and 2014

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2015 and 2014* and for the professionalism exhibited by your staff throughout this process. Fiscal Year (FY) 2015 was a significant year for federal financial management at USAID. We are pleased that the USAID Inspector General will issue an unmodified opinion on the Agency's principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are appreciated.

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

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

Management is pleased that the Office of the Inspector General (OIG) recognizes the Agency's significant progress in addressing the long-standing Fund Balance with Treasury (FBWT) issue, and agrees to maintain this material weakness until the legacy unexplained difference is fully addressed.

The integrated cash reconciliation system (eCART) that was implemented in late FY 2012, as well as the recent system improvements, including automating the DHHS cash reconciliation function in eCART, enabled the Agency to centralize and improve its FBWT reconciliation process. In addition, the comprehensive general ledger (GL) to subsidiary ledger (SL) reconciliation and related adjustments resulted in accurately identifying the difference in the Agency's FBWT in FY 2014 and FY 2015. These improvements enabled the Agency to segregate between the unexplained cash difference relating to legacy issues, and the explained difference related to normal identifiable and traceable open cash reconciling items. It is important to emphasize that having a difference with Treasury is not a weakness in and of itself, as long as open reconciling items are identifiable.

It is also important to note that while the change in net difference shows an increase of 12 percent in FY 2015 compared to FY 2014, the absolute value decreased by 75 percent, which demonstrates the Agency's continued progress in addressing its FBWT issue. The Agency will complete its analysis to substantiate the final unexplained FBWT difference and will coordinate with stakeholders to determine the best course of action to close out the material weakness.

Significant Deficiency: USAID Did Not Provide Support in a Timely Manner for Funds Obligated and Expenses Accrued

Management agrees with this finding. We are pleased that the OIG is no longer reporting the aged unliquidated obligations (ULO) as a repeat finding. This is due in large part by collaborative efforts made across the Agency.

Management acknowledges that the Agency did not provide information for quarters two and three in a timely manner. Subsequently in quarter four, as a result of OIG and management collaboration, the Agency provided information to the OIG's satisfaction.

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management agrees with this finding. We note that the OIG used the preliminary Management Differences Report (MDR) to determine the amount identified in this finding. However, by using the Treasury's draft scorecard, the amount would be different because it excludes billions in differences that are not currently accommodated for in the Treasury General Fund.

The Agency has made significant progress to reconcile its Intragovernmental transactions, and has improved its Treasury scorecard ranking from the sixth largest contributor in FY 2012, to the twenty-third largest contributor in FY 2015, as noted by the OIG.

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

Management agrees with this finding. The Agency anticipates that this finding will be resolved in FY 2016.

Significant Deficiency: Certain Account Balances in USAID's General Ledger Did Not Agree With Balances in Corresponding Accounts in the Subsidiary Ledger

Management agrees with this finding. As noted by the OIG, the Agency posted a large number of adjustments to correct its GL and bring it into agreement with the SL. As a result, the GL and SL differences have been reduced significantly. The Agency also instituted a monthly reconciliation process to detect and address any new differences. Equally important, the Agency implemented additional internal control procedures to address the root causes of these differences to prevent them from reoccurring.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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

Status of 2014 Findings and Recommendations

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

Status: The target completion date is December 31, 2015.

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

Status: The target completion date is December 31, 2015.

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

Status: This recommendation was closed on September 30, 2015.

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

Status: This recommendation was closed on September 25, 2015.

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

Status: This recommendation was closed on September 25, 2015.

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

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

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

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

Status of 2013 Findings and Recommendations

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

Status: The target completion date is December 31, 2015.

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

Status: This recommendation was closed on September 29, 2015.

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

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

Status of 2012 Findings and Recommendations

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

Status: The target completion date is December 31, 2015.

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 was closed on September 30, 2015.

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

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

Status: This recommendation was closed on March 31, 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 the Treasury.

Status: This recommendation is still pending final action. 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 the Treasury's Financial Management Service.

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

FINANCIAL SECTION

FINANCIAL STATEMENTS AND NOTES

(Preceding page) **This Ethiopian family starts the day with milk. A USAID-supported resilience program is working to ensure families have access to milk and the cows that supply it. Get the full story "Milk for Life" at *stories.usaid.gov*.**

PHOTO: MORGANA WINGARD FOR USAID

(Above) **In September 2013, USAID awarded a grant to Surtab to help the company build and launch its first tablet PC in Haiti. Get the full story "Haiti's High-Tech Revolution" at *stories.usaid.gov*.**

PHOTO: DAVID ROCHKIND FOR USAID

INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

The **Principal Financial Statements** have been prepared to report the financial position and results of USAID's operations. The statements have been prepared from the books and records of the Agency in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*. The statements are produced in addition to other financial reports prepared by the Agency, in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. Subject to Appropriation Law, the Agency has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of a corresponding appropriation. The principal financial statements include restated comparative data for FY 2014 (see Note 19, *Restatement of FY 2014 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 2015 and FY 2014 consist of the following:

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

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

The **Consolidated Statement of Changes in Net Position** presents the change in USAID's net position resulting from the net cost of USAID operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2015 and 2014. 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, 2015 and 2014. 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 2014 note data has been restated due to correction of FY 2014 accounting errors, or recast to enable comparability with the FY 2015 presentation. Details of the FY 2014 financial restatement are presented in Note 19, *Restatement of FY 2014 Principal Financial Statements*.

Required Supplementary Information contains a Combining Schedule of Budgetary Resources for FY 2015 that provides additional information on amounts presented in the **Combined Statement of Budgetary Resources**.

Other Information contains a Combined Schedule of Spending that illustrates the application of available funding during FY 2015. It has as its basis the same data that is used to populate the Combined 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. USAID successfully executed corrective measures and regained an unmodified audit opinion on both the FY 2013 and FY 2012 principal financial statements. The OIG did not express an opinion on the FY 2014 financial statements, but has rendered an unmodified opinion on the comparative FY 2015 and FY 2014 (Restated) principal financial statements. The Agency remains committed to employing the systems, resources, and strategies necessary to ensure production of timely and accurate financial reports.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2015 and 2014

(In Thousands)

	2015	2014 (Restated)
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	$ 32,344,408	$ 30,862,134
Accounts Receivable (Notes 3 and 19)	48	23
Other Assets (Notes 4 and 19)	20,968	72,031
Total Intragovernmental	32,365,424	30,934,188
Cash and Other Monetary Assets (Notes 5 and 19)	370,613	394,181
Accounts Receivable, Net (Notes 3 and 19)	120,521	60,956
Direct Loans and Loan Guarantees, Net (Notes 6 and 19)	2,013,413	2,267,008
Inventory and Related Property, Net (Note 7)	62,224	35,785
General Property, Plant, and Equipment, Net (Notes 8 and 9)	64,857	75,995
Advances (Notes 4 and 19)	641,833	615,540
Total Assets	**$ 35,638,885**	**$ 34,383,653**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 19)	$ 39,934	$ 42,412
Debt (Note 11)	481,283	481,272
Liability for Capital Transfers to the General Fund of the Treasury (Notes 10 and 11)	1,834,738	2,059,883
Other Liabilities (Notes 10, 12, 13 and 19)	1,087,750	882,359
Total Intragovernmental	3,443,705	3,465,926
Accounts Payable (Notes 10 and 19)	1,810,849	1,733,292
Loan Guarantee Liability (Notes 6, 10 and 19)	2,866,890	2,352,070
Federal Employee and Veteran's Benefits (Note 13)	24,731	25,811
Other Liabilities (Notes 10, 12, 13 and 19)	596,508	603,300
Total Liabilities	**8,742,683**	**8,180,399**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations (Note 19)	26,339,211	25,608,990
Cumulative Results of Operations (Note 19)	556,991	594,264
Total Net Position (Note 19)	**26,896,202**	**26,203,254**
Total Liabilities and Net Position (Note 19)	**$ 35,638,885**	**$ 34,383,653**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2015 and 2014
(In Thousands)

Objectives	2015	2014 (Restated)
Peace and Security:		
Gross Costs	$ 719,808	$ 671,492
Less: Earned Revenue	(1,397)	(4,776)
Net Program Costs	718,411	666,716
Governing Justly and Democratically:		
Gross Costs	1,415,613	1,420,903
Less: Earned Revenue	(15,336)	(10,234)
Net Program Costs	1,400,277	1,410,669
Investing in People:		
Gross Costs	2,902,619	2,657,954
Less: Earned Revenue	(41,612)	(35,761)
Net Program Costs	2,861,007	2,622,193
Economic Growth:		
Gross Costs	4,801,565	4,697,764
Less: Earned Revenue	(825,255)	(626,226)
Net Program Costs	3,976,310	4,071,538
Humanitarian Assistance:		
Gross Costs	2,785,529	2,119,716
Less: Earned Revenue	(1,775)	(12,897)
Net Program Costs	2,783,754	2,106,819
Operating Unit Management:		
Gross Costs	791,213	719,348
Less: Earned Revenue	(2,378)	(5,249)
Net Program Costs	788,835	714,099
Net Cost of Operations (Notes 15, 16, and 19)	**$ 12,528,594**	**$ 11,592,034**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014 (Restated)
Cumulative Results of Operations:		
Beginning Balance	$ 557,222	$ 4,017,092
Adjustments – Correction of Errors	37,042	(3,049,986)
Beginning Balance, as Adjusted (Note 19)	594,264	967,106
Budgetary Financing Sources:		
Appropriations Used	12,288,421	11,180,513
Nonexchange Revenue	354	209
Donations and Forfeitures of Cash and Cash Equivalents	120,034	165,298
Transfers-in/out Without Reimbursement	–	–
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	22,871	63
Transfers-in/out Without Reimbursement	–	(169,500)
Imputed Financing	30,637	42,609
Other	29,004	–
Total Financing Sources	12,491,321	11,219,192
Net Cost of Operations (Notes 15, 16, and 19)	(12,528,594)	(11,592,034)
Net Change	(37,273)	(372,842)
Cumulative Results of Operations (Note 19)	556,991	594,264
Unexpended Appropriations:		
Beginning Balance	25,595,626	22,745,711
Adjustments – Correction of Errors	13,364	3,133,607
Beginning Balance, as Adjusted (Note 19)	25,608,990	25,879,318
Budgetary Financing Sources:		
Appropriations Received	13,089,344	10,379,630
Appropriations Transferred in/out	202,172	637,423
Other Adjustments	(272,874)	(106,868)
Appropriations Used	(12,288,421)	(11,180,513)
Total Budgetary Financing Sources	730,221	(270,328)
Total Unexpended Appropriations (Note 19)	26,339,211	25,608,990
Net Position (Note 19)	**$ 26,896,202**	**$ 26,203,254**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2015 and 2014

(In Thousands)

	2015		2014 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 8,201,447	$ 2,186,956	$ 9,701,694	$ 1,862,105
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	4,107	–	36,835	–
Unobligated Balance Brought Forward, October 1, as Adjusted	8,205,554	2,186,956	9,738,529	1,862,105
Recoveries of Prior Year Unpaid Obligations	1,229,327	429	557,370	168
Other Changes in Unobligated Balance (+ or -) (Note 19)	279,146	(13)	46,840	(1)
Unobligated Balance from Prior Year Budget Authority, Net	9,714,027	2,187,372	10,342,739	1,862,272
Appropriations (Discretionary and Mandatory)	12,898,707	–	10,432,681	6
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	23	–	273
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory) (Note 19)	1,355,835	993,469	1,000,088	585,854
Total Budgetary Resources (Note 19)	**$ 23,968,569**	**$ 3,180,864**	**$ 21,775,508**	**$ 2,448,405**
Status of Budgetary Resources:				
Obligations Incurred (Note 19)	$ 14,217,714	$ 106,204	$ 13,569,954	$ 261,449
Unobligated Balance, End of Year:				
Apportioned (Note 2)	8,395,024	248,463	7,467,785	222,517
Exempt from Apportionment (Note 2)	(4)	–	–	–
Unapportioned (Notes 2 and 19)	1,355,835	2,826,197	737,769	1,964,439
Total Unobligated Balance, End of Year	9,750,855	3,074,660	8,205,554	2,186,956
Total Budgetary Resources	**$ 23,968,569**	**$ 3,180,864**	**$ 21,775,508**	**$ 2,448,405**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2015 and 2014

(In Thousands)

	2015		2014 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ 20,555,551	$ 4,062	$ 18,597,614	$ 3,867
Adjustment to Unpaid Obligations, Start of Year (+ or -)	18,333	–	(398,320)	–
Obligations Incurred (Note 19)	14,217,714	106,204	13,569,954	261,449
Outlays (Gross) (-) (Note 19)	(13,527,862)	(105,520)	(10,605,875)	(261,086)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	(32,119)	–
Recoveries of Prior Year Unpaid Obligations (-) (Note 19)	(1,229,327)	(429)	(557,370)	(168)
Unpaid Obligations, End of Year (Note 19)	20,034,409	4,317	20,573,884	4,062
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1 (-)	(38,410)	35	(67,380)	–
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	–	–	(12,053)	–
Change in Uncollected Payments, Federal Sources (+ or -) (Note 19)	(463,660)	(18)	41,023	35
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or-)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(502,070)	17	(38,410)	35
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory) (Note 19)	$ 14,254,542	$ 993,492	$ 11,432,769	$ 586,133
Actual Offsetting Collections (Discretionary and Mandatory) (-) (Note 19)	(965,935)	(993,452)	(1,112,337)	(585,888)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -) (Note 19)	(462,880)	(18)	28,188	35
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Total) (Discretionary and Mandatory)	$ 12,825,727	$ 22	$ 10,348,620	$ 280
Outlays, Gross (Discretionary and Mandatory) (Note 19)	$ 13,527,862	$ 105,520	$ 10,605,875	$ 261,086
Actual Offsetting Collections (Discretionary and Mandatory) (-) (Note 19)	(965,935)	(993,452)	(1,112,337)	(585,888)
Outlays, Net (Total) (Discretionary and Mandatory) (Note 19)	12,561,927	(887,932)	9,493,538	(324,802)
Distributed Offsetting Receipts (-)	(193,254)	–	(241,127)	–
Agency Outlays, Net (Discretionary and Mandatory) (Note 19)	**$ 12,368,673**	**$ (887,932)**	**$ 9,252,411**	**$ (324,802)**

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

Development Assistance

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

International Disaster Assistance

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

Global Health and Child Survival

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

Complex Crisis Fund

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

Transition Initiatives

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

Direct and Guaranteed Loans

- *Direct Loan Program*

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

- *Urban and Environmental Program*

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

- *Micro and Small Enterprise Development Program*

  The Micro and Small Enterprise Development (MSED) Program was established to support private sector activities in developing countries by providing direct loans and loan guarantees to local micro and small enterprises. Although the MSED program is still active, most of USAID's new loan guarantee activity is managed through the Development Credit Authority (DCA) Program.

- *Development Credit Authority*

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

- *Israel Loan Guarantee Program*

  Congress authorized the Israel Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under the program, the U.S. Government guaranteed the repayment of up to $10.5 billion in loans from commercial sources. Borrowing was completed under the program during FY 2005.

- *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. The outstanding loan guarantees of $9.25 billion were paid off in September 2015.

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

  The Loan Guarantee authority for the MENA Program was initially established under Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Division I of Pub. L. No. 112-74, earmarked to provide support for the Republic of Tunisia. In FY 2014, this program was expanded to include Jordan and renamed the Middle East Northern Africa (MENA) Loan Guarantee Program. Under this program, the U. S. Government issues guarantees with respect to the payment obligations of MENA for notes. The budget cost associated with these notes, calculated in accordance with the Federal Credit Reform Act of 1990, is not to exceed $237 million. Using this budget cost as a basis for determining the loan guarantee, MENA issued notes totaling $4.25 billion in FY 2015.

- *Ukraine Loan Guarantee Program*

  The Loan Guarantee Program for Ukraine was established in accordance with Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014 (division K of Public Law 113-76). Ukraine issued a note (No. 72/23-6201338) totaling $2 billion. In addition, subsidy costs as of FY 2015 totaled $686 million. The Ukraine Loan Program is intended to help Ukraine meet its near-term social spending needs and insulate vulnerable Ukrainians from the impact of necessary economic adjustments.

