AGENCY FINANCIAL REPORT

FISCAL YEAR 2018

ABOUT THIS REPORT

The U.S. Agency for International Development (USAID) *Agency Financial Report* (AFR) for Fiscal Year (FY) 2018 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 audits produced by the Office of Inspector General (OIG);
- 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 over financial reporting, but also 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 Department and 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 a Department or Agency's financial management systems for adherence to Government-wide requirements to ensure accurate, reliable, and timely financial management information;
- Reports Consolidation Act of 2000 – permits Departments and Agencies to prepare a combined Performance and Accountability Report (PAR). During FY 2007 and FY 2008, the Office of Management and Budget (OMB) conducted a pilot in which it permitted Departments and Agencies to produce an alternative to the consolidated PAR, which USAID has done since FY 2007;
- Accountability of Tax Dollars Act (ATDA) of 2002 – expands auditing requirement for financial statements to Agencies not covered by the CFO Act;
- 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 the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 – requires Departments and Agencies to improve efforts to reduce and recover improper payments and requires Federal Departments and Agencies to expand their efforts to identify, recover, and prevent improper payments;
- Fraud Reduction and Data Analytics Act of 2015 – requires Departments and Agencies to submit to Congress as part of their annual financial reports a report on their progress in improving their compliance with Federal financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve their development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments;
- Grants Oversight and New Efficiency (GONE) Act of 2016 – requires Departments and Agencies to report on Federal grant and cooperative agreement awards not yet closed out and for which the period of performance, including extensions, elapsed more than two years ago. On August 15, 2016, OMB issued Management Procedures Memo MPM-2016-04, implementing guidance for the GONE Act that includes a high-level public reporting component through the AFR.

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. USAID will submit the FY 2018 APR to OMB in March 2019. Both reports will be available at *https://www.usaid.gov/results-and-data/performance-reporting*.

(Preceding page) **In Cambodia, entrepreneur Nanda Pok (center) works with her mentee to prepare coffee beans to be dried. After participating in USAID's coffee production training program for female business leaders in Southeast Asia, Nanda passed on her learnings to other women entrepreneurs in her country, helping them to start their own businesses.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

USAID AT A GLANCE

WHO USAID IS

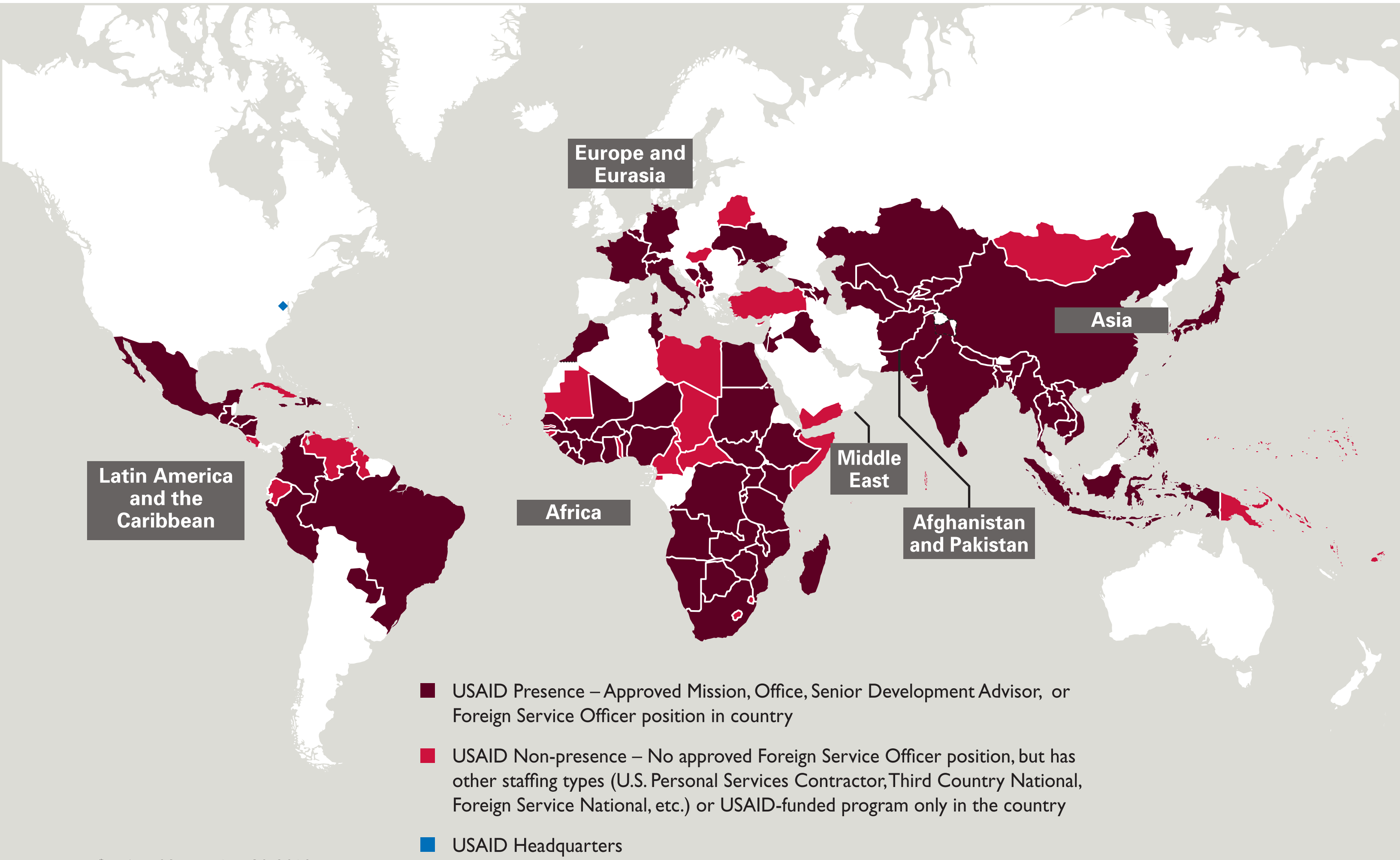
- An independent Federal Government Agency.
- Receives overall foreign policy guidance from the Secretary of State.
- Headquartered in Washington, D.C.
- U.S. Government's lead international development and humanitarian assistance Agency, and an essential component of American foreign policy and national security.

WHERE USAID WORKS

Operating in more than 100* countries around the world, the investments USAID makes in developing countries have long-term benefits for America. To explore where, and with whom, USAID spends its foreign-assistance dollars, visit *https://www.usaid.gov/where-we-work*.

MISSION STATEMENT

"On behalf of the American people, we promote and demonstrate democratic values abroad, and advance a free, peaceful, and prosperous world. In support of America's foreign policy, the U.S. Agency for International Development leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance."



* As of September 30, 2018

WHY USAID MATTERS

ADVANCING AMERICAN SECURITY AND PROSPERITY

USAID's work advances U.S. national security and economic prosperity, demonstrates American generosity, and promotes a path to recipient self-reliance and resilience. With the goal that foreign aid should ultimately end the need for its existence, USAID provides financial and technical assistance to help partner countries on their own development journey—to help lift lives, build communities, and establish self-sufficiency.

USAID's efforts are simultaneously from, and for, the American people. While demonstrating America's good will around the world, USAID increases global stability by addressing the root causes of violence, opening new markets for U.S. businesses, and generating opportunity for trade.

SUPPORTING PRIVATE ENTERPRISE

USAID builds dynamic, mutually beneficial partnerships with the private sector to foster economic growth and improve business outcomes in the United States, and in the countries where USAID works. At USAID, working with the private sector is a necessity. In the past 15 years, USAID has built more than 1,600 partnerships with the private sector that involve more than 3,500 unique organizations, and leverage $16 billion in public and private funds not from the U.S. Government.

WHAT USAID DOES

USAID saves lives, reduces poverty, strengthens democratic governance, and helps people progress beyond assistance. Through the Agency's work and that of its partner organizations, development assistance from the American people is transforming lives, communities, and economies around the world by doing the following:

Providing Humanitarian Assistance

With relief that is timely and effective in response to disasters and complex crises

https://www.usaid.gov/providing-humanitarian-assistance

Promoting Global Health

Through activities that save lives and protect Americans at home and abroad

https://www.usaid.gov/promoting-global-health

Supporting Global Stability

Work that advances democracy and good governance, and helps to promote sustainable development, economic growth, and peace

https://www.usaid.gov/supporting-global-stability

Catalyzing Innovation and Partnership

By identifying new and innovative ways to engage with the private sector

https://www.usaid.gov/catalyzing-innovation-and-partnership

Empowering Women and Girls

Through support for women's equal access to economic opportunities and implementation of the "Protecting Life in Global Health Assistance" policy