FUND TYPES

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

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

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

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

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

The capital investment fund contains no-year (non-expiring) funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction 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 Commodity Credit Corporation, the Executive Office of the President, the Department of State, and Millennium Challenge Corporation.

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

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

F. FUND BALANCE WITH TREASURY

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

G. FOREIGN CURRENCY

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

H. ACCOUNTS RECEIVABLE

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

I. DIRECT LOANS AND LOAN GUARANTEES

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

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

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

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

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

J. ADVANCES

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

K. INVENTORY AND RELATED PROPERTY

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

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

L. PROPERTY, PLANT AND EQUIPMENT

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

M. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as Liabilities Not Covered by Budgetary Resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be nullified by the U.S. Government, acting in its sovereign capacity. USAID discloses these liabilities in Note 10, Liabilities Covered and Not Covered by Budgetary Resources.

N. LIABILITIES FOR LOAN GUARANTEES

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

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

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. Note 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 Balance Sheet and Notes 10 and 12 as Other Liabilities.

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. Note 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, and are composed solely of accounts receivable, net of allowances.

T. AGENCY COSTS

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

U. PARENT/CHILD REPORTING

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

- Department of 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, 2015 and 2014 (Restated) consisted of the following *(in thousands)*:

Fund Balance	2015	2014
Trust Funds	$ 268,465	$ 298,457
Revolving Funds	3,689,091	2,718,595
General Funds	28,339,476	27,898,048
Other Funds	47,376	(52,966)
Total	$ 32,344,408	$ 30,862,134

Status of Fund Balance with Treasury	2015	2014 (Restated)
Unobligated Balance		
Available	$ 8,643,483	$ 7,690,302
Unavailable	4,182,032	2,702,208
Obligated and Other Balances Not Yet Disbursed (Net)	19,518,893	20,469,624
Total (Note 19)	$ 32,344,408	$ 30,862,134

Fund Balance with Treasury is the aggregate amount of USAID's accounts with Treasury for which the agency is authorized to make payments. Other Funds include credit program and operating funds which are established to record amounts held for the loan guarantee and other operating funds. See also Note 19 that contains additional disclosures related to Fund Balance with Treasury.

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

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a null effect on the total Fund Balance with Treasury, but redistributed the allocations among the obligated and unobligated balances categories.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's Accounts Receivable, Net as of September 30, 2015 and 2014 (Restated) are as follows *(in thousands)*:

	Receivable Gross	Allowance Accounts	Receivable Net 2015	Receivable Net 2014 (Restated)
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 10	N/A	$ 10	$ 10
Accounts Receivable from Federal Agencies	93,328	N/A	93,328	268,089
Less Intra-Agency Receivables	(93,290)	N/A	(93,290)	(268,076)
Total Intragovernmental Accounts Receivable	48	N/A	48	23
Accounts Receivable from the Public (Note 19)	167,778	(47,257)	120,521	60,956
Total Receivables	$ 167,826	$ (47,257)	$ 120,569	$ 60,979

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

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

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

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a $9.8 million increase to Accounts Receivable.

NOTE 4. OTHER ASSETS

Other Assets as of September 30, 2015 and 2014 (Restated) consisted of Advances, as follows *(in thousands)*:

	2015	2014 (Restated)
Intragovernmental		
Advances to Federal Agencies	$ 20,968	$ 72,031
Total Intragovernmental	20,968	72,031
Advances to Contractors/Grantees	367,260	335,668
Advances to Host Country Governments and Institutions	242,041	158,744
Advances, Other	32,532	121,128
Total with the Public (Note 19)	641,833	615,540
Total Other Assets	$ 662,801	$ 687,571

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 2014 financial statements due to correction of error. Correction of the error resulted in a $41.5 million increase to Total Advances with the Public.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2015 and 2014 (Restated) are as follows *(in thousands)*:

	2015	2014 (Restated)
Other Cash	$ (342)	$ –
Foreign Currencies	370,955	394,181
Total Cash and Other Monetary Assets	$ 370,613	$ 394,181

Foreign Currencies are related to Foreign Currency Trust Funds which totaled $371 million in FY 2015 and $395 million in FY 2014, as disclosed in Note 12. USAID does not have any non-entity cash or other monetary assets.

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a reduction of $7 thousand in Foreign Currency cash.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

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

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

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

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

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

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

Summary of Loans Receivables, Net as of September 30, 2015 and 2014 (Restated) are as follows *(in thousands)*:

	2015	2014 (Restated)
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 1,678,138	$ 1,934,732
Net Direct Loans Obligated After 1991 (Present Value Method)	174,962	200,557
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	160,313	131,719
Total Loans Receivable, Net as reported on the Balance Sheet	$ 2,013,413	$ 2,267,008

DIRECT LOANS

Direct Loan amounts for loans obligated prior to 1992 and after 1991 as of September 30, 2015 and 2014 (Restated) are as follows *(in thousands)*:

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2015:				
Direct Loans	$ 1,850,035	$ 336,817	$ (508,714)	$ 1,678,138
MSED	29	5	(34)	–
Total	$ 1,850,064	$ 336,822	$ (508,748)	$ 1,678,138
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2014:				
Direct Loans	$ 2,134,390	$ 299,659	$ (499,317)	$ 1,934,732
MSED	29	5	(34)	–
Total	$ 2,134,419	$ 299,664	$ (499,351)	$ 1,934,732

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, 2015:				
Direct Loans	$ 764,619	$ 9,818	$ (691,243)	$ 83,194
UE – Subrogated Claims	59,889	29,984	1,895	91,768
MSED	–	–	–	–
Total	$ 824,508	$ 39,802	$ (689,348)	$ 174,962
Direct Loans Obligated After 1991 as of September 30, 2014 (Restated):				
Direct Loans	$ 741,231	$ 2	$ (621,783)	$ 119,450
UE – Subrogated Claims	56,708	26,039	(1,640)	81,107
MSED	–	–	–	–
Total	$ 797,939	$ 26,041	$ (623,423)	$ 200,557

Total Amount of Direct Loans Disbursed as of September 30, 2015 and 2014 are as follows *(in thousands)*:

Direct Loan Programs	2015	2014
Direct Loans	$ 2,614,654	$ 2,875,621
UE – Subrogated Claims	59,889	56,708
MSED	29	179
Total	$ 2,674,572	$ 2,932,508

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2015 and 2014 are as follows *(in thousands)*:

	2015				2014			
	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	$ 621,783	$ 1,640	$ 357	$ 623,780	$ 641,807	$ (4,832)	$ 357	$ 637,332
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:								
(A) Interest Rate Differential Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	–	–	–	–	–	–	–	–
Adjustments:								
(A) Loan Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–	–
(C) Foreclosed Property Acquired	–	–	–	–	–	–	–	–
(D) Loans Written Off	–	–	–	–	–	–	–	–
(E) Subsidy Allowance Amortization	–	–	–	–	55,659	–	–	55,659
(F) Other	69,460	(3,535)	(357)	65,568	(75,683)	6,472	–	(69,211)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 691,243	$ (1,895)	$ –	$ 689,348	$ 621,783	$ 1,640	$ 357	$ 623,780
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	$ 691,243	$ (1,895)	$ –	$ 689,348	$ 621,783	$ 1,640	$ 357	$ 623,780

Defaulted Guaranteed Loans as of September 30, 2015 and 2014 are as follows *(in thousands)*:

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2015				
UE	$ 150,572	$ 9,741	$ –	$ 160,313
Total	$ 150,572	$ 9,741	$ –	$ 160,313
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2014				
UE	$ 141,126	$ 19,613	$ (29,020)	$ 131,719
Total	$ 141,126	$ 19,613	$ (29,020)	$ 131,719

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In 2015, the UE Program experienced $7.9 million in defaults on payments.

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

GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2015 and 2014 are as follows *(in thousands)*:

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2015):		
UE	$ 503,298	$ 503,298
MSED	14,760	7,380
Israel	10,478,474	10,478,474
DCA	1,677,759	838,880
Ukraine	2,000,000	2,000,000
Egypt	–	–
MENA	4,245,911	4,245,911
Total	$ 18,920,202	$ 18,073,943
Guaranteed Loans Outstanding (2014):		
UE	$ 576,273	$ 576,273
MSED	14,760	7,380
Israel	10,537,379	10,537,379
DCA	282,386	141,193
Ukraine	1,000,000	1,000,000
Egypt	1,250,000	1,250,000
MENA	2,745,911	2,745,911
Total	$ 16,406,709	$ 16,258,136
New Guaranteed Loans Disbursed (2015):		
DCA	$ 17	$ 9
Ukraine	1,000,000	1,000,000
MENA	1,500,000	1,500,000
Total	$ 2,500,017	$ 2,500,009
New Guaranteed Loans Disbursed (2014):		
DCA	$ 9,863	$ 4,931
Ukraine	1,000,000	1,000,000
MENA	2,750,000	2,750,000
Total	$ 3,759,863	$ 3,754,931

Liability for Loan Guarantees as of September 30, 2015 and 2014 (Restated) are as follows *(in thousands)*:

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2015:			
UE	$ 176	$ 122,278	$ 122,454
MSED	–	(668)	(668)
Israel	–	1,004,642	1,004,642
DCA	–	70,963	70,963
Ukraine	–	686,614	686,614
Egypt	–	555,004	555,004
MENA	–	427,881	427,881
Total	$ 176	$ 2,866,714	$ 2,866,890
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2014 (Restated):			
UE	$ 980	$ 147,263	$ 148,243
MSED	–	(3,797)	(3,797)
Israel	–	1,019,745	1,019,745
DCA	–	71,850	71,850
Ukraine	–	314,874	314,874
Egypt	–	534,385	534,385
MENA	–	266,770	266,770
Total	$ 980	$ 2,351,090	$ 2,352,070

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2015 and 2014 are as follows *(in thousands)*:

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2015):					
DCA	$ –	$ 7,753	$ –	$ –	$ 7,753
Ukraine	–	446,506	–	–	446,506
MENA	–	185,604	–	–	185,604
Total	$ –	$ 639,863	$ –	$ –	$ 639,863
Subsidy Expense for New Loan Guarantees (2014):					
DCA	$ –	$ 8,349	$ –	$ –	$ 8,349
Ukraine	–	193,800	–	–	193,800
MENA	–	236,875	–	–	236,875
Total	$ –	$ 439,024	$ –	$ –	$ 439,024

(continued on next page)

(continued)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2015):				
UE	$ –	$ –	$ (1,588)	$ (1,588)
Israel	–	–	(18,144)	(18,144)
DCA	–	–	15,843	15,843
Ukraine	–	–	(84,233)	(84,233)
Egypt	–	–	–	–
MENA	–	–	24,221	24,221
Total	$ –	$ –	$ (63,901)	$ (63,901)
Modifications and Reestimates (2014):				
UE	$ –	$ –	$ (7,914)	$ (7,914)
Israel	–	–	19,169	19,169
DCA	–	–	(9,268)	(9,268)
Ukraine	–	–	118,729	118,729
Egypt	–	–	53,759	53,759
MENA	–	–	12,812	12,812
Total	$ –	$ –	$ 187,287	$ 187,287

Total Loan Guarantee Subsidy Expense as of September 30, 2015 and 2014 are as follows *(in thousands)*:

Loan Guarantee Programs	2015	2014
UE	$ (1,588)	$ (7,914)
Israel	(18,144)	19,169
DCA	23,596	(919)
Ukraine	362,273	312,529
Egypt	–	53,759
MENA	209,825	249,687
Total	$ 575,962	$ 626,311

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

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

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	–	7.61%	(1.31)%	–	6.30%
Ukraine	–	44.00%	0.00%	–	44.00%
MENA	–	8.36%	0.00%	–	8.36%

Schedule for Reconciling Loan Guarantee Liability Balances as of September 30, 2015 and 2014 (Restated) are as follows *(in thousands)*:

2015: Post-1991 Loan Guarantees

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

2014 (Restated): Post-1991 Loan Guarantees

	DCA	MSED	UE	Israel	Egypt	Ukraine	MENA	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Loan Guarantee Liability	$ 72,432	$ (661)	$ 147,863	$ 1,153,581	$ 460,855	$ –	$ 12,783	$1,846,853
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:								
(A) Interest Supplement Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 72,432	$ (661)	$ 147,863	$ 1,153,581	$ 460,855	$ –	$ 12,783	$1,846,853
Adjustments:								
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	1,830	1,136	940	–	–	–	–	3,906
(C) Interest Supplements Paid	–	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(5,199)	10	(8,341)	(224,970)	–	–	44	(238,456)
(F) Interest Accumulation on the Liability Balance	2,890	–	3,407	71,966	19,770	2,345	4,343	104,721
(G) Other	9,165	(4,282)	12,288	(1)	1	193,800	236,788	447,759
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 81,118	$ (3,797)	$ 156,157	$ 1,000,576	$ 480,626	$196,145	$253,958	$2,164,783
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(9,268)	–	(7,914)	19,169	53,759	118,729	12,812	187,287
Total of the Above Reestimate Components	(9,268)	–	(7,914)	19,169	53,759	118,729	12,812	187,287
Ending Balance of the Loan Guarantee Liability	$ 71,850	$ (3,797)	$ 148,243	$ 1,019,745	$ 534,385	$314,874	$266,770	$2,352,070

Administrative Expense as of September 30, 2015 and 2014 are as follows *(in thousands)*:

Loan Programs	2015	2014
DCA	$ 10,156	$ 16,222
Total	$ 10,156	$ 16,222

OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. No country is in violation of Section 620q of the Foreign Assistance Act, that is more than six months delinquent. Five countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $469.07 million that is more than one year delinquent.

2. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in Fiscal Year 2016.

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

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

5. USAID's Loan Guarantee Programs include: Israel Loan Guarantee, $10.5 billion, Ukraine Loan $2 billion andMENA (Middle East Northern Africa) $4.25 billion. The Israel Loan guarantees the repayment of loans made from commercial sources that cover the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. The program also guarantees the repayment of loans that support Israel's comprehensive economic plan to overcome economic difficulties and create conditions for higher and sustainable growth. The Ukraine Loan Guarantee is intended to help Ukraine meet its near-term social spending needs and insulate vulnerable Ukrainians from the impact of necessary economic adjustments. The Jordan Loan Guarantee will help to ensure that Jordan can continue to provide critical services to its citizens as it hosts the nearly 630,000 refugees registered by the United Nations High Commissioner for Refugees who have fled the violence in Syria. The U.S. loan guarantee agreement is designed to support specific economic reforms that the Government of Jordan has been pursuing in order to promote economic stability, growth and prosperity for the Jordanian people. As of September 30, 2015, $18.1 billion in loan guarantees remain outstanding.

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, 2015 and 2014 are as follows *(in thousands)*:

	2015	2014
Items Held for Use		
Office Supplies	$ 3,899	$ 2,361
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	11,978	8,594
Birth Control Supplies	46,347	24,830
Total Inventory and Related Property	$ 62,224	$ 35,785

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

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant and Equipment (PP&E), Net as of September 30, 2015 and 2014 are as follows *(in thousands)*:

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2015	Net Book Value 2014
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 73,718	$ (58,582)	$ 15,136	$ 18,336
Buildings, Improvements, and Renovations	5 to 20 years	82,237	(47,274)	34,963	41,184
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	118,210	(110,655)	7,555	9,272
Total PP&E		$ 281,368	$ (216,511)	$ 64,857	$ 75,995

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, 2015 and 2014 Leases consisted of the following *(in thousands)*:

Entity as Lessee	2015	2014
Capital Leases:		
Summary of Assets Under Capital Lease:		
Buildings	$ –	$ –
Accumulated Depreciation	–	–
Net Assets under Capital Leases	$ –	$ –

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

Operating Leases:

Future Payments Due: Fiscal Year	2015 Future Costs
2016	$ 94,065
2017	90,074
2018	80,727
2019	63,462
2020	58,349
After 5 Years	10,876
Total Future Lease Payments	$ 397,553

Operating lease payments total $397 million in future lease payments, of which $299 million is for the USAID headquarters in Washington, D.C. and the remainder is for the missions. The current lease agreements are for approximately 802,417 sq. feet for the headquarters. The expiration dates for the headquarters leases are in FY 2016 through FY 2021, and the expiration dates for the missions' leases are in FY 2016 through FY 2025. All the leases are non-cancelable and the lessor is the General Services Administration (GSA), which charges commercial rates for USAID's occupancy.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

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

Liabilities not covered by budgetary resources include accrued unfunded annual leave and separation pay. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided. Accrued unfunded annual leave, workers' compensation benefits, and separation pay represent future liabilities not currently funded by budgetary resources, but that will be funded as they become due with future resources. The Debt-Contingent Liabilities for Loan Guarantees line item 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, 2015 and 2014 (Restated) Liabilities Covered and Not Covered by Budgetary Resources were as follows *(in thousands)*:

	2015	2014 (Restated)
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable (Note 19)	$ 39,934	$ 42,412
Debt (Note 11)	481,283	481,272
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	1,834,738	2,059,883
Other Liabilities (Notes 12 and 19)	540,634	660,643
IPAC Suspense	20,510	(57,603)
Total Intragovernmental	2,917,099	3,186,607
Accounts Payable (Note 19)	1,807,267	1,712,795
Disbursements in Transit	3,582	20,497
Total Accounts Payable with Public	1,810,849	1,733,292
Loan Guarantee Liability (Notes 6 and 19)	2,866,714	2,351,090
Other Liabilities with Public (Note 19)	542,064	551,386
Total Liabilities Covered by Budgetary Resources	$ 8,136,726	$ 7,822,375
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
Unfunded FECA Liability (Note 13)	$ 7,589	$ 7,626
Other Unfunded Employment Related Liability	92	143
Other Liabilities (Notes 12 and 19)	518,925	271,550
Total Intragovernmental (Note 12)	$ 526,606	$ 279,319
Accrued Annual Leave	54,444	51,914
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	54,444	51,914
Future Workers' Compensation Benefits (Note 13)	24,731	25,811
Debt – Contingent Liabilities for Loan Guarantees (Note 6)	176	980
Total Liabilities Not Covered by Budgetary Resources	605,957	358,024
Total Liabilities	$ 8,742,683	$ 8,180,399

NOTE 11. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2015 and 2014 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt *(in thousands)*:

Debt Due to Treasury	2014 Beginning Balance	Net Borrowing	2014 Ending Balance	Net Borrowing	2015 Ending Balance
Direct Loans	$ 478,291	$ –	$ 478,291	$ –	$ 478,291
DCA	2,709	272	2,981	11	2,992
Total Treasury Debt	$ 481,000	$ 272	$ 481,272	$ 11	$ 481,283

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

In FY 2015, no interest was accrued for Development Credit Authority (DCA) and Direct Loans.

The above disclosed debt is principal payable to Treasury, on financing account borrowings under the Federal Credit Reform Act and net liquidating account equity in the amount of $1.8 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, 2015 and 2014 (Restated) Other Liabilities consisted of the following *(in thousands)*:

	2015	2014 (Restated)
Intragovernmental		
IPAC Suspense	$ 20,510	$ (57,603)
Unfunded FECA Liability (Note 13)	7,589	7,626
Custodial Liability	6,323	5,836
Employer Contributions & Payroll Taxes Payable	6,957	3,941
Other Unfunded Employment Related Liability	92	143
Liability for Advances and Prepayments	527,354	650,866
Other Liabilities (Notes 10 and 19)	518,925	271,550
Total Intragovernmental	$ 1,087,750	$ 882,359
Accrued Funded Payroll and Leave	31,259	24,032
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	54,444	51,914
Advances From Others	6,035	3,253
Deferred Credits	–	–
Foreign Currency Trust Fund	370,988	394,969
Capital Lease Liability (Note 9)	–	–
Other Liabilities (Note 19)	133,782	129,132
Total Liabilities With the Public	$ 596,508	$ 603,300
Total Other Liabilities	$ 1,684,258	$ 1,485,659

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

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a decrease of $320 thousand to Other Liabilities.

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2015 and 2014 are indicated in the table below *(in thousands)*:

Accrued Unfunded Workers' Compensation Benefits	2015	2014
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 24,731	$ 25,811
Unfunded FECA Liability	7,589	7,626
Total Accrued Unfunded Workers' Compensation Benefits	$ 32,320	$ 33,437

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 2015, USAID's total FECA liability was $32 million, comprised of unpaid FECA billings for $7.6 million and estimated future FECA costs of $24.7 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, 2015, four out of five open cases were settled, leaving one case still pending with no change in status between the third quarter ending June 30, 2015 and the 4th quarter ending September 30, 2015. Details on both the pending and settled cases follows:

- The pending 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 first settled case was a contract claim that USAID wrongfully withheld payment for invoices submitted under the terms of a "Hurricane Mitch" host-country contract. The estimated loss was $2.2 million. In January 2015 this case was settled as part of a global settlement involving other matters. It was a net zero settlement.
- The second settled case was a companion to the prior case, in which a contractor sought compensation for efforts and expenses it claimed to have incurred under a terminated

host country contract. The estimated loss was $1.8 million. In January 2015 this case was settled as part of a global settlement involving other matters. It was a net zero settlement.

- The third settled case is a Federal Tort Claim Act alleging negligence on the part of USAID that resulted in arrest and incarceration. Following the briefing, the court dismissed the complaint; thereafter the claimants appealed the dismissal. The Court of Appeals affirmed the dismissal; however, a petition for certiorari at the Supreme Court was filed by the claimants. This case was monetarily settled in January 2015.
- The fourth settled case is a claim under the Contracts Dispute Act with an estimated loss of $6 million. This case was monetarily settled in January 2015.

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

NOTE 15. SCHEDULE OF COSTS AND EARNED REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by Objective and Responsibility Segments, as of September 30, 2015. These objectives are consistent with the State-USAID Strategic Planning Framework.

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

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

Program Costs and Earned Revenue sources relate to transactions between USAID and other Federal entities. Public costs and earned revenues on the other hand relate to transactions between USAID and non-Federal entities. Program Costs and Earned Revenue by Responsibility Segment for the years ended September 30, 2015 and 2014 (Restated) are indicated in the table on the following pages *(in thousands)*:

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a reduction of $79 million in Net Cost of Operations.

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	Adjustments	2015 Total	2014 Restated Total
Peace and Security													
Intragovernmental Costs	$ 2,858	$ 726	$ 8,751	$ 1,042	$ 3,793	$ –	$ –	$ 5,464	$ 2,721	$ 4,040	$ 77	$ 29,472	$ 22,135
Public Costs	108,094	21,323	156,995	5,115	64,160	–	–	140,935	15,725	175,732	2,257	690,336	649,357
Total Program Costs	110,952	22,049	165,746	6,157	67,953	–	–	146,399	18,446	179,772	2,334	719,808	671,492
Intragovernmental Earned Revenue	(400)	(111)	(476)	(160)	(582)	–	–	(840)	(48)	(613)	1,980	(1,250)	(4,222)
Public Earned Revenue	(11)	(5)	(87)	(7)	(25)	–	–	(37)	(2)	(207)	234	(147)	(554)
Total Earned Revenue	(411)	(116)	(563)	(167)	(607)	–	–	(877)	(50)	(820)	2,214	(1,397)	(4,776)
Net Program Costs	**110,541**	**21,933**	**165,183**	**5,990**	**67,346**	**–**	**–**	**145,522**	**18,396**	**178,952**	**4,548**	**718,411**	**666,716**
Governing Justly and Democratically													
Intragovernmental Costs	4,267	4,102	2,205	108	5,591	–	742	6,133	6,063	16,780	161	46,152	51,470
Public Costs	169,502	110,273	70,191	9,538	132,862	–	6,381	169,358	148,736	547,842	4,778	1,369,461	1,369,433
Total Program Costs	173,769	114,375	72,396	9,646	138,453	–	7,123	175,491	154,799	564,622	4,939	1,415,613	1,420,903
Intragovernmental Earned Revenue	(648)	(632)	(298)	–	(833)	–	(113)	(914)	(560)	(2,082)	1,423	(4,657)	(9,072)
Public Earned Revenue	–	(27)	(13)	–	(476)	–	(5)	(60)	(11,565)	(1,794)	3,261	(10,679)	(1,162)
Total Earned Revenue	(648)	(659)	(311)	–	(1,309)	–	(118)	(974)	(12,125)	(3,876)	4,684	(15,336)	(10,234)
Net Program Costs	**173,121**	**113,716**	**72,085**	**9,646**	**137,144**	**–**	**7,005**	**174,517**	**142,674**	**560,746**	**9,623**	**1,400,277**	**1,410,669**
Investing in People													
Intragovernmental Costs	73,919	19,464	2,016	10,067	1,613	14,179	1,070	7,544	14,343	10,839	492	155,546	168,445
Public Costs	652,034	228,433	72,410	140,259	23,781	586,395	6,950	133,014	454,445	440,664	8,688	2,747,073	2,489,509
Total Program Costs	725,953	247,897	74,426	150,326	25,394	600,574	8,020	140,558	468,788	451,503	9,180	2,902,619	2,657,954
Intragovernmental Earned Revenue	(10,992)	(2,940)	(279)	(4,886)	(258)	(2,176)	(164)	(1,141)	(1,827)	(1,544)	4,535	(21,672)	(27,858)
Public Earned Revenue	(1,290)	(125)	(12)	(22,381)	(11)	(93)	(7)	(49)	(78)	(66)	4,172	(19,940)	(7,903)
Total Earned Revenue	(12,282)	(3,065)	(291)	(27,267)	(269)	(2,269)	(171)	(1,190)	(1,905)	(1,610)	8,707	(41,612)	(35,761)
Net Program Costs	**713,671**	**244,832**	**74,135**	**123,059**	**25,125**	**598,305**	**7,849**	**139,368**	**466,883**	**449,893**	**17,887**	**2,861,007**	**2,622,193**

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	Adjustments	2015 Total	2014 Restated Total
Economic Growth													
Intragovernmental Costs	41,434	21,555	96	174,117	–	–	15,150	26,928	23,106	21,824	965	325,175	472,200
Public Costs	775,977	409,312	7,475	765,213	510,304	–	112,074	265,011	900,601	717,133	13,290	4,476,390	4,225,564
Total Program Costs	817,411	430,867	7,571	939,330	510,304	–	127,224	291,939	923,707	738,957	14,255	4,801,565	4,697,764
Intragovernmental Earned Revenue	(2,920)	(2,209)	(334)	(146,891)	(769)	–	(2,334)	(1,597)	(3,382)	(549,449)	11,442	(698,443)	(624,811)
Public Earned Revenue	(8,197)	(94)	(1)	(93,919)	(33)	–	(99)	(68)	(31)	(26,447)	2,077	(126,812)	(1,415)
Total Earned Revenue	(11,117)	(2,303)	(335)	(240,810)	(802)	–	(2,433)	(1,665)	(3,413)	(575,896)	13,519	(825,255)	(626,226)
Net Program Costs	**806,294**	**428,564**	**7,236**	**698,520**	**509,502**	**–**	**124,791**	**290,274**	**920,294**	**163,061**	**27,774**	**3,976,310**	**4,071,538**
Humanitarian Assistance													
Intragovernmental Costs	146	7,463	81,586	–	1,068	–	–	1,429	466	–	244	92,402	81,370
Public Costs	145	34,381	2,578,943	2,792	17,603	–	–	28,659	19,904	3,568	7,132	2,693,127	2,038,346
Total Program Costs	291	41,844	2,660,529	2,792	18,671	–	–	30,088	20,370	3,568	7,376	2,785,529	2,119,716
Intragovernmental Earned Revenue	(1)	(181)	(7,170)	–	(165)	–	–	(202)	(72)	–	6,214	(1,577)	(11,350)
Public Earned Revenue	–	(6)	(955)	–	(7)	–	–	(9)	(3)	–	782	(198)	(1,547)
Total Earned Revenue	(1)	(187)	(8,125)	–	(172)	–	–	(211)	(75)	–	6,996	(1,775)	(12,897)
Net Program Costs	**290**	**41,657**	**2,652,404**	**2,792**	**18,499**	**–**	**–**	**29,877**	**20,295**	3,568	**14,372**	**2,783,754**	**2,106,819**
Operating Unit Management													
Intragovernmental Costs	29,555	10,789	27,424	43,835	5,423	–	2,950	8,867	3,688	8,230	447	141,208	157,856
Public Costs	127,964	59,513	108,457	101,798	26,483	–	20,247	63,527	34,272	105,691	2,053	650,005	561,492
Total Program Costs	157,519	70,302	135,881	145,633	31,906	–	23,197	72,394	37,960	113,921	2,500	791,213	719,348
Intragovernmental Earned Revenue	(801)	(461)	(318)	(1,516)	(188)	–	(403)	(420)	(116)	(297)	2,259	(2,261)	(4,410)
Public Earned Revenue	(34)	(20)	(14)	(65)	(8)	–	(17)	(21)	(5)	(45)	112	(117)	(839)
Total Earned Revenue	(835)	(481)	(332)	(1,581)	(196)	–	(420)	(441)	(121)	(342)	2,371	(2,378)	(5,249)
Net Program Costs	**156,684**	**69,821**	**135,549**	**144,052**	**31,710**	**–**	**22,777**	**71,953**	**37,839**	**113,579**	**4,871**	**788,835**	**714,099**
Adjustments	**12,453**	**5,847**	**19,732**	**6,250**	**5,014**	**3,800**	**1,032**	**5,409**	**10,203**	**9,335**	**79,075**		
Net Cost of Operations (Note 19)	**$ 1,973,054**	**$ 926,370**	**$ 3,126,324**	**$ 990,309**	**$ 794,340**	**$ 602,105**	**$163,454**	**$ 856,920**	**$1,616,584**	**$1,479,134**		**$ 12,528,594**	**$ 11,592,034**

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

The Schedule of Costs by Program Area 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 fourth quarter FY 2015 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 Environment (E3); Global Health; and Innovation and Development Alliances (IDEA).

USAID uses a number of programs, administered through the responsibility segments, to execute the strategic objectives of the Agency. Where possible, a one-to-one relationship is maintained between the Program Areas and Objectives. That is, the costs and earned revenue generated by an individual program (e.g., Counternarcotics) are mapped to only one objective (e.g., Peace and Security). As of FY 2015 there are 27 program areas, distributed under the 6 strategic objectives.

Schedule of Costs by Program Area as of September 30, 2015 and 2014 (Restated) are indicated in the table on the following pages *(in thousands)*:

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a reduction of $79 million in Net Cost of Operations.