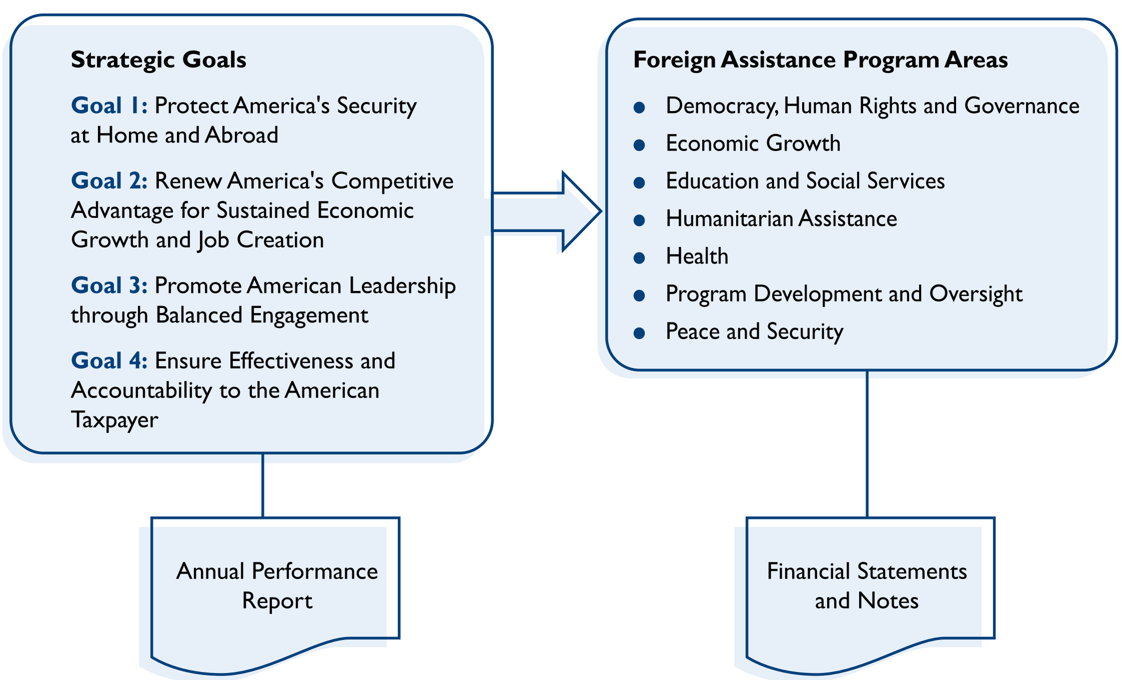
https://www.usaid.gov/empowering-women-and-girls

HOW USAID IS ACCOUNTABLE

ACCOUNTABILITY FOUNDATION FOR PROGRAM AND FINANCIAL RESULTS

USAID is committed to using evidence-based programming to achieve the most-critical U.S. foreign-policy outcomes, and to strengthen accountability to the American people. The Program Cycle, codified in USAID's Automated Directives System (ADS) Chapter 201 (*https://www.usaid.gov/ads/policy/200/201*), is USAID's strategic-planning and program-management process. The Program Cycle reinforces the linkages between country-level strategic planning, the design and implementation of projects, and the monitoring and evaluation of the performance of our partners. These components depend on continuous learning and adapting, influence the annual budget and resource-management processes, and focus on achieving sustainable results. Additionally, USAID and the U.S. Department of State (State) developed the *FY 2018 – FY 2022 Joint Strategic Plan* (JSP), which outlines the four long-term strategic goals the Agency aims to achieve, the actions the Agency will take to realize those goals, how the Agency will deal with challenges and risks to achieving results, and the performance goals USAID will use to measure progress.

USAID uses the Standardized Program Structure and Definition (SPSD) system to categorize programs and track financial results. The SPSD contains seven categories of foreign-assistance programs. The Consolidated Statement of Net Cost (included in this Agency Financial Report (AFR)) represents the cost of operating the Agency's seven foreign-assistance programs. The Program Performance Overview section of this AFR provides a crosswalk between the JSP and the SPSD program categories. To further explore USAID's strategic goals and performance results, see the State-USAID JSP for FY 2018 – FY 2022 (*https://www.usaid.gov/sites/default/files/documents/1870/JSP_FY_2018_-_2022_FINAL.pdf*) and the USAID Annual Performance Report (*https://www.usaid.gov/results-and-data/progress-data/annual-performance-report*).

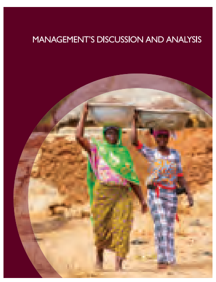


To learn more about USAID, visit *http://www.usaid.gov.*

TABLE OF CONTENTS

vi **A MESSAGE FROM THE ADMINISTRATOR**

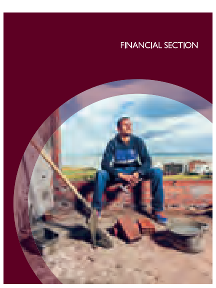
A brief message from the Agency Head highlighting the Agency's vision and an assessment of the reliability and completeness of financial and performance data in the report.



1 **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

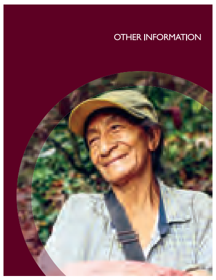
The MD&A provides an overview of the Agency's financial and performance results. It summarizes the Agency's mission, activities, program and financial performance, systems, controls, legal compliance, and financial position.

- 3 Mission and Organizational Structure
- 7 Program Performance Overview
- 28 Looking Forward
- 30 Analysis of Financial Statements
  - 34 Limitations of the Financial Statements
- 35 Analysis of Entity's Systems, Controls, and Legal Compliance
  - 35 Management Assurances
  - 39 Goals and Supporting Financial System Strategies
- 41 Other Management Information, Initiatives, and Issues



55 **FINANCIAL SECTION**

- 57 A Message from the Chief Financial Officer
- 59 Independent Auditor's Report
- 79 Financial Statements and Notes
- 125 Required Supplementary Information



129 OTHER INFORMATION

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

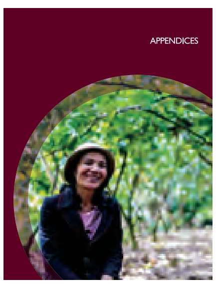
151 Summary of Financial Statement Audit and Management Assurances

153 Payment Integrity

159 Reducing Fraud

162 Reduce the Footprint

163 Grants Oversight and New Efficiency (GONE) Act Reporting of Unclosed Grant and Cooperative Agreement Awards



165 APPENDICES

167 Appendix A. Programs Assessed for Improper Payments for FY 2018

169 Appendix B. Abbreviations and Acronyms

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

A MESSAGE FROM THE ADMINISTRATOR

Mark A. Green

Since the day I arrived at USAID, I have described our mission like this: The purpose of foreign assistance should be ending its need to exist. Each of our programs around the world should be aimed at building our partners' self-reliance, and we should measure our success by how far each investment moves us closer to the day that it is no longer needed.

Because each country must lead its own development journey, USAID is prioritizing tools and reforms that build the local capacity to take on these unique challenges. This dignity is the natural aspiration of not only nations, but communities, families, and individuals. And so I say this not because we want to walk away from our fellow global citizens, but because we believe in them and their potential.

At the same time, we will always stand with the victims of disasters—whether natural or man-made—because that is simply who we are as Americans. And as the world's leader in humanitarian assistance, we will call on other nations to do their part as well.

As responsible stewards of taxpayer dollars, USAID will work relentlessly to ensure our implementing partners deliver assistance as efficiently and effectively as possible, always looking for ways not only to respond to immediate needs, but also to help other nations build resilience against future shocks and crises.

For USAID to succeed, we must constantly seek to improve. We must always strive to be a little better today than we were yesterday. We are convinced that the structural reforms we have proposed in our Transformation, which are currently pending approval by Congress, will help us become a more responsive and innovative organization. We also continue to pursue a suite of policy and procedural changes that will improve and broaden our partnerships, make our procurement more nimble, and maximize the potential of our workforce in Washington and around the world.

The goals and actions described in this *Agency Financial Report* (AFR) are critical to these efforts. We have worked closely with the Office of Inspector General to ensure these financial and summary performance data are complete, reliable, and accurate. We continue to work diligently to eliminate our only material weakness finding related to Fund Balance with the U.S. Department of the Treasury. And we have improved our tracking and accounting processes for reimbursable agreements.

The Independent Auditor's Report, including reports on internal control and compliance with laws and regulations, appears in the Financial Section of this document. The section on Management's Discussion and Analysis reviews issues related to internal controls we ourselves have identified.

We believe this year's AFR demonstrates significant progress toward our goal of making USAID more effective and efficient, as well as more responsive to our interagency and implementing partners, and to the beneficiaries of the programs we fund. It describes our efforts to strengthen country capacity and become more outcome driven. And it outlines the ways we are strengthening our monitoring and evaluation to improve oversight and accountability.

All of this hard work is more than just good management practice. As you study the key facts, figures, and trends in this report, I hope you will remember that this whole process is aimed much higher: at helping our global partners achieve their own bright futures.

Mark A. Green
USAID Administrator
December 17, 2018

2017 Certificate of Excellence Awards

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Preceding page) **Shea, used in cosmetics and confectionaries, provides a vital source of income throughout rural West Africa. USAID helps women like Ghana's Fuseina Memunatu and Abdul-Rahaman Amina work together to export shea butter around the world.**

PHOTO: DOUGLAS GRITZMACHER FOR USAID

(Above) **Throughout West Africa, USAID is helping women like Fuseini Zenabu work together to collect, process, and sell shea butter—helping link remote villages across the region to the global marketplace.**

PHOTO: DOUGLAS GRITZMACHER FOR USAID

MISSION AND ORGANIZATIONAL STRUCTURE

MISSION STATEMENT

"On behalf of the American people, we promote and demonstrate democratic values abroad, and advance a free, peaceful, and prosperous world. In support of America's foreign policy, the U.S. Agency for International Development leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance."

USAID has been working toward these goals for more than 50 years. 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, improve education, and end preventable child deaths—create pathways for the world's most-vulnerable people to become self-reliant.