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	Adjustments	2015 Consolidated Total	2014 Restated Consolidated Total
Peace and Security													
Counterterrorism													
Gross Costs	$ 36,021	$ 54	$ 1,330	$ –	$ –	$ –	$ –	$ –	$ 7,382	$ –	$ 145	$ 44,932	$ 33,732
Less: Earned Revenues	(146)	–	(2)	–	–	–	–	–	(21)	–	104	(65)	(199)
Net Program Costs	35,875	54	1,328	–	–	–	–	–	7,361	–	249	44,867	33,533
Combating Weapons of Mass Destruction (WMD)													
Gross Costs	–	–	4	–	55,384	–	–	–	–	–	180	55,568	30,519
Less: Earned Revenues	–	–	–	–	(530)	–	–	–	–	–	325	(205)	(554)
Net Program Costs	–	–	4	–	54,854	–	–	–	–	–	505	55,363	29,965
Stabilization Operations and Security Sector Reform													
Gross Costs	3	405	4	–	1,928	–	–	14,870	–	13,255	100	30,565	10,989
Less: Earned Revenues	–	–	–	–	(11)	–	–	(89)	–	(51)	92	(59)	(34)
Net Program Costs	3	405	4	–	1,917	–	–	14,781	–	13,204	192	30,506	10,955
Counternarcotics													
Gross Costs	–	–	4	–	–	–	–	131,271	–	27,907	518	159,700	154,998
Less: Earned Revenues	–	–	–	–	–	–	–	(779)	–	(83)	529	(333)	(1,255)
Net Program Costs	–	–	4	–	–	–	–	130,492	–	27,824	1,047	159,367	153,743
Transnational Crime													
Gross Costs	3	8,827	693	6	1,400	–	–	256	–	–	37	11,222	10,374
Less: Earned Revenues	–	(46)	(2)	–	(9)	–	–	(7)	–	–	39	(25)	(26)
Net Program Costs	3	8,781	691	6	1,391	–	–	249	–	–	76	11,197	10,348
Conflict Mitigation and Reconciliation													
Gross Costs	74,926	12,763	163,711	6,151	9,242	–	–	–	11,064	138,610	1,354	417,821	430,880
Less: Earned Revenues	(266)	(70)	(559)	(167)	(58)	–	–	–	(29)	(686)	1,125	(710)	(2,708)
Net Program Costs	74,660	12,693	163,152	5,984	9,184	–	–	–	11,035	137,924	2,479	417,111	428,172
Total Peace and Security	**110,541**	**21,933**	**165,183**	**5,990**	**67,346**	**–**	**–**	**145,522**	**18,396**	**178,952**	**4,548**	**718,411**	**666,716**
Governing Justly and Democratically													
Rule of Law and Human Rights													
Gross Costs	12,828	31,416	3,717	667	31,442	–	3,052	52,141	26,484	2,753	575	165,075	202,334
Less: Earned Revenues	(34)	(175)	(25)	–	(203)	–	(63)	(283)	(91)	(11)	208	(677)	(1,665)
Net Program Costs	12,794	31,241	3,692	667	31,239	–	2,989	51,858	26,393	2,742	783	164,398	200,669
Good Governance													
Gross Costs	67,733	35,073	43,917	497	33,171	–	–	79,107	41,966	492,340	2,780	796,584	690,999
Less: Earned Revenues	(247)	(211)	(121)	–	(207)	–	–	(450)	(163)	(3,641)	1,179	(3,861)	(4,770)
Net Program Costs	67,486	34,862	43,796	497	32,964	–	–	78,657	41,803	488,699	3,959	792,723	686,229
Political Competition and Consensus-Building													
Gross Costs	37,116	14,225	14,214	1,156	20,886	–	2,231	16,485	35,195	40,004	635	182,147	233,451
Less: Earned Revenues	(138)	(87)	(100)	–	(134)	–	(20)	(67)	(9,775)	(139)	2,447	(8,013)	(1,449)
Net Program Costs	36,978	14,138	14,114	1,156	20,752	–	2,211	16,418	25,420	39,865	3,082	174,134	232,002
Civil Society													
Gross Costs	55,863	33,661	10,549	7,326	52,954	–	1,840	27,758	51,382	29,525	949	271,807	294,119
Less: Earned Revenues	–	(186)	(66)	–	(765)	–	(35)	(174)	(2,324)	(85)	850	(2,785)	(2,350)
Net Program Costs	55,863	33,475	10,483	7,326	52,189	–	1,805	27,584	49,058	29,440	1,799	269,022	291,769
Total Governing Justly and Democratically	**173,121**	**113,716**	**72,085**	**9,646**	**137,144**	**–**	**7,005**	**174,517**	**142,674**	**560,746**	**9,623**	**1,400,277**	**1,410,669**

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	Adjustments	2015 Consolidated Total	2014 Restated Consolidated Total
Investing in People													
Health													
Gross Costs	436,342	98,108	21,238	11,836	13,394	600,104	8,020	49,424	158,799	258,149	5,252	1,660,666	1,636,759
Less: Earned Revenues	(11,820)	(2,274)	(71)	(165)	(197)	(2,268)	(171)	(620)	(564)	(899)	3,295	(15,754)	(21,879)
Net Program Costs	424,522	95,834	21,167	11,671	13,197	597,836	7,849	48,804	158,235	257,250	8,547	1,644,912	1,614,880
Education													
Gross Costs	283,669	138,895	13,290	117,334	9,275	–	–	67,018	116,192	175,127	2,921	923,721	828,879
Less: Earned Revenues	(1,131)	(736)	(55)	(1,266)	(55)	–	–	(387)	(412)	(641)	812	(3,871)	(4,535)
Net Program Costs	282,538	138,159	13,235	116,068	9,220	–	–	66,631	115,780	174,486	3,733	919,850	824,344
Social and Economic Services and Protection for Vulnerable Populations													
Gross Costs	6,611	10,894	39,898	21,155	2,725	470	–	24,116	193,128	18,228	1,007	318,232	192,315
Less: Earned Revenues	–	(55)	(165)	(25,835)	(17)	(1)	–	(183)	(260)	(71)	4,600	(21,987)	(9,347)
Net Program Costs	6,611	10,839	39,733	(4,680)	2,708	469	–	23,933	192,868	18,157	5,607	296,245	182,969
Total Investing in People	**713,671**	**244,832**	**74,135**	**123,059**	**25,125**	**598,305**	**7,849**	**139,368**	**466,883**	**449,893**	**17,887**	**2,861,007**	**2,622,193**
Economic Growth													
Macroeconomic Foundation for Growth													
Gross Costs	9,455	6,738	–	231,993	379,676	–	701	6,506	720,026	6,408	4,055	1,365,558	1,652,171
Less: Earned Revenues	(16)	(29)	–	(81,453)	(7)	–		(36)	(2,818)	(14)	1,361	(83,012)	(535,663)
Net Program Costs	9,439	6,709	–	150,540	379,669	–	701	6,470	717,208	6,394	5,416	1,282,546	1,116,508
Trade and Investment													
Gross Costs	40,061	23,427	–	12,886	4,382	–	3,078	13,668	7,658	38,791	429	144,380	117,891
Less: Earned Revenues	(148)	(131)	–	(164)	(25)	–	(52)	(86)	(1)	(897)	24	(1,480)	(652)
Net Program Costs	39,913	23,296	–	12,722	4,357	–	3,026	13,582	7,657	37,894	453	142,900	117,239
Financial Sector													
Gross Costs	4,177	747	–	154,593	6,826	–	1,086	79	28,793	5,790	602	202,693	99,769
Less: Earned Revenues	(19)	(5)	–	(154,223)	(40)	–	(20)	–	(58)	(20)	2,488	(151,897)	(53,631)
Net Program Costs	4,158	742	–	370	6,786	–	1,066	79	28,735	5,770	3,090	50,796	46,138
Infrastructure													
Gross Costs	77,443	15,998	–	5,367	31,542	–	872	21,766	41,816	460,298	1,951	657,053	643,146
Less: Earned Revenues	(328)	(99)	–	(116)	(210)	–	(3)	(119)	(170)	(571,742)	9,232	(563,555)	(22,332)
Net Program Costs	77,115	15,899	–	5,251	31,332	–	869	21,647	41,646	(111,444)	11,183	93,498	620,814
Agriculture													
Gross Costs	521,622	120,435	–	277,171	6,492	–	1,212	73,429	14,467	147,796	3,463	1,166,087	1,013,905
Less: Earned Revenues	(10,002)	(614)	–	(54)	(35)	–	(19)	(393)	(53)	(2,962)	228	(13,904)	(2,842)
Net Program Costs	511,620	119,821	–	277,117	6,457	–	1,193	73,036	14,414	144,834	3,691	1,152,183	1,011,063
Private Sector Competitiveness													
Gross Costs	23,321	31,484	–	19,640	67,721	–	8,937	39,349	86,146	65,866	1,023	343,487	322,625
Less: Earned Revenues	(93)	(173)	–	(464)	(393)	–	(167)	(214)	(250)	(207)	30	(1,931)	(1,448)
Net Program Costs	23,228	31,311	–	19,176	67,328	–	8,770	39,135	85,896	65,659	1,053	341,556	321,177

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Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	Adjustments	2015 Consolidated Total	2014 Restated Consolidated Total
Economic Opportunity													
Gross Costs	11,798	7,390	–	25,287	7,609	–	111,337	5,118	17,631	10,707	586	197,463	182,975
Less: Earned Revenues	(52)	(35)	(320)	(430)	(52)	–	(2,171)	(37)	(41)	(45)	52	(3,131)	(4,726)
Net Program Costs	11,746	7,355	(320)	24,857	7,557	–	109,166	5,081	17,590	10,662	638	194,332	178,249
Environment													
Gross Costs	129,535	224,649	7,571	212,393	6,058	–	–	132,023	7,170	3,299	2,146	724,844	665,282
Less: Earned Revenues	(460)	(1,218)	(15)	(3,906)	(42)	–	–	(779)	(22)	(7)	104	(6,345)	(4,932)
Net Program Costs	129,075	223,431	7,556	208,487	6,016	–	–	131,244	7,148	3,292	2,250	718,499	660,350
Total Economic Growth	**806,294**	**428,564**	**7,236**	**698,520**	**509,502**	**–**	**124,791**	**290,274**	**920,294**	**163,061**	**27,774**	**3,976,310**	**4,071,538**
Humanitarian Assistance													
Protection, Assistance and Solutions													
Gross Costs	–	31,203	2,526,181	–	18,670	–	–	18,834	20,370	3,568	6,953	2,625,779	1,882,866
Less: Earned Revenues	–	(139)	(7,747)	–	(171)	–	–	(102)	(75)	–	6,567	(1,667)	(11,861)
Net Program Costs	–	31,064	2,518,434	–	18,499	–	–	18,732	20,295	3,568	13,520	2,624,112	1,871,005
Disaster Readiness													
Gross Costs	291	10,641	134,351	2,792	–	–	–	152	–	–	393	148,620	236,794
Less: Earned Revenues	(1)	(48)	(381)	–	–	–	–	(1)	–	–	344	(87)	(1,036)
Net Program Costs	290	10,593	133,970	2,792	–	–	–	151	–	–	737	148,533	235,758
Migration Management													
Gross Costs	–	–	–	–	–	–	–	11,100	–	–	30	11,130	56
Less: Earned Revenues	–	–	–	–	–	–	–	(106)	–	–	85	(21)	–
Net Program Costs	–	–	–	–	–	–	–	10,994	–	–	115	11,109	56
Total Humanitarian Assistance	**290**	**41,657**	**2,652,404**	**2,792**	**18,499**	**–**	**–**	**29,877**	**20,295**	**3,568**	**14,372**	**2,783,754**	**2,106,819**
Operating Unit Management													
Crosscutting Management and Staffing													
Gross Costs	2,702	–	–	–	111	–	–	4	–	675	11	3,503	2,109
Less: Earned Revenues	(15)	–	–	–	(1)	–	–	–	–	(5)	8	(13)	(31)
Net Program Costs	2,687	–	–	–	110	–	–	4	–	670	20	3,491	2,078
Program Design and Learning													
Gross Costs	52,977	14,168	13,284	53,639	6,609	–	10,048	15,126	15,232	57,720	757	239,560	184,756
Less: Earned Revenues	(249)	(85)	(32)	(533)	(50)	–	(157)	(84)	(51)	(185)	713	(713)	(2,008)
Net Program Costs	52,728	14,083	13,252	53,106	6,559	–	9,891	15,042	15,181	57,535	1,469	238,846	182,748
Administration and Oversight													
Gross Costs	101,840	56,133	122,596	91,994	25,186	–	13,149	57,264	22,729	55,527	1,732	548,150	532,483
Less: Earned Revenues	(571)	(395)	(299)	(1,048)	(145)	–	(263)	(357)	(71)	(153)	1,650	(1,652)	(3,210)
Net Program Costs	101,269	55,738	122,297	90,946	25,041	–	12,886	56,907	22,658	55,374	3,382	546,498	529,273
Total Operating Unit Management	**156,684**	**69,821**	**135,549**	**144,052**	**31,710**	**–**	**22,777**	**71,953**	**37,839**	**113,579**	**4,871**	**788,835**	**714,099**
Adjustments	**12,453**	**5,847**	**19,732**	**6,250**	**5,014**	**3,800**	**1,032**	**5,409**	**10,203**	**9,335**	**79,075**		
Net Cost of Operations (Note 19)	**$1,973,054**	**$926,370**	**$3,126,324**	**$990,309**	**$ 794,340**	**$602,105**	**$163,454**	**$ 856,920**	**$1,616,584**	**$1,479,134**		**$ 12,528,594**	**$ 11,592,034**

NOTE 17. COMBINED STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2015 and 2014. USAID's total budgetary resources were $27.1 billion and $24.2 billion for the years ended September 30, 2015 and 2014, respectively.

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

	2015	2014 (Restated)
Category A, Direct	$ 1,505,553	$ 1,469,266
Category B, Direct	11,738,822	11,839,621
Category A, Reimbursable	33,925	35,635
Category B, Reimbursable	1,045,618	486,881
Total	$ 14,323,918	$ 13,831,403

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

The Agency had $0.02 million and $0.3 million in borrowing authority in FY 2015 and FY 2014, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, Pub. L. 101-508), and is used to finance obligations during the current year, as needed.

C. PERMANENT INDEFINITE APPROPRIATIONS:

USAID has permanent indefinite appropriations relating to specific Federal Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2015, there is $3.1 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES:

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

E. UNPAID OBLIGATIONS:

Unpaid Obligations for the periods ended September 30, 2015 and 2014 were $20.0 billion and $20.6 billion, respectively.

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

The reconciliation between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government (Budget) is presented below. This reconciliation is as of September 30, 2014 because submission of the Budget for FY 2016, which presents the execution of the FY 2015 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 2016.

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

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

2014	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 24,223,913	$ 13,831,403	$ (241,127)	$ 9,168,736
Funds Reported in SBR, Not Attributed to USAID in the President's Budget	(11,012,000)	(6,662,000)	–	(4,812,000)
Other Differences	548,087	210,597	241,127	1,011,264
Budget of the U.S. Government	$ 13,760,000	$ 7,380,000	$ –	$ 5,368,000

NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

USAID presents the Consolidated Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Combined Statement of Budgetary Resources. The Federal Financial Accounting Standard No. 7 requires "a reconciliation of proprietary and budgetary information in a way that helps users relate the two." The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting. Reconciliation of Obligations Incurred to Net Cost of Operations for the years ended September 30, 2015 and 2014 (Restated) are indicated in the table below *(in thousands)*:

	2015	2014 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred (Note 19)	$ 14,323,918	$ 13,831,403
Spending Authority From Offsetting Collections (Note 19)	(2,349,304)	(1,585,942)
Downward Adjustments of Obligations	(1,229,756)	(557,538)
Offsetting Receipts	(193,254)	(241,127)
Net Obligations	10,551,604	11,446,796
Other Resources Used to Finance Activities	38,375	67,380
Resources Used to Finance Activities	10,589,979	11,514,176
Resources Used to Finance Items Not Part of Net Cost of Operations	2,240,228	661,803
Total Resources Used to Finance Net Cost of Operations	12,830,207	12,175,979
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(85,102)	(241,613)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(216,511)	(342,332)
Net Cost of Operations (Notes 15, 16, and 19)	$ 12,528,594	$ 11,592,034

USAID restated the FY 2014 financial statements due to correction of error. Correction of the error resulted in a $15 million decrease to Obligations Incurred, a $27 million increase in Spending Authority from Offsetting Collections, a $4 million increase in Downward Adjustments of Obligations, and a $79 million decrease in Net Cost of Operations.

NOTE 19. RESTATEMENT OF FY 2014 PRINCIPAL FINANCIAL STATEMENTS (IN THOUSANDS)

During FY 2015, M/CFO continued an ongoing reconciliation effort to bring the cumulative general ledger into agreement with detailed transactions summarized in the underlying subsidiary ledgers. This reconciliation is necessary to correct differences caused by the historical use of accounting systems that lacked full integration, and legacy systems that were non-USSGL compliant. The reconciliation methodology, which has been executed over the past two fiscal years, successfully aligns with underlying transactions the general ledger balances that represent the Agency's obligations, expenditures, and fund availability reported to Congress, OMB, Treasury, and other external parties.

The adjustments identified/supported by the FY 2015 reconciliation effort took effect in FY 2014, and have therefore altered certain previously reported FY 2014 balances. As required by SFFAS 21, the Agency has restated the FY 2014 reported balances to reflect the impact of the reconciliation adjustments.