ORGANIZATIONAL STRUCTURE

USAID is an independent Federal Agency that receives overall foreign-policy guidance from the Secretary of State. With an official presence in 87 countries and programs in 32 others, 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 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. As the U.S. Government's lead international development and humanitarian-assistance agency, USAID helps societies realize their full potential on their Journey to Self-Reliance. USAID plans its development and assistance programs in close coordination with the U.S. Department of State (State), and collaborates with other U.S. Government Departments and Agencies, multilateral and bilateral organizations, private companies, academic institutions, faith-based groups, and non-governmental organizations (NGOs).

USAID's staff work around the world, inspired by the same overarching goals outlined more than 50 years ago—furthering America's foreign-policy interests in expanding democracy and free markets, while also extending a helping hand to people who are struggling to make a better life, recovering from a disaster, or striving to live in a free and democratic country. In 2018, the Agency delivered on its mission with the support of 3,531 U.S. Direct-Hire (DH) employees, of which 1,758 are Foreign Service Officers, 270 are Foreign Service Limited, and 1,503 are in the Civil Service. Additional support came from 4,632 Foreign Service Nationals, and 1,584 other non-DH employees (not counting institutional support contractors). Of these employees, 3,232 work in Washington, D.C., and 6,515 are assigned overseas. These totals include employees from the USAID Office of Inspector General (OIG).[1]

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

USAID has elected to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) as an alternative to the consolidated Performance and Accountability Report (PAR). The Agency will submit its FY 2018 APR to the Office of Management and Budget in March 2019.

[1] Workforce figures are taken from the National Finance Center of the U.S. Department of Agriculture pay period 20 and WebPASS as of September 30, 2018, including the OIG.

> "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

USAID's workforce and culture continue to serve as a reflection of core American values—rooted in the belief of 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 (IOs) 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:

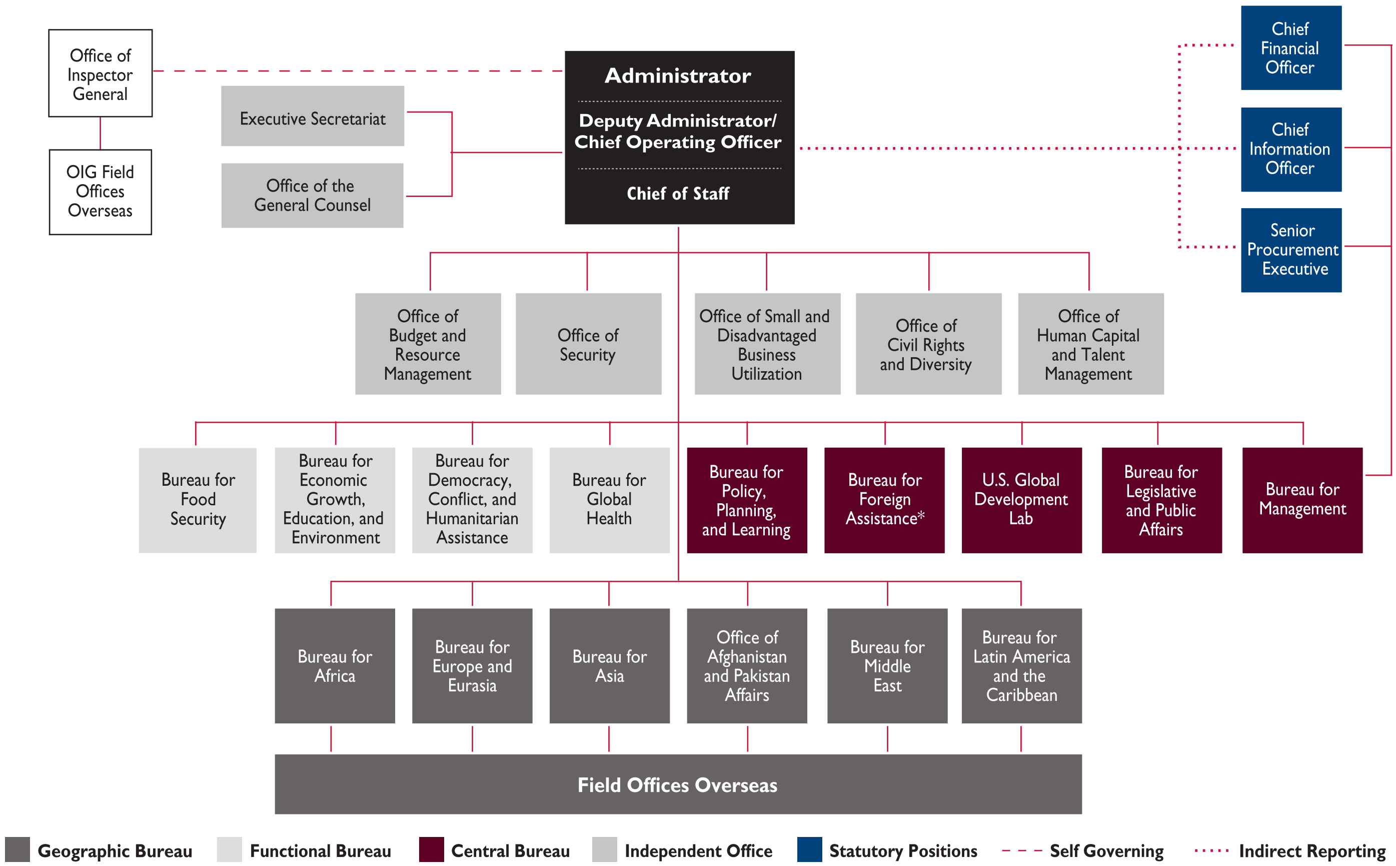
- Bureau for Food Security (BFS), which provides expertise in agricultural productivity and addressing hunger and malnutrition;
- Bureau for Economic Growth, Education, and Environment (E3), which provides expertise in technical leadership, research, and field support for worldwide activities in the areas of economic growth and trade, infrastructure and engineering, education, environment and global climate change, water, and gender equality and women's empowerment;
- 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 child, maternal and reproductive health, HIV/AIDS, malaria, and tuberculosis.

Central Bureaus and offices include:

- Bureau for Policy, Planning, and Learning (PPL), which shapes USAID's development policy and programming guidance to ensure the Agency's work is grounded in evidence and reflects the most advanced thinking in international development;
- Bureau for Foreign Assistance (FA), which is part of State's Office of U.S. Foreign Assistance Resources (F), serves both the Secretary of State and the USAID Administrator in coordinating foreign-assistance resources across the U.S. Government. Under the auspices of F, FA manages consolidated policy, planning, budget, and implementation processes and mechanisms to provide leadership, coordination, and guidance to maximize the impact of U.S. foreign assistance in close 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 accelerate the Agency's development impact in helping partner countries on their Journey to Self-Reliance;
- Bureau for Legislative and Public Affairs (LPA), which manages the Agency's legislative engagements, strategic communications, and outreach efforts to promote understanding of USAID's mission and programs;
- Bureau for Management (M), which administers centralized procurement, financial, information technology, operational budget, and administrative management support services for the Agency's worldwide operations.

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

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



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

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

Finally, the Chief Financial Officer (CFO), Chief Information Officer (CIO), and Senior Procurement Executive currently report directly to the Assistant Administrator in the Bureau for Management (M/AA); The Agency's Transformation, pending before Congress at the time of the publication of this report, proposes that the CFO and CIO will report to the Administrator. The CFO Act of 1990, CIO Act of 1996, and the Federal Acquisition Reform Act (FARA) of 1996 mandated the establishment of these positions. The intention was to elevate them, to establish clear accountability, and to improve the Federal Government's financial and information-management activities.

ORGANIZATIONAL STRUCTURE OVERSEAS

USAID's overseas Operating Units consist of Missions, IOs, and Senior Development Advisors. The U.S. Ambassador serves as the Chief of Mission for all U.S. Government Departments and 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 authorities, which allows them to design and implement programs and negotiate and execute agreements under the overall strategic direction of the Administrator.

Missions conduct and oversee USAID's diverse programs worldwide. Each Mission Director manages a team of contracting, legal, and project-design officers; contracting and grant-making professionals; and technical officers. Bilateral and regional Missions work with host governments and NGOs and other implementers to promote sustainable economic growth, meet basic human needs, improve health, mitigate conflict, and enhance food security. All Missions provide assistance based on integrated development strategies that include clearly defined programmatic objectives and measurable performance targets.

FOREIGN-ASSISTANCE PROGRAMS

USAID uses the Standardized Program Structure and Definition (SPSD) system to categorize, and account for, foreign-assistance funds. The SPSD contains the following seven categories of foreign-assistance programs:

- Democracy, Human Rights and Governance (DR) – support the establishment, consolidation, and protection of democratic institutions, processes, and values in countries to advance freedom;
- Economic Growth (EG) – strive to generate rapid, sustained, and broad-based economic growth;
- Education and Social Services (ES) – aid nations through effective and accountable investments in education and social services to establish sustainable improvements in the well-being and productivity of their populations;
- Humanitarian Assistance (HA) – provide assistance to countries on the basis of need according to principles of universality, impartiality, and human dignity to save lives, alleviate suffering, and minimize the economic costs of conflict, disasters, and displacement;
- Health (HL) – contribute to improvements in the health of people, especially women, children, and other vulnerable populations in countries globally;
- Program Development and Oversight (PO) – provide program management, accounting, and tracking for costs to assist U.S. foreign-assistance objectives;
- Peace and Security (PS) – help countries establish the conditions and capacity for achieving peace, security, stability, and response against arising threats to national or international security and stability.