As of the end of the accounting period, M/CFO has determined that there were potentially unrecorded expenses ranging from $75 million to $124 million. USAID intends to further research and permanently resolve any remaining legacy differences during FY 2016 and write-down cash in the range previously mentioned. The effect of the restatement on each of the four principal financial statements is detailed in the following illustrative Summary of Changes, with pro forma balances as of September 30, 2014 *(in thousands)*:

	2014 As Stated	Effect: Increase/(Decrease)	2014 Restated
BALANCE SHEET/STATEMENT OF CHANGES IN NET POSITION			
ASSETS:			
Fund Balance with Treasury (Note 2)	$ 30,862,134	$ –	$ 30,862,134
Cash and Other Monetary Assets (Note 5)	394,188	(7)	394,181
Accounts Receivable (Note 3)	51,198	9,781	60,979
Advances (Note 4)	573,968	41,572	615,540
Direct Loans and Loan Guarantees, Net (Note 6)	2,266,825	183	2,267,008
Total Change in Assets	**$ 34,148,313**	**$ 51,529**	**$ 34,199,842**
LIABILITIES:			
Other Liabilities (Notes 10, 12 and 13)	1,485,978	(320)	1,485,658
Accounts Payable (Note 10)	1,775,149	555	1,775,704
Loan Guarantee Liability (Notes 6 and 10)	2,351,183	887	2,352,070
Total Change in Liabilities	$ 5,612,310	$ 1,123	$ 5,613,433
NET POSITION:			
Unexpended Appropriations	25,595,626	13,363	25,608,989
Cumulative Results of Operations	557,222	37,043	594,265
Total Change in Net Position	**$ 26,152,848**	**$ 50,406**	**$ 26,203,254**
Total Change in Liabilities and Net Position	**$ 31,765,158**	**$ 51,529**	**$ 31,816,687**
STATEMENT OF NET COST			
Net Cost of Operations (Notes 15 and 16):	**$ 11,671,109**	**$ (79,075)**	**$ 11,592,034**

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	2014 As Stated	Effect: Increase/(Decrease)	2014 Restated
STATEMENT OF BUDGETARY RESOURCES			
Budgetary Resources:			
Recoveries of Prior Year Unpaid Obligations	557,534	4	557,538
Other Changes in Unobligated Balance (+ or -)	82,471	(35,633)	46,838
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,559,029	26,913	1,585,942
Total Change in Budgetary Resources	**$ 2,199,034**	**$ (8,715)**	**$ 2,190,319**
Status of Budgetary Resources:			
Obligations Incurred	13,846,718	(15,315)	13,831,403
Unapportioned	2,695,608	6,600	2,702,208
Total Change in Status of Budgetary Resources	**$ 16,542,326**	**$ (8,715)**	**$ 16,533,611**
Change in Unpaid Obligations			
Obligations Incurred	13,846,718	(15,315)	13,831,403
Outlays (Gross) (-)	(10,900,613)	33,652	(10,866,961)
Recoveries of Prior Year Unpaid Obligations (-)	(557,534)	(4)	(557,538)
Unpaid Obligations, End of Year (Gross)	20,559,613	18,333	20,577,946
Total Change in Unpaid Obligations	**$ 22,948,184**	**$ 36,666**	**$ 22,984,850**
Change in Uncollected Payments, Federal Sources (+ or -)	40,667	390	41,057
Budget Authority and Outlays, Net:			
Budget Authority, Gross (Discretionary and Mandatory)	11,991,989	26,913	12,018,902
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,670,922)	(27,303)	(1,698,225)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	28,614	(390)	28,224
Budget Authority, Net (Discretionary and Mandatory)	**$ 10,349,681**	**$ (780)**	**$ 10,348,901**
Outlays, Gross (Discretionary and Mandatory) (Note 19)	10,900,613	(33,652)	10,866,961
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,670,922)	(27,303)	(1,698,225)
Outlays, Net (Discretionary and Mandatory)	9,229,691	(60,955)	9,168,736
Change in Agency Outlays, Net	**$ 9,229,691**	**$ (60,955)**	**$ 9,168,736**

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

(Preceding page) **USAID helps victims of sexual and gender-based violence in the Democratic Republic of the Congo with medical care, counseling, and other assistance. Get the full story "An Unspeakable Act. A Heroic Survivor." at *stories.usaid.gov*.**

PHOTO: MORGANA WINGARD FOR USAID

(Above) **With USAID support, researchers tested the antiseptic chlorhexidine, a treatment for cut umbilical cords, in Nepal. It helped reduce infant mortality by up to a third. Get the full story "Nepal's Navel Glazers" at *stories.usaid.gov*.**

PHOTO: THOMAS CRISTOFOLETTI / RUOM FOR USAID

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2015
(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	**305**	**306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources:													
Unobligated Balance, Brought Forward, October 1	$ 283,898	$ 6,549	$ 18,063	$ 6,563	$ 1,971,618	$ 230,144	$ 4,095,984	$ 10,302	$ 28,929	$ 2,186,956	$ 1,331,177	$ 218,220	$ 10,388,403
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	(2,414)	–	–	–	(79)	–	–	–	–	–	6,600	–	4,107
Unobligated Balance Brought Forward, October 1, as Adjusted	281,484	6,549	18,063	6,563	1,971,539	230,144	4,095,984	10,302	28,929	2,186,956	1,337,777	218,220	10,392,510
Recoveries of Prior Year Unpaid Obligations	162,781	412	11,545	3,859	131,386	28,981	812,417	5,170	8,958	429	25,393	38,425	1,229,756
Other Changes in Unobligated Balance (+ or -)	23,135	–	(10)	(2,782)	46,113	–	(605,114)	(5,893)	(5,405)	(13)	330,140	498,962	279,133
Unobligated Balance from Prior Year Budget Authority, Net	467,400	6,961	29,598	7,640	2,149,038	259,125	4,303,287	9,579	32,482	2,187,372	1,693,310	755,607	11,901,399
Appropriations (Discretionary and Mandatory)	1,235,332	–	–	–	2,507,001	3,331,308	5,458,520	–	–	–	366,546	–	12,898,707
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	23	–	–	23
Contract Authority (Discretionary and Mandatory)	–	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	(20,836)	320	1	–	(3,537)	7,371	(718,278)	(38)	10,735	993,469	1,711,854	368,243	2,349,304
Total Budgetary Resources	**$1,681,896**	**$ 7,281**	**$ 29,599**	**$ 7,640**	**$ 4,652,502**	**$ 3,597,804**	**$ 9,043,529**	**$ 9,541**	**$ 43,217**	**$3,180,864**	**$3,771,710**	**$1,123,850**	**$ 27,149,433**
Status of Budgetary Resources:													
Obligations Incurred:	1,452,163	2,970	11,635	2,188	2,532,610	2,935,615	4,399,527	2,092	2,231	106,204	2,204,567	672,116	14,323,918
Unobligated Balance, End of Year:	–	–	–	–	–	–	–	–	–	–	–	–	–
Apportioned	148,288	4,631	18,111	3,310	2,112,150	635,888	4,637,664	5,704	23,881	248,463	404,142	401,255	8,643,487
Exempt from Apportionment	(1)	–	–	–	(3)	–	–	–	–	–	–	–	(4)
Unapportioned	81,446	(320)	(147)	2,142	7,745	26,301	6,338	1,745	17,105	2,826,197	1,163,001	50,479	4,182,032
Total Unobligated Balance, End of Year	**229,733**	**4,311**	**17,964**	**5,452**	**2,119,892**	**662,189**	**4,644,002**	**7,449**	**40,986**	**3,074,660**	**1,567,143**	**451,734**	**12,825,515**
Total Budgetary Resources	**1,681,896**	**7,281**	**29,599**	**7,640**	**4,652,502**	**3,597,804**	**9,043,529**	**9,541**	**43,217**	**3,180,864**	**3,771,710**	**1,123,850**	**27,149,433**

(continued on next page)

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

For the Year Ended September 30, 2015

(in thousands)

	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	**305**	**306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Change in Obligated Balance:													
Unpaid Obligations, Brought Forward, October 1	687,008	864	183,199	10,002	4,612,217	1,770,995	11,687,572	18,620	30,939	4,062	730,969	823,166	20,559,613
Adjustment to Unpaid Obligations, Start of Year (+ or -)	–	–	–	–	–	–	–	–	–	–	18,333	–	18,333
Obligations Incurred	1,452,163	2,970	11,635	2,188	2,532,610	2,935,615	4,399,527	2,092	2,231	106,204	2,204,567	672,116	14,323,918
Outlays (Gross) (-)	(1,269,035)	(2,548)	(116,529)	(3,793)	(2,611,709)	(2,487,971)	(4,450,833)	(5,471)	(15,318)	(105,520)	(1,954,710)	(609,945)	(13,633,382)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Recoveries of Prior Year Unpaid Obligations (-) (Note 19)	(162,781)	(412)	(11,545)	(3,859)	(131,386)	(28,981)	(812,417)	(5,170)	(8,958)	(429)	(25,393)	(38,425)	(1,229,756)
Unpaid Obligations, End of Year	707,355	874	66,760	4,538	4,401,732	2,189,658	10,823,849	10,071	8,894	4,317	973,766	846,912	20,038,726
Uncollected Payments:													
Uncollected Payments from Federal Sources, Brought Forward, October 1 (-)	(22,502)	–	–	(35)	(98)	(359)	(15)	(39)	(1,006)	35	(14,356)	–	(38,375)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in Uncollected Payments from Federal Sources (+ or -)	19,655	–	–	35	169	28	15	38	(3,952)	(18)	(479,648)	–	(463,678)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	–	–	–	–	–	–	–	–	–	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(2,847)	–	–	–	71	(331)	–	(1)	(4,958)	17	(494,004)	–	(502,053)
Budget Authority and Outlays, Net:													
Budget Authority, Gross (Discretionary and Mandatory)	1,214,496	320	1	–	2,503,464	3,338,679	4,740,242	(38)	10,735	993,492	2,078,400	368,243	15,248,034
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(65,388)	(320)	(1)	(35)	13,650	(407)	(26,979)	–	(6,783)	(993,452)	(869,916)	(9,756)	(1,959,387)
Change in Uncollected Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	19,655	–	–	35	169	28	15	38	(3,952)	(18)	(478,868)	–	(462,898)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget Authority, Net (Total) (Discretionary and Mandatory)	1,168,763	–	–	–	2,517,283	3,338,300	4,713,278	–	–	22	729,616	358,487	12,825,749
Outlays, Gross (Discretionary and Mandatory)	1,269,035	2,548	116,529	3,793	2,611,709	2,487,971	4,450,833	5,471	15,318	105,520	1,954,710	609,945	13,633,382
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(65,388)	(320)	(1)	(35)	13,650	(407)	(26,979)	–	(6,783)	(993,452)	(869,916)	(9,756)	(1,959,387)
Outlays, Net (Total) (Discretionary and Mandatory)	1,203,647	2,228	116,528	3,758	2,625,359	2,487,564	4,423,854	5,471	8,535	(887,932)	1,084,794	600,189	11,673,995
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	(193,254)	–	(193,254)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,203,647**	**$ 2,228**	**$ 116,528**	**$ 3,758**	**$ 2,625,359**	**$ 2,487,564**	**$ 4,423,854**	**$ 5,471**	**$ 8,535**	**$ (887,932)**	**$ 891,540**	**$ 600,189**	**$11,480,741**

MAJOR FUNDS

Operating Funds

1000 Operating Expenses of USAID

Program Funds

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

CREDIT FINANCING FUNDS

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

CREDIT PROGRAM FUNDS

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

CREDIT LIQUIDATING FUNDS

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

OTHER FUNDS

Operating Funds

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

OTHER FUNDS *(continued)*

Program Funds

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

Trust Funds

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

Revolving Funds

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

ALLOCATIONS TO OTHER AGENCIES

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

ALLOCATIONS FROM OTHER AGENCIES

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

OTHER INFORMATION

(Preceding page) **Tajiri Olotai, 8, can complete his homework this evening thanks to a USAID-supported Power Africa project that brought electricity to his Tanzanian village. Get the full story "Teresia Turns on The Light" at *stories.usaid.gov*.**

PHOTO: MORGANA WINGARD FOR USAID

(Above) **The West Bank's Osamah Abu Al-Rub grows strawberries using modern techniques he learned through a USAID project designed to help Palestinian farmers. Get the full story "The Strawberry King" at *stories.usaid.gov*.**

PHOTO: BOBBY NEPTUNE FOR USAID

COMBINED SCHEDULE OF SPENDING

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

The public can access USASpending.gov to obtain a more detailed view of USAID's partners and obtain some general information about individual awards. The SOS and USASpending.gov will not be in agreement because of the different reporting requirements associated with the report and the website. All information entered on the SOS is not necessarily a requirement for the website. For instance, obligations under $3 thousand are not required to be entered in USASpending.gov however, there are no monetary limitations placed on obligations for SOS and SBR reporting. Consequently, a percentage of USAID obligations will not be reported on the USASpending.gov website.

COMBINED SCHEDULE OF SPENDING

For the Years Ended September 30, 2015 and 2014

(in thousands)

	2015	2014 (Restated)
What Money is Available to Spend?		
Total Resources	$ 27,149,433	$ 24,217,313
Less Amount Available but Not Agreed to be Spent	(8,643,483)	(7,690,302)
Less Amount Not Available to be Spent	(4,182,032)	(2,695,608)
Total Amounts Agreed to be Spent	**$ 14,323,918**	**$ 13,831,403**
How was the Money Spent/Issued?		
Category:		
Personnel Compensation and Benefits		
Benefits for Former Personnel	$ 7,315	$ 6,162
Other Personnel Compensation	73,148	73,072
Personnel Benefits	239,933	226,048
Personnel Compensation, Full-Time Permanent	395,545	411,890
Personnel Compensation, Other Than Full-Time Permanent	192,241	173,908
Special Personal Services Payments	26,462	10,158
Total Personnel Compensation and Benefits	**$ 934,644**	**$ 901,238**
Contractual Services and Supplies		
Advisory and Assistance Services	$ 396,042	$ 412,918
Communication, Utilities, and Miscellaneous Charges	31,242	24,160
Medical Care	184	4,514
Operation and Maintenance of Equipment and Storage of Goods	18,444	18,538
Operation and Maintenance of Facilities	10,273	9,043
Other Services	71,938	56,523
Printing and Reproduction	1,985	3,475
Purchase of Goods and Services from Government Accounts	283,927	277,931
Rental Payments to GSA	54,528	54,010
Rental Payments to Others	58,961	67,533
Research and Development Contracts	38,567	20,132
Subsistence and Support of Persons	–	16
Supplies and Materials	11,080	11,457
Transportation of Things	18,750	18,022
Travel and Transportation of Persons	109,210	109,817
Total Contractual Services and Supplies	**$ 1,105,131**	**$ 1,088,089**
Acquisition of Assets		
Equipment	$ 56,828	$ 58,990
Investments and Loans	(6)	7,925
Land and Structures	116,439	145,451
Total Acquisition of Assets	**$ 173,261**	**$ 212,366**
Grants and Fixed Charges		
Claims and Indemnities	$ 3,605	$ 7,882
Grants, Subsidies, and Contributions	10,145,461	10,163,580
Interest and Dividends	7	3
Refunds	416	(1,521)
Total Grants and Fixed Charges	**$ 10,149,489**	**$ 10,169,944**
Other Funds	1,961,393	1,459,766
Total Other Funds	**$ 1,961,393**	**$ 1,459,766**
Total Amounts Agreed to be Spent	**$ 14,323,918**	**$ 13,831,403**
Who did the Money go to?		
Category:		
Educational Institutions	$ 262,267	$ 212,174
For Profit	2,913,636	2,501,442
Government	1,471,119	3,903,359
Individuals	841,718	839,428
Non Profit	6,530,546	5,191,421
Other	2,304,632	1,183,579
Total Amounts Agreed to be Spent	**$ 14,323,918**	**$ 13,831,403**

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

According to USAID's Acting Deputy Inspector General, the most serious management and performance challenges facing the Agency are in the following nine areas:

- Work in Nonpermissive Environments and Overseas Contingency Operations
- Unreliable Performance Data
- Limited Sustainability
- Inadequate Risk Mitigation for Local Solutions
- Lack of Focus
- Weak Management of Human Resources
- Cumbersome Design and Procurement Processes
- Uncertain Budget Environment
- Decentralized Management of Information Technology and Information Security

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

Office of Inspector General

OCT 15 2015

MEMORANDUM FOR THE ACTING ADMINISTRATOR

FROM: Catherine M. Trujillo
Acting Deputy 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 2015.