PROGRAM PERFORMANCE OVERVIEW

As the world's premier international development Agency and a catalytic actor driving development results, USAID supports U.S. national security and economic prosperity, demonstrates American generosity, and promotes a path to self-reliance and resilience. USAID plays a critical role in the Nation's efforts to ensure stability, prevent conflict, and build citizen-responsive local governance. Through the Agency's work and that of its partner organizations, development assistance from the American people is transforming lives, communities, and economies around the world. Examples of USAID's investments in evidence-based programs are the following:

- Providing humanitarian assistance – with relief that is timely and effective in response to disasters and complex crises;
- Promoting global health – through activities that save lives and protect Americans at home and abroad;
- Supporting global stability – with work that advances democracy and citizen-responsive governance, and that promotes sustainable development, economic growth, and peace;
- Catalyzing innovation and partnership – by identifying new and innovative ways to engage with the private sector;
- Empowering women and girls, and protecting life – through support for women's equal access to opportunities and implementation of the "Protecting Life in Global Health Assistance" policy.

ENDING THE NEED FOR FOREIGN ASSISTANCE

The world has changed—from the nature of development to the Nation's partners to the role of technology and innovation. USAID must also change to remain dynamic, innovative, and relevant by transforming its structure, workforce, programs, and processes to advance host-country partners on their Journey to Self-Reliance. To meet this challenge, in FY 2018, USAID proposed through a series of interconnected reforms, through which USAID will align to make the Agency stronger and more effective to achieve greater development, foreign-policy, and national-security outcomes.

ADVANCE THE SELF-RELIANCE OF PARTNER COUNTRIES

USAID will focus on building the capacity of its partner countries to manage and fund their own development over the time so they can become capable, self-reliant partners for4 America and the broader global community:

- **Inform strategy with clear metrics:** Objective, transparent, public, third-party metrics will allow USAID to track progress in partner countries, and inform Agency development strategies and programs;
- **Create enduring partnerships:** As countries become more self-reliant, USAID will work closely with governments, non-governmental organizations (NGOs), the private sector, and other U.S. Government Departments and Agencies to develop an evolved relationship that preserves investments, targets new challenges, and prevents backsliding.

ACHIEVE GREATER DEVELOPMENT OUTCOMES

USAID will harness the ingenuity and entrepreneurship of private enterprise and a more-diversified partner base, while seeking new forms of collaboration and partnership to achieve greater, measurable development impacts:

- **Leverage the private sector:** Strengthen USAID's private-sector engagement and innovative financing approaches to achieve greater results in the field;

- **Transform procurement approaches:** Use more co-creation, co-design, and co-financing to build upon traditional procurement approaches, and increase flexibility, innovation, and diverse partnerships, with the U.S. private sector, including U.S. small businesses, and local organizations.

ADVANCE AMERICA'S NATIONAL SECURITY

USAID will leverage the structural reforms proposed in the Transformation and the centrality of development in conflict and crisis situations to reinforce its critical role in achieving national-security objectives:

- **Enhance civilian-military cooperation:** Advance U.S. national-security, foreign-policy, and development goals through greater coordination and planning with the U.S. Department of Defense;

- **Improve operations in non-permissive environments:** Strengthen USAID's capacity to prevent and mitigate conflict, address fragility, and respond to global crises.

RECRUIT, DEVELOP, AND RETAIN HIGH-PERFORMING TALENT

USAID will create the landscape, systems, and processes to support its employees as they address the world's greatest and most-complex development and humanitarian challenges:

- **Foster a more flexible and agile workforce:** Empower USAID staff with planning, assignment, and management systems and tools to be able to work anywhere, anytime, and under any condition;

- **Equip, empower, and invest in USAID's people:** Ensure USAID's strategies, approaches, and tools are based on robust, strategic workforce-planning and analytics with a shared, consistent leadership philosophy and leadership-development model.

REFORMS THROUGH STRUCTURAL CHANGES

Through its proposed Transformation, USAID will align to end the need for foreign assistance by becoming more field-focused and results-driven, which will improve its ability to respond to complex and changing development contexts, both in Washington, D.C., and in the field:

- **Elevate humanitarian assistance:** Consolidate Agency units that manage humanitarian assistance to strengthen their coherence and impact;

- **Strengthen crisis prevention and response:** Harmonize conflict-prevention, stabilization, and response efforts to enhance USAID's effectiveness in complex environments;

- **Integrate food security and resilience:** Break the cycle of chronic vulnerability, poverty, and hunger through elevated resilience leadership, strengthened support to the field, and greater synergy of investments across key sectors;

- **Align policy, resources, and programming:** Integrate policy and resources, with unified program and operation budget functions, to have a clearer and stronger voice in Washington and the field;

- **Embrace innovation and field-driven solutions:** Drive program decision-making and design toward the field, with greater technical support that integrates innovation across all programs.

THE JOURNEY TO SELF-RELIANCE

USAID will realign its strategies, policies, and programs to assist developing countries more thoughtfully, strategically, and purposefully in becoming more self-reliant. USAID will reorient its relationships with partner countries by more clearly defining expectations up front, giving more clarity and focus to the objectives of assistance, and establishing tangible and meaningful goals to which partner countries can aspire.

"Self-reliance" is a country's ability to plan, finance, and implement solutions to solve its own development challenges. If it is to one day end the need for foreign assistance, USAID needs to understand how self-reliant each of its partner countries is overall, what are a country's self-reliance strengths and challenges, and reorient partnerships accordingly. Ultimately, USAID needs to ensure that the programs it implement are best supporting a country's Journey to Self-Reliance.

USAID believes that two mutually-reinforcing factors determine a country's self-reliance, Commitment and Capacity:

- **Commitment:** The degree to which a country's laws, policies, actions, and informal governance mechanisms—such as cultures and norms—support progress toward self-reliance;
- **Capacity:** How far a country has come in its journey across the dimensions of political, social, and economic development, including the ability to work across these sectors.

The first step in better supporting countries along their respective Journeys to Self-Reliance is being able to understand where in the journey they are in the first place. This is the goal of the Self-Reliance Metrics effort. USAID has identified an initial set of 17 publicly, available, third-party, high-level metrics that it believes best capture a country's Commitment and Capacity to manage its own development journey.

The Self-Reliance Metrics have four specific purposes:

- **To plot the overall journey.** By measuring Commitment and Capacity, USAID will be able to see—at a high level—where all countries are in their Journeys to Self-Reliance, both individually and relative to the rest of the world. By plotting the whole spectrum of countries, USAID is able to put a first stake in the ground of understanding what it means to reorient around the concept of self-reliance.
- **To inform strategic decisions.** While they will not be the only tool, the metrics will be an important part of where USAID anchors its country strategies going forward. Ultimately, the Agency wants to make sure that its partnerships and investments are responding to what a country needs to move along its Journey to Self-Reliance, and these metrics will help point USAID toward what those needs are.
- **To use in development dialogue.** The metrics allow the Agency to see not only where a country is in its overall Journey to Self-Reliance, but also its relative strengths and relative challenges along the 17 indicators that comprise how USAID defines self-reliance. As a result, the metrics provide an objective, common touchstone that USAID can use when in policy dialogue (when appropriate) with its country and development partners.
- **To signal when to consider examination for strategic transitions.** When the metrics indicate a country has achieved an advanced level of self-reliance, this could signal—together with supplemental information—that the Agency might want to examine the country for a possible conversation about strategic transition. This simply means looking at how USAID might evolve the partnership to one that goes beyond the traditional donor to recipient paradigm. Strategic transitions would be a process, not an overnight decision, and would necessarily involve extensive consultation with the host government, the rest of the U.S. Government, and external stakeholders.

As a country increases its commitment and capacity to plan, finance, and manage its own development, its level of self-reliance should also increase. USAID believes that as self-reliance increases, its partnership should also evolve—

THE PRIMARY SELF-RELIANCE METRICS

COMMITMENT METRICS
CHOICES/BEHAVIORS

1. **Open and Accountable Governance**
   Liberal Democracy Index (V-Dem)
   Open Government (WJP)
2. **Inclusive Development**
   Social Group Equality (V-Dem)
   Economic Gender Gap (WEF)
3. **Economic Policy**
   Business Environment (Legatum)
   Trade Freedom (Heritage)
   Biodiversity and Habitat Protection (Yale/CIESIN)

CAPACITY METRICS
ACHIEVEMENT/OUTCOMES

1. **Capacity of the Government**
   Government Effectiveness (WGI)
   Efficiency of Tax Administration (IPD)
   Safety and Security (Legatum)
2. **Capacity of Civil Society**
   Diagonal Accountability Index (V-Dem)
3. **Capacity of Citizens**
   Poverty Rate (World Bank)
   Education Quality (World Bank)
   Child Health (CIESIN)
4. **Capacity of the Economy**
   Per Capita GDP in PPP (World Bank)
   ICT Use (WEF)
   Export Concentration Index (UNCTAD)

so the Agency can ensure that the programs it implements are supporting a country's Journey to Self-Reliance. USAID is exploring a range of reforms to improve its program and procurement practices to support self-reliance in its partner countries more effectively.

Learn more about self-reliance and the metrics at *https://www.usaid.gov/selfreliance/*.

DISCIPLINE OF DEVELOPMENT

The Program Cycle is the foundational framework for evidence-based development. The Program Cycle reinforces the linkages between country-level strategic planning, the design and implementation of Agency programs, and the monitoring and evaluation of the performance of USAID implementing partners. These components, which represent the discipline of development depend on continuous learning and adapting; influence the annual budget and resource-management processes; and focus on achieving measurable, sustainable results. Four principles