The Reports Consolidation Act of 2000 (Public Law 106–531) requires that each federal agency include in its performance and accountability report a statement by its inspector general summarizing the most serious management and performance challenges facing the agency and assessing its progress in addressing those challenges.

OIG identified this year's challenges based on our work and assessments. They include findings from a 2014 employee survey updated with recent work. The first three are longstanding challenges, which we highlight because of the apparent lack of progress on addressing them.

I would be pleased to discuss these challenges with you.

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]

Of all the programs USAID manages—development programs, humanitarian relief and emergency response programs, and stabilization operations in conflict settings—those in conflict settings (also called nonpermissive environments) present the most serious challenges to accountability for USAID's operations and programs. The most difficult conflict settings this year were Syria, Iraq, and Afghanistan. Beyond difficult locations and emergencies, USAID experiences chronic, systemic weaknesses. Audit after audit has shown inadequate management attention to results reporting, issues with the sustainability of development activities, poor mitigation of risks associated with local implementation, and weaknesses in human capital management.

In prior years we cited the backlog of audits of U.S.-based, for-profit entities as a management challenge. Because USAID has made progress addressing this challenge, we do not consider the backlog a management challenge for fiscal year (FY) 2015.

This year, OIG identified nine serious management and performance challenges for USAID, which follow in order of importance:

1. Work in Nonpermissive Environments and Overseas Contingency Operations
2. Unreliable Performance Data
3. Limited Sustainability
4. Inadequate Risk Mitigation for Local Solutions
5. Lack of Focus
6. Weak Management of Human Resources
7. Cumbersome Design and Procurement Processes
8. Uncertain Budget Environment
9. Decentralized Management of Information Technology and Information Security

The first three are longstanding, as Agency leadership has not made noticeable progress in addressing them. To help Agency management facilitate progress, we considered the challenges in executing our FY 2015 audit plan and raised them in our discussions with USAID missions as we planned FY 2016 work. Over the next year we will continue to test and evaluate USAID's progress in addressing these challenges.

Most of the examples on the following pages come from this year's audit work and assessments. Most have also appeared in published reports, which we cite in footnotes: however, audits in process continue to confirm these challenges.

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[1] In planning and reporting to ensure efficiency, USAID OIG coordinates closely with the Special Inspector General for Afghanistan Reconstruction and other offices of inspector general, including those for the Departments of Defense, State, and Health and Human Services. USAID also coordinates with the Government Accountability Office.

Work in Nonpermissive Environments and Overseas Contingency Operations

In a March 2015 notice, USAID identified 18 nonpermissive countries: Afghanistan, Democratic Republic of the Congo, Egypt, Honduras, Iraq, Jordan, Kenya, Lebanon, Mali, Mexico, Niger, Nigeria, Pakistan, South Sudan, Sudan, Uganda, Ukraine, and Yemen. USAID works in all of these. In some it supports overseas contingency operations (OCOs), coordinated efforts involving the Departments of Defense and State and USAID in conflict and crisis settings. During the fiscal year, OCOs were ongoing in Afghanistan, Iraq, and Syria (Operation Inherent Resolve), as well as in Guinea, Liberia, and Sierra Leone, battling Ebola (Operation United Assistance).

In these locations and others, conditions are extremely difficult. For example, in Syria efforts to help people are restricted due to internal conflict, there is limited capability to monitor programs, and large populations of refugees and displaced persons require tremendous resources. Because of U.S. national security priorities, the need for interagency collaboration, the dollar value of USAID programs, and the priority placed on obtaining highly visible results, this category of programming is the most serious management challenge for USAID.

Recent OIG audit work verifies these challenges, and we have highlighted selected observations from this work below.

Egypt, Libya, Tunisia, and Yemen. In 2010, demonstrations in a number of countries in the Middle East, collectively referred to as the Arab Spring, brought about changes in national governments. The Arab Spring drastically changed the environment in which USAID operated. USAID and the Department of State began working more closely together to meet foreign policy goals, and the focus of projects shifted. At the same time, increasing insecurity limited USAID employees' ability to travel and monitor project activity. An OIG survey of staff assessed the impact of the Arab Spring and the lessons learned from working in transitional environments.[2] The survey contained suggestions such as adapting guidance on project design to individual country circumstances, increasing flexibility in contracts and other award instruments, and strengthening the capacity of local implementers.

Jordan, Lebanon, and Syria. OIG conducted a survey of humanitarian assistance and related transportation and distribution mechanisms from Turkey and Jordan into Syria, which has experienced rising levels of civil conflict as armed groups challenge Syria's formal government.[3] Two additional audits of programs managed by USAID's Office of Transition Initiatives and Office of Food for Peace found similar issues.[4] OIG found that USAID is beset by difficulties in performing monitoring even though USAID has used modern technology and in-country monitors. U.S. Government humanitarian assistance may be taken by combatants from the populations intended to receive it.

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[2] *Survey of USAID's Arab Spring Challenges in Egypt, Tunisia, Libya, and Yemen*, Report No. 8-000-15-001-S, April 30, 2015.
[3] *Survey of Selected USAID Syria-Related Activities*, Report No. 6-276-14-001-S, December 1, 2013.
[4] *Audit of USAID's Office of Transition Initiatives' Syria-Related Activities*, Report No. 8 276-14-002-P, July 30, 2014; *Audit of USAID Office of Food for Peace Syria-Related Activities*, Report No. 8-276-14-003-P, July 30, 2014.

Iraq. While doing a survey of selected USAID/Office of Foreign Disaster Assistance (OFDA) programs in Iraq, OIG learned of an environmental and health risk. At a camp for internally displaced persons in the Kurdistan Region, an engineer working for the USAID-funded implementer said septic tanks were overflowing. The partner had responded by increasing desludging and dumping sludge in a nearby river. OFDA officials said they did not know about the dumping because their ability to monitor activities is limited: for security reasons, site visits must be approved by the U.S. Consulate in Erbil. The lack of oversight could lead to health and environmental hazards caused by the desludging activity that USAID's grant is financing. OIG issued a management letter that contained four suggestions for immediate corrective action.[5]

According to USAID officials, they have responded to challenges working in nonpermissive environments and preparing staff to work in these countries by designing training and conducting pilot sessions covering the program cycle, security, and staff care in nonpermissive environments. If funding is available, Agency officials expect to make the training mandatory by FY 2016 for all staff transferring to these posts. Officials believe this training, together with policy revisions under way by the Bureau for Policy, Planning and Learning, will address weaknesses identified in OIG audit reports. While the Agency has a plan in place, until the training is completed and the impact is realized, this will continue to be a significant management challenge.

Unreliable Performance Data

Inaccurate and especially overstated performance data are recurring themes in our audit reports. For FYs 2013 through 2015, OIG published 196 performance audit and survey reports. Of these, 72 (37 percent) reported problems with data quality or insufficient data.

A weakness in data reporting was evident, for example, in an environmental project we examined in Manila.[6] The person in the lead organization who collected, analyzed, and reported data from other members of the consortium did not follow the monitoring plan's prescribed methods for data collection. Further, the office compiling data did not implement safeguards to prevent transcription errors or manipulation before forwarding results to USAID. Consequently, after spending $1.7 million on the project, the mission does not have accurate information to assess its effectiveness and make informed decisions about current and future programming. Good data reporting requires ensuring that staff members have adequate skills to perform the checks required by USAID's policy and mission procedures, and training and retaining qualified staff has also been a challenge for USAID.

An audit of the Leveraging Effective Application of Direct Investments in Haiti Program found that instead of providing data on the number of jobs the program created directly, progress reports claimed credit for jobs created indirectly, overstating results on the primary performance

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[5] *Management Letter Regarding Environmental Concerns Identified During the Survey of Selected USAID/Office of Foreign Disaster Assistance Programs in Iraq (Task No. 88151715)*, September 16, 2015.

[6] *Audit of USAID/Philippines' Mangrove Rehabilitation for Sustainably Managed, Healthy Forests Project*, Report No. 5-492-15-005-P, March 27, 2015.

indicator.[7] Overstatement could obscure the program's underperformance: after 3 years, it had awarded only 12 grants out of an expected 40, resulting in less impact for the $6 million in resources obligated as of March 2014. To help address the data weakness, the mission agreed to revise indicator definitions in response to an OIG recommendation.

Limited Sustainability

USAID's long-term goal is to transfer ownership of its development initiatives so that the progress and results from USAID-funded projects continue. To that end, USAID tries to build sustainability into its projects, often planning for follow-on activities by local or national governments. But our audits continue to find that planning for the end of projects is inadequate. Of the audit reports OIG issued for the last 3 fiscal years, 23 percent contained recommendations to do more to ensure sustainability.

A project in Jordan illustrates the challenge. In 2010, USAID initiated a 5-year, $34.1 million water infrastructure project to help the Government of Jordan manage its scarce water resources. However, OIG auditors documented that the Government of Jordan was not recovering the full cost of operating, replacing, and building essential water system infrastructure under the project.[8] USAID is aware of the underpricing of water services, which has been ongoing for decades. The Government of Jordan views the low price of water as essential to political stability and continues to seek assistance from USAID and other donors for its water infrastructure expenses. Because the Government of Jordan has not made the required policy reforms to recover the true costs, U.S. Government resources are being used to fund capital projects that are not sustainable.

In Peru, USAID is working with the national government to transfer responsibility and resources for public service delivery to regional, provincial, and local governments. After examining these efforts, OIG auditors questioned the outlook for sustainable results based on the limited role of the private sector. They noted that private companies could have teamed with local officials to offer on-site collection points for recycling and trash or sponsored educational activities, and medical schools could have helped place graduates in understaffed health clinics. The mission instructed the implementing partner to make sure the private sector is more involved.[9]

OIG auditors also questioned the sustainability of a project to strengthen Indian health institutions.[10] The project was designed to improve HIV prevention efforts by building state-level societies' capacity for controlling AIDS. After 3 years, the project still lacked a formal transition plan, making it unlikely the societies were prepared to take over the monitoring of municipal and other local health-care service providers and jeopardizing the mission's $11 million investment.

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[7] *Audit of USAID/Haiti's Leveraging Effective Application of Direct Investments Program*, Report No. 1-521-15-006-P, April 30, 2015.
[8] *Audit of USAID/Jordan's Water and Wastewater Infrastructure Project*, Report No. 8-278-15-001-P, January 20, 2015.
[9] *Audit of USAID/Peru's ProDecentralization Project*, Report No. 1-527-15-005-P, February 19, 2015.
[10] *Audit of USAID/India's HIV/AIDS Partnership: Impact Through Prevention, Private Sector, and Evidence-Based Programming Project*, Report No. 5-386-15-008-P, September 18, 2015.

Inadequate Risk Mitigation for Local Solutions

Endorsing the international community's call for improved aid effectiveness, USAID launched Local Solutions. This initiative promotes greater ownership of development outcomes by governments, nongovernmental organizations, and private entities in partner countries to increase the likelihood that those results will endure.

Several large programs involve direct government-to-government assistance. Although these programs have high-level support and, in Afghanistan and Pakistan, reflect U.S. Government commitments to obligate 50 percent and 35 percent of USAID funds, respectively, to local entities, OIG continues to find that accountability for the funds is insufficient. Continued close attention is needed to mitigate risk, as documented in the cases below.

Fiduciary risk is especially high in Afghanistan, given the amount of assistance. Between October 1, 2011, and January 31, 2014, USAID committed $997 million in government-to-government assistance to Afghanistan.[11] After USAID's own risk assessments found the government's systems unreliable, OIG conducted a review of the financial management controls for projects implemented during that time.[12] OIG found that as of July 2014, USAID-contracted audit firms had not issued reports on five of seven required audits of Afghan Government entities, $90 million had been disbursed to projects that had not been audited according to Agency guidance, and 27 percent of accounting transactions reviewed were recorded late. Further, mission staff responsible for monitoring these projects and the funds channeled through the Afghan Government's core budget were unclear on their roles. In September 2014, as a result of an OIG financial audit,[13] USAID issued a bill of collection to the Independent Directorate of Local Governance for $700,000 in questioned costs for one project. Overall, OIG issued nine recommendations to improve accountability and the USAID mission agreed with and is acting on them all.

As for programmatic risk, in Pakistan OIG found that the Khyber Pakhtunkhwa Municipal Services Program, implemented under Local Solutions, had not achieved significant results 3 years into the 5-year program and only $4.9 million of the $84.8 million for infrastructure projects had been disbursed.[14] The auditors found the mission had not worked with the provincial planning department to identify and select projects, relying instead on the department's steering committee and management unit, which lacked capacity. Similarly, the mission did not promptly conduct an environmental assessment needed for the rehabilitation of two wastewater treatment plants in Peshawar, leading to a significant delay. OIG concluded that if the mission did not take

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[11] USAID/Afghanistan committed a total of $3.2 billion in on-budget assistance for projects between October 1, 2011, and January 31, 2014. Of that amount, $997 million was committed to government-to-government assistance.

[12] *Review of USAID/Afghanistan's Financial Management Controls for Government-to-Government Assistance*, Report No. F-306-15-001-S, October 30, 2014.

[13] *Financial Audit of USAID Resources Managed by the Independent Directorate of Local Governance under the District Delivery Program*, Implementation Letter No. 306-IL-10-04-01 for the Period April 01, 2010 to March 20, 2012, No. F-306-13-017-N, September 30, 2013.

[14] *Audit of USAID/Pakistan's Khyber Pakhtunkhwa Municipal Services Program* [Revised], March 27, 2015.

a more active role in working with the grantee—as is required for a government-to-government grant—the program would be delayed further or fail. A lack of adequate oversight will continue to risk funds that could be put to better use.

In connection with oversight for Local Solutions, agency officials reported that USAID/Afghanistan launched a series of workshops and training sessions in June 2014 for all of its project managers covering a multi-tiered approach for performance monitoring. Officials also indicated that the mission issued March 2015 guidance outlining the roles and responsibilities of program mangers responsible for overseeing funds channeled through the Afghan Government. OIG is in the process of reviewing USAID's multi-tiered monitoring approach in Afghanistan.

Lack of Focus

A multitude of demands from other government agencies, and from within USAID to meet them, make it difficult to focus and detract from USAID's core development mission. This challenge, identified in OIG's 2014 survey of Agency staff, has been validated in numerous audit findings.

OIG's audit of USAID's Country Development Cooperation Strategies documents a lack of focus. It found that budget considerations directed priorities, and that nondiscretionary funding (presidential initiatives and earmarks) drove the selection of development objectives.[15] To address this problem, OIG recommended that the Policy, Planning and Learning Bureau coordinate with the Administrator and the Office of Budget and Resource Management to determine how to focus more on local priorities, given budgetary constraints.

The majority of respondents to OIG's survey of challenges related to the Arab Spring said that State Department influence over USAID programs has increased.[16] A staff member in Tunisia wrote, "Everything has been driven by an embassy that does not seem to feel USAID is anything other than an implementer of whatever they want to do." A respondent from Egypt wrote that State Department control "makes long-term planning difficult and constrains USAID's ability to design and execute technically sound development projects." Others expressed frustration at having to take direction from State Department advisers who did not have development backgrounds.

According to USAID, it took action to improve the scope of its operations by reducing the number of program areas from 785 in FY 2010 to 461 in FY 2015 and revising USAID guidance around strategic planning to bear in mind the constraints while ensuring meaningful focus and emphasis on results achievement. However, it is too early to tell whether these changes will bring sufficient focus to Agency programs.

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[15] *Audit of USAID Country and Regional Development Cooperation Strategies*, Report No. 9-000-15-001-P, February 20, 2015.
[16] *Survey of USAID's Arab Spring Challenges in Egypt, Tunisia, Libya, and Yemen, Report No. 8-000-15-001-S, April 30, 2015.*

Weak Management of Human Resources

In 2014 we reported that USAID continually experiences a shortage of experienced, highly skilled personnel, familiar with USAID guidelines, standards, and processes, for both programming and support functions. The following audits detailed weaknesses in human resources.

OIG's survey of newly hired staff participating in USAID's Development Leadership Initiative, which the Agency launched to address staff shortages, revealed problems including retention.[17] Under the initiative, some 820 staff received more than 2 years of training and hands-on experience at a cost of $540 million, Although supervisors and mission directors considered the initiative an effective way to address the Agency's staffing crisis, survey respondents identified problems including being made to take irrelevant training, given supervisors who did not prepare the recruits for overseas tours, and assigned roles that were less than those of full employees. Although USAID officials estimated attrition of around 10 percent, respondents expected large-scale resignations unless USAID provides adequate opportunities for professional development.

OIG found that projects for youths in the Eastern and Southern Caribbean did not have sufficient staff, putting them at risk.[18] While the projects sought to strengthen the juvenile justice system and increase educational and employment opportunities, many were not reporting results that the mission could use to track progress, and those that reported results were not meeting expectations. The mission did without a director for 15 months, and monitoring officials were overworked. As a result the mission fell behind schedule, reducing the likelihood that the program would achieve its goals and objectives. In response to the audit, the mission updated its staffing plan to substantially increase the number of people.

Only after an OIG audit did USAID take action to address issues associated with the staffing at its Zambia mission. Mission staff said they recognized the importance of monitoring visits, but their workloads prevented them from conducting visits as often as they would like. They said supervisors often cancelled visits when other matters in the office took priority. Because contracting and agreement officer representatives had not found time to perform monitoring visits, USAID hired additional staff and reallocated roles to make time for adequate contract oversight, including project monitoring.[19]

OIG's audit of the contract for monitoring and evaluation of Agency activities in Somalia identified weaknesses in oversight by contracting officer's representatives (CORs) responsible for monitoring implementers' performance.[20] OIG recommended that the mission make staff who were responsible for Somalia programs aware of available monitoring and evaluation

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[17] *Survey of USAID's Development Leadership Initiative in Southern and Eastern Africa*, Survey Report No. 4-000-15-001-S, September 1, 2015.
[18] *Audit of USAID/Eastern and Southern Caribbean's Youth-Related Projects*, Report No. 1-534-15-007-P, August 19, 2015.
[19] *Audit of USAID/Zambia's HIV Prevention Activities*, February 20, 2015.
[20] *Audit of USAID/East Africa's Monitoring and Evaluation Program for Somalia*, Report No. 4-649-15-005-P, September 23, 2015.

resources and identify a COR for the follow-on Program Support Services contract who has the skills or can learn to manage the program effectively.

An audit of a project in Bangladesh revealed that employees at three health clinics that got grants through the project had not been paid in 2 months.[21] Project officials said they had submitted the budget to USAID/Bangladesh in September 2014, but 3 months later it had not been approved. Mission officials said heavy staff turnover caused the delay.

Cumbersome Design and Procurement Processes

Under the USAID Forward initiative, USAID sought to work with new partners, invest in innovation, and focus on results. Reaching out to new partners has meant new design and procurement processes, which appear to have overwhelmed staff. In OIG's 2014 survey, staff at all levels identified difficulties in developing and executing programs because of more complex requirements. USAID's actions to address this situation are not apparent. Reported staffing shortages and pressures to expand work with new partners continue to place enormous pressures on USAID staff and heighten the risk to accountability and results.

A recent OIG audit of USAID/West Africa's Education Support Program in Côte d'Ivoire highlights the problem.[22] A large component of the program was construction of schools. The construction subcontractor quit, leaving the prime award recipient in charge of construction. But since USAID policy requires a contract for construction, and the prime recipient had a cooperative agreement, the mission had to obtain a waiver from Washington. Complying with the procurement policy delayed the program.

Auditors in Haiti found that mission's delay in awarding the Protecting the Rights of Children, Women, and Youth Program derailed it.[23] The mission took 11 months to issue an award after amending the solicitation three times and extending consideration for an application not received because of computer error. So much time passed that proposed personnel were no longer available, forcing the implementing partner to find a new person to lead the program. Two replacements came and went; the third leader hired disagreed with officials in the implementing partner's headquarters about how to run the program. In the end USAID terminated the agreement. The protracted award process greatly contributed to the program's inability to achieve its goals.

Agency guidance instructs missions to "collaborate with and leverage other development actors' resources" in designing country strategies, but auditors reported that a mission's efforts to coordinate with another donor in Somalia backfired.[24] USAID/East Africa and the United

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[21] *Audit of USAID/Bangladesh's NGO Health Service Delivery Project*, Report No. 5-388-15-006-P, August 26, 2015.
[22] *Audit of USAID/West Africa's Education Support Program in Côte d'Ivoire*, Report No. 7-681-15-004-P, February 4, 2015.
[23] *Audit of USAID/Haiti's Protecting the Rights of Children, Women, and Youth Program,* Report No. 1-521-15-001-P, November 12, 2014.
[24] *Audit of USAID/East Africa's Monitoring and Evaluation Program for Somalia*, Report No. 4-649-15-005-P, September 23, 2015.

Kingdom's Department for International Development (DFID) signed an agreement to share the monitoring and evaluation services of a USAID contractor. Although DFID paid the mission for the contractor's services, it did not pay for managing the funds and did not cover the contractor's indirect costs. Moreover, it took so much of the contractor's time that the contractor had to hire more staff, and the monitoring results DFID shared with the mission did not add value to USAID's activities. The perceived benefits of the collaboration were never realized, and the arrangement ultimately competed with program resources.

USAID officials claimed that some of the delays identified in these audits were not directly attributable to cumbersome design and procurement processes, but rather appropriate application of policies and processes given the specific requirements being undertaken and the matters that needed to be addressed. Regardless of the specific cause of problems identified in each case, OIG audit results as well as input from USAID staff from its 2014 survey, illustrate that complex procurement rules may not be helping staff manage effectively given reported staffing shortages and pressures to expand work with new partners.

Uncertain Budget Environment

USAID's uncertain budget environment has several components. There are delays receiving appropriations that force USAID to quickly obligate the funds received late in the annual cycle. Some programs—HIV/AIDS and climate change—receive ample funding while budgets for education and democracy decrease, and some countries receive more funds than they can prudently use while other countries make do with less. According to our 2014 survey results, budgets for operating expenses are not sufficient.

OIG's audit of USAID/West Africa's Education Support Program in Côte d'Ivoire illustrates the negative ramifications of budgeting uncertainty.[25] As a result of the 2013 federal budget sequestration, USAID/Washington reduced the program's budget 22 percent, from $6 million to $4.7 million. In response, the mission planned cuts in activities. The implementer decided to reduce the number of schools it would build, from three to two. Although the revised number of schools was not vastly different, the cuts meant one conflict-affected area would not get a school.

The federal budget process is a challenge partly outside the control of USAID. To address this challenge, USAID has taken action to reduce the time it takes to forward allowances to missions and reduce the time required for reviews and clearances. For example, the Agency provided bureaus with initial FY 2015 budget allocations one week faster than in the previous year. In addition, USAID has revised training for contracting officials, desk officers, and all new employees to address the impact of the budget process on the allocation of funds; improved tracking of missions' use of multiyear funds; and increased the frequency with which it provides written program updates to Congress.

[25] *Audit of USAID/West Africa's Education Support Program in Côte d'Ivoire*, Report No. 7-681-15-004-P, February 4, 2015.

Decentralized Management of Information Technology and Information Security

USAID continues to face challenges in implementing Homeland Security Presidential Directive 12, *Policy for a Common Identification Standard for Federal Employees and Contractors*, and related standards. One such standard (Federal Information Processing Standard 201), issued by the National Institute of Standards and Technology, pertains to personal identity verification (PIV) cards that give federal employees and contractors physical access to buildings and logical access to information systems. Starting in FY 2012, government agencies were to have physical and logical access control systems that use PIV cards. USAID did not meet that target date, but has continued to make progress. In March 2014, it had installed card readers in Washington, and it is now working with the Department of State to install them overseas. The target date for full compliance with the directive is September 30, 2017.

With regard to compliance with the Federal Information Security Management Act (FISMA), OIG continues to identify problems resulting from decentralized management of information technology and information security. The lack of an effective risk management program, combined with a substantial number of open recommendations from prior FISMA audits, represents a significant deficiency in the security of USAID-wide information systems, including financial systems. USAID developed a three-phase action plan to improve its information security, which is expected to be completed by December 2015.

While the above challenges are on track for full resolution, new ones are emerging. OIG's audit relating to the privacy program for information technology divulged new weaknesses and risks related to potential noncompliance with major privacy laws, including the Privacy Act of 1974, as amended.[26] Recommendations included the need to assign clear roles and responsibilities, establish policies and procedures, create awareness and training, and monitor the program for compliance.

[26] *Audit of USAID's Implementation of Key Components of a Privacy Program for Its Information Technology Systems*, Report No. A-000-15-001-P, October 10, 2014.

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 one material weakness. These tables correspond with the information presented in the Management Assurances section of the Management's Discussion and Analysis (MD&A) Section of the report.

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	1	0	0	0	1
Total Material Weaknesses	1	0	0	0	1

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance: Qualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
USAID continues to have large unreconciled differences and outstanding suspense items older than 60 days	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance: Unqualified

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	1	0
Total Material Weaknesses	1	0	0	0	1	0

(continued on next page)

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

Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance: Systems 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	1	0
Total non-conformances	**1**	**0**	**0**	**0**	**1**	**0**

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

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

DEFINITION OF TERMS

Beginning Balance: The beginning balance will agree with the ending balance of material weaknesses from the prior year.

New: The total number of material weaknesses that have been identified during the current year.

Resolved: The total number of material weaknesses that have dropped below the level of materiality in the current year.

Consolidated: The combining of two or more findings.

Reassessed: The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined a material weakness does not meet the criteria for materiality or is redefined as more correctly classified under another heading [e.g., FMFIA Section 2 to a Section 4 and vice versa]).

Ending Balance: The agency's year-end balance.

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

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

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

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

On July 22, 2010, Congress passed the Improper Payments Elimination and Recovery Act (IPERA), which amended the IPIA and generally repealed the Recovery Auditing Act. Under IPERA, federal agencies are required to identify programs and areas that may be susceptible to improper payments every three fiscal years, and to annually prepare an accurate estimate using a methodology approved by OMB of the amount of improper payments made. These estimates are to be included with the annual financial statement information of the agency. Further, agencies are to provide a description of the causes of improper payments, planned actions to correct each cause, and expected completion date. In addition, the agency is required to report on the actions taken to recover overpayments, the amounts recovered, reasons why certain overpayments are deemed uncollectible, if applicable, and a summary of how recovered amounts have been allocated. IPERA's purpose is to reduce improper payments through different avenues. The reporting requirements make agencies more accountable, with increased documentation of results and processes aimed to reduce improper payment rates.

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

USAID is dedicated to reducing fraud, waste, and abuse by adequately reviewing and reporting programs susceptible to improper payments under IPIA (as amended by IPERA) and Appendix C. USAID took significant steps to reduce or eliminate the Agency's improper payments through comprehensive annual internal control reviews and substantive testing of payments. USAID requires the staff associated with payments to complete improper payments training, exercise the highest degree of quality control in the payment process, and be held accountable for improper payments.

Appendix C requires all federal agencies to determine if the risk of improper payments is significant and to provide statistically valid annual estimates of improper payments. An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

IPIA (AS AMENDED BY IPERA AND IPERIA) REPORTING

The Bureau for Management, Office of the Chief Financial Officer (M/CFO) is responsible for reviewing Agency payments and for reporting erroneous payments annually. In March 2015, OMB approved improper payment reporting relief for USAID. The programs granted reporting relief (A1 through A27 and operating expenses) have been placed on a three year risk assessment cycle. The relief granted began with the 12-month reporting period cycle from July 1, 2014, through June 30, 2015.

I. RISK ASSESSMENT

The approval of the relief for improper payments reporting places USAID programs on a three-year cycle of risk assessment. The next planned reporting of the risk assessment based upon the relief for improper payments reporting will be in the FY 2018 Agency Financial Report (AFR). Table 1 below displays the prior year outlays, identified improper payments, and the improper payment rate data. Outyear estimates are not provided given the improper payment reporting relief granted. This relief is contingent upon no significant legislative or programmatic changes occurring, as well as no significant funding increases or any change that would result in substantial program impact. USAID maintains improper payment reporting readiness and expertise by performing risk assessments annually in order to identify programs susceptible to significant improper payments by monitoring and testing controls. In the event a program is susceptible to significant improper payments, USAID will revert to the reporting required by OMB Circular A-123, Appendix C. During this reporting period, the improper payment risk assessment and program review did not identify any significant changes susceptible to improper payments. The reporting relief was based upon USAID having reported a minimum of two consecutive years of improper payments below the thresholds set by IPERA

TABLE 1[(a)]. IMPROPER PAYMENT REDUCTION OUTLOOK
(Dollars in Millions)

Program	PY Outlays	PY IP %	PY IP $	CY Outlays	CY IP %	CY IP $	CY Over-payments $	CY Under-payments $	CY + 1 Est. Outlays	CY + 1 Est. IP %	CY + 1 Est. IP $	CY + 2 Est. Outlays	CY + 2 Est. IP %	CY + 2 Est. IP $	CY + 3 Est. Outlays	CY + 3 Est. IP %	CY + 3 Est. IP $
A11 - Health	$ 6,358	0.0005	$ 0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
A18 - Agriculture	767	0.0065	0.05	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
A27 - Administration and Oversight	1,096	0.0001	0.01	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All Other Program Areas	6,819	0.0109	0.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Totals	$15,040	0.0055	$ 0.82	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(a) USAID does not have any current year or outyear estimates.

and an assertion by USAID's Office of Inspector General (OIG) that it concurs with this request for relief. The relief extends to not reporting the following tables: (1) Improper Payment Reduction Outlook, (2) Improper Payment Root Cause Category Matrix, and (3) Example of the Status of Internal Controls. As a result the below OMB Circular A-136, II.5.8 sections addressing Financial Reporting Requirements have also been eliminated from reporting this year.

II. RECAPTURE OF IMPROPER PAYMENTS REPORTING

The IPIA (as amended by IPERIA) and recovery auditing review process is an ongoing activity under Appendix C as required by OMB Circular A-136, II.5.8, *IPIA Reporting Details*. USAID has implemented a series of activities to satisfy payment recapture audit efforts. Although USAID does not consider these efforts a formal payment recapture audit, these 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 as follows:

- Select a statistically valid sample of contract transactions/accounting lines and review sample items for identifying improper payments, including overpayments to contractors;
- Select a statistically valid sample of grant transactions/accounting lines and review sample items for identifying improper payments, including overpayments to grantees;
- Perform semiannual IPIA (as amended by IPERA) and payment recapture testing of transactions, with test steps designed to determine, at a minimum, that:
  - The recipients were eligible for payment from the U.S. Government;

TABLE 4[(b)]. IMPROPER PAYMENT RECAPTURES WITH AND WITHOUT AUDIT PROGRAMS
(Dollars in Millions)

Program	Overpayments Recaptured through Payment Recapture Audits																						Overpayments Recaptured outside of Payment Recapture Audits	
	Contracts					Grants					Benefits					Other					Total			
	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	CY Recapture Rate	CY + 1 Recapture Rate Target	CY + 2 Recapture Rate Target	Amount Identified	Amount Recaptured	Amount Identified	Amount Recaptured
Programs A1–A27[(c)]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	$ 29.23	$ 6.77
Operating Expenses[(d)]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	$ 2.72	$ 0.98
Totals	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$–	$ 31.95	$ 7.75

(b) This table is numbered as Table 4 per OMB Circular A-136, II.5.8, *IPIA Reporting Details*. Due to the OMB granting USAID relief from IPERA reporting, tables 2 through 3 are not reported.

(c) Programs A1 through A27 consist of 27 program areas for the recapture payment process.

(d) Agency operating expenses consist of appropriated funds for administrative support expenditures for a specified fiscal year.

TABLE 5[e]. DISPOSITION OF FUNDS RECAPTURED THROUGH PAYMENT RECAPTURE AUDITS

(Dollars in Millions)

Program	Amount Recovered	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Audit Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other
Programs A1–A27[f]	$ 6.77	Contracts, Grants, Benefits, Loans, & Other	–	–	–	–	–	–	–
Operating Expenses[g]	$ 0.98	Other	–	–	–	–	–	–	–
Totals	$ 7.75		$ –	$ –	$ –	$ –	$ –	$ –	$ –

(e) This table is numbered as Table 5 per OMB Circular A-136, II.5.8, *IPIA Reporting Details*. Due to the OMB granting USAID relief from IPERA reporting, tables 2 through 3 are not reported.

(f) Programs A1 through A27 consist of 27 program areas for the recapture payment process.

(g) Agency operating expenses consist of appropriated funds for administrative support expenditures for a specified fiscal year.

TABLE 6[h]. AGING OF OUTSTANDING OVERPAYMENTS IDENTIFIED IN THE PAYMENT RECAPTURE AUDITS

(Dollars in Millions)

Program	Type of Payment	CY Amount Outstanding (0 – 6 months)	CY Amount Outstanding (6 months – 1 year)	CY Amount Outstanding (over 1 year)	Amount Determined to Not be Collectable
Programs A1–A27[i]	Contracts, Grants, Cooperative Agreements, & Other	$ 1.49	$ 4.54	$ 16.42	$ –
Operating Expenses[j]	Contracts, Grants, Cooperative Agreements, & Other	1.36	0.02	0.36	–
Totals		**$ 2.85**	**$ 4.56**	**$ 16.78**	$ –

(h) This table is numbered as Table 6 per OMB Circular A-136, II.5.8, *IPIA Reporting Details*. Due to the OMB granting USAID relief from IPERA reporting, tables 2 through 3 are not reported.

(i) Programs A1 through A27 consist of 27 program areas for the recapture payment process.

(j) Agency operating expenses consist of appropriated funds for administrative support expenditures for a specified fiscal year.

  - 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 semi-annual data calls to obtain other improper payments identified through other processes, including USAID OIG audits, OMB Circular A-133 audits, and contract and grant close-outs. This results in the leverage of efforts performed by the USAID OIG, Regional Inspectors General, and the Defense Contract Audit Agency (DCAA) in identifying overpayments and the status on recovery of these improper payments.

When the above activities result in identification of a payment that requires recapture, a copy of the demand payment request is forwarded to M/CFO to record a receivable and pursue collection action. Barring any debt compromise, suspension, termination of collection, and closeout or write-off, the recovery process makes full use of all collection tools available, including the Department of the Treasury (Treasury) collection service and/or the Department of Justice claims litigation process. The collection effort may take several months. If the overpayment is the result of a procedural problem, the Agency asks the payee to provide a corrective action plan with a time line for correcting the deficiencies. The Agency follows up on the corrective action plan until the deficiencies are corrected and implemented appropriately.

The Agency continues to identify potential improper payments through post-payment methods and prepayment initiatives. Prepayment initiatives consist of multiple levels of completeness, existence, and accuracy reviews. Post-payment methods include monthly analytical reviews for duplicate payments and payments sent to wrong contractors/vendors. In addition, the Agency is using Treasury's Do Not Pay (DNP) portal to assist in the identification of improper payments.

III. ADDITIONAL COMMENTS

The Agency offers the following additional comments:

- The availability of the Agency's financial data in the core accounting system, Phoenix, has enhanced internal controls and transparency of the Agency's financial activities. This allows for implementation of procedures where financial data is subject to various monthly reviews and is cross referenced with other internal and external reports, including:
  - Funds returned from Treasury;
  - Late payment interest abstracted from Phoenix;
  - Several other systems reports and tools to aid in the identification and review of possible worldwide erroneous/duplicate payments.
- Internal and external payable reviews resulted in:
  - Enhanced internal control procedures and expanded approach of IPIA reviews;
  - M/CFO continues to collaborate with OMB, Treasury, and Agency stakeholders during phase-in of the various elements of OMB's DNP Initiative. These activities include the review of Treasury-issued reports including, but not limited to, the Excluded Parties List System, Specially Designated Nationals, and Blocked Persons List. Implementation of this directive will further enhance the Agency's internal controls aimed at preventing improper payments.
- The Agency evaluated existing IPIA (as amended by IPERA) review processes and further refined the approach and strategy for FY 2015, specifically:
  - Provided revised and updated training to staff associated with payments;
  - Provided in-depth information on testing transactions;
  - Reached out to missions worldwide for improper payment information;
  - Reduced mission data calls from quarterly to semi-annually.

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

IV. AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

The IPERIA law requires OMB to submit to Congress an annual report, "which may be included as part of another report submitted to Congress by the Director, regarding the operation of the DNP Initiative, which shall: (A) include an evaluation of whether the DNP Initiative has reduced improper payments or improper awards; and (B) provide the frequency of corrections or identification of incorrect information."

- M/CFO has incorporated the IPERIA listed DNP database searches into the existing improper payment and payment recapture processes. During FY 2015, Treasury sent a monthly DNP adjudication report listing possible DNP database matches to M/CFO. M/CFO then conducted a manual review of disbursed payments using the online DNP portal. For example, the monthly Treasury DNP adjudication report might identify five matches for a vendor named "Smith." For each possible match, M/CFO would determine if the vendor was correctly identified and/or if the payment was proper.

USAID is currently using the following databases:

– The Death Master File (DMF) of the Social Security Administration;

– The General Services Administration's System for Award Management (SAM);

– The Debt Check Database for Treasury (Debt Check).

- For reporting purposes, the kind of data in question includes:

  – *Payments reviewed for improper payments*, which includes all payments screened by the DNP Initiative or other USAID internal databases (M/CFO), as appropriate, that are disbursed by, or on behalf of USAID;

  – *Payments stopped*, which includes payments that were intercepted or were not disbursed due to the DNP Initiative;

  – *Improper payments reviewed and not stopped*, which includes payments that were reviewed by the DNP databases disbursed, and later identified as improper.

M/CFO plans to continue to use the portal to adjudicate any DNP matches.

During FY 2015, the DNP Initiative did identify one possible improper payment which upon further investigation was determined to be a proper payment.

TABLE 7[k]. RESULTS OF THE DO NOT PAY INITIATIVE IN PREVENTING IMPROPER PAYMENTS
(Dollars in Millions)

Program	Number (#) of Payments Reviewed for Possible Improper Payments	Dollars ($) of Payments Reviewed for Possible Improper Payments	Number (#) of Payments Stopped	Dollars ($) of Payments Stopped	Number (#) of Potential Improper Payments Reviewed and Determined Accurate	Dollars ($) of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the IPERIA Specified Databases	66,372	$ 5,811.86	0	$ –	0	$ –
Reviews with Databases Not Listed in IPERIA	0	$ –	0	$ –	0	$ –

(k) USAID has incorporated the IPERIA listed Do Not Pay databases into existing business processes and programs (e.g., online searches, batch processing, or continuous monitoring), the databases include: the Death Master File (DMF) of the Social Security Administration, the General Services Administration's System for Award Management (SAM), and the Debt Check Database of the Department of the Treasury (Debt Check).

FREEZE THE FOOTPRINT

Section 3 of Office of Management and Budget (OMB) Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, also known as "Freeze the Footprint," was finalized March 14, 2013. It requires agencies to set a baseline of square footage and maintain the footprint at that level. Any new space must be offset with disposal of old space in equivalent proportions. The OMB memo also requires that agencies develop real estate strategic plans documented in a revised Cost Savings and Innovation Plan; as well as create or modify internal policies, processes, and controls to ensure compliance with the Freeze the Footprint mandate, as well as required actions and reporting cycles for FY 2012 through FY 2015.

USAID maintains five occupancy agreements with the General Services Administration (GSA) and one direct lease. These occupancy agreements include general office space, a warehouse, and a standalone training center. Domestic office and warehouse space is included in the baseline measurements for the Freeze the Footprint initiative, however USAID is only required to report on direct lease properties for Agency financial reports. GSA is required to report on USAID occupancy agreements as the direct leaseholder.

USAID has launched a new workplace transformation initiative to help meet the objectives of Freeze the Footprint while also allowing the Agency to achieve long-term goals to provide an efficient workplace. As part of this initiative, USAID has committed to maintaining a baseline of 789,634 square feet of office and warehouse space in the Washington, D.C. area through 2015. USAID began a pilot project on a portion of the seventh floor of the Ronald Reagan Building (RRB), the Agency's headquarters. This pilot was completed in 2014 and the effort has been expanded to the remaining space on the seventh floor. The footprint that is part of this renovation has been replaced by GSA with temporary swing space while existing space is under construction, which accounts for the above-baseline reporting for FY 2014. Overall, this effort is helping USAID achieve higher utilization rates while creating a more modern work environment and supporting the goals of Freeze the Footprint.

The tables below contain the Freeze the Footprint square footage comparison of FY 2012 baseline to net changes in square footage through FY 2014; and the operations and maintenance cost data for direct leases. These figures do not include overseas properties, which are excluded from the Freeze the Footprint policy. The direct lease data is current as of December 31, 2014, the latest reporting period for the Federal Real Property Profile. GSA occupancy agreements data are current as of February 3, 2015, as provided by GSA. The net increase in the baseline square footage was acknowledged by GSA to include both a remeasurement of existing space at two locations and temporary swing space to offset unoccupied space that is under construction at the RRB; and as such does not equate to acquisition of new space.

FREEZE THE FOOTPRINT BASELINE COMPARISON
(Square Footage in Millions)

	FY 2012 Baseline	FY 2014 (CY-1)	Change (FY 2012 Baseline - FY 2014)
GSA Occupancy Agreements	0.782714	0.830864	0.048150
Owned and Direct Lease Buildings	0.003545	0.003553	0.0
Total	0.786259	0.834417	0.048150

REPORTING OF OPERATION AND MAINTENANCE COSTS
(Dollars in Millions)

	FY 2012 Reported Cost	FY 2014 (CY-1)	Change (FY 2012 Baseline - FY 2014)
Owned and Direct Lease Buildings	$0.152	$0.152	$0.0

APPENDICES

(Preceding page) **USAID works with Shanta Memorial Rehabilitation Center to promote disability rights and community-based rehabilitation programs in India. Get the full story "On Her Own Two Feet" at *stories.usaid.gov.***

PHOTO: DAVE COOPER FOR USAID

(Above) **USAID is committed to eradicating extreme poverty by 2030. Get the full story "The End of Extreme Poverty" at *stories.usaid.gov.***

PHOTO: NENA TERRELL / USAID

APPENDIX A.
SUMMARY OF FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) DEFINITIONS AND REPORTING

DEFICIENCY CATEGORY	OPERATIONS	FINANCIAL REPORTING
Material Weakness (FMFIA Section 2)	A significant deficiency, or combination of significant deficiencies, that is significant enough to report outside the Agency, such as the Office of Management and Budget (OMB) and Congress. Generally, such a weakness would: (1) significantly impair the organization's ability to achieve its objectives; (2) result in the use of resources in a way that is inconsistent with Agency mission; (3) violate statutory or regulatory requirements; (4) result in a significant lack of safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets; (5) impair the ability to obtain, maintain, report, and use reliable and timely information for decision making; or (6) permit improper ethical conduct or a conflict of interest.	A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, or other significant financial reports, will not be prevented or detected.
Significant Deficiency (FMFIA Section 2)	A deficiency or a combination of deficiencies in internal control that, in management's judgment, should be communicated to the next level of management because they represent significant weaknesses in the design or operation of an administrative, programmatic, operational, accounting, or financial internal control that could adversely affect the Agency's overall internal control objectives.	A control deficiency[1], or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report external financial data reliability in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements, or other significant financial reports, that is more than inconsequential will not be prevented or detected.
Nonconformance (FMFIA Section 4)	Instances in which financial management systems do not substantially conform to established financial systems requirements.	

1 A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A design deficiency exists when a control necessary to meet the control objective is missing or an existing control is not properly designed, so that even if the control operates as designed, the control objective is not always met. An operation deficiency exists when a properly designed control does not operate as designed or when the person performing the control is not qualified or properly skilled to perform the control deficiency.

APPENDIX B.
ABBREVIATIONS AND ACRONYMS

A

A&A Acquisition and Assistance

ACES Award Cost Efficiency Study

ACI Andean Counterdrug Initiative

ADP Automatic Data Processing

ADS Automated Directives System

AFR Agency Financial Report

AICPA American Institute of Certified Public Accountants

AOR Agreement Officer's Representative

APG Agency Priority Goal

APR Annual Performance Report

ASIST Agency Secure Image and Storage Tracking System

ATDA Accountability of Tax Dollars Act

B

BFS Food Security Bureau

BRM Office of Budget and Resource Management

BS Balance Sheet

C

CAP Cross-Agency Priority

CDCS Country Development Cooperation Strategy

CEO Chief Executive Officer

CEQ Council on Environmental Quality

CFO Chief Financial Officer

CIF Capital Investment Fund

CMP Cost Management Plan

COR Contracting Officer's Representative

CPARS Contractor Performance Assessment Reporting System

CRA Credit Reform Act

CY Current Year

D

DCA Development Credit Authority

DCAA Defense Contract Audit Agency

DCHA Democracy, Conflict, and Humanitarian Assistance Bureau

DEC Development Experience Clearinghouse

DFID Department for International Development (United Kingdom)

DIV Development Innovation Ventures

DMF Death Master File

DNP Do Not Pay

DOL Department of Labor

E

E3	Economic Growth, Education, and Environment Bureau
EADS	Economic Analysis and Data Services
EISA2007	Energy Independence and Security Act of 2007
EPAct2005	Energy Policy Act of 2005

F

F	Office of U.S. Foreign Assistance Resources
FA	Foreign Assistance Bureau
FACTS	Foreign Assistance Coordination and Tracking System
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FedGAAP	Federal Generally Accepted Accounting Principles
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act of 2002, as amended by Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act
FSN	Foreign Service National
FSO	Foreign Service Officer
FTE	Full-Time Equivalent
FTF	Feed the Future
FY	Fiscal Year

G

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GFF	Global Financing Facility
GH	Global Health Bureau
GL	General Ledger
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

H

HCTM	Office of Human Capital and Talent Management
HIV/AIDS	Human Immune Deficiency Virus/ Acquired Immune Deficiency Syndrome

I

IATI	International Aid Transparency Initiative
ICOFR	Internal Control Over Financial Reporting
IDEA	Office of Innovation and Development Alliances
IMF	International Monetary Fund
IOC	Initial Operating Capability
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act

IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IPP	Invoice Processing Platform
IT	Information Technology

L

LAB	U.S. Global Development Lab
LEAD	Leveraging Effective Application of Direct Investments
LEDS	Low Emission Development Strategies
LEED	Leadership in Energy and Environmental Design
LPA	Legislative and Public Affairs Bureau
LPG	Liquid Petroleum Gas

M

M	Management Bureau
M/CFO	Office of the Chief Financial Officer
MAPPR	Mission Agreement Project Pipeline Reporting
MCRC	Management Control Review Committee
MD&A	Management's Discussion and Analysis
MENA	Middle East Northern Africa
MOU	Memorandum of Understanding
MOV	Maintenance of Value
MSED	Micro and Small Enterprise Development

N

N/A	Not Applicable
NFC	National Finance Center
NGO	Non-Governmental Organization
NPE	Non-Permissive Environment

O

OAPA	Office of Afghanistan and Pakistan Affairs
OCO	Overseas Contingency Operation
OFDA	Office of U.S. Foreign Disaster Assistance
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management

P

PALT	Procurement Action Lead Time
PAR	Performance and Accountability Report
PEPFAR	President's Emergency Plan for AIDS Relief
PFAN-Asia	Private Financing Advisory Network-Asia
PIV	Personal Identity Verification
PP&E	Property, Plant and Equipment
PPD-6	Presidential Policy Directive on Global Development
PPIRS	Past Performance Information Retrieval System
PPL	Policy, Planning, and Learning Bureau
PSC	Professional Services Council
Pub. L.	Public Law
PY	Prior Year

Q

QDDR	Quadrennial Diplomacy and Development Review

R

RRB	Ronald Reagan Building
RSI	Required Supplementary Information

S

SAM	System for Award Management
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SL	Subsidiary Ledger
SNC	Statement of Net Cost
SOS	Combined Schedule of Spending
SPFI	Summary of Performance and Financial Information
SSAE	Statement on Standards for Attestation Engagements
State	Department of State

T

Treasury	Department of the Treasury

U

U.S.	United States
U.S.C.	United States Code
UE	Urban and Environmental
ULO	Unliquidated Obligations
USAID	U.S. Agency for International Development
USSGL	U.S. Standard General Ledger

W

WMD	Weapons of Mass Destruction

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

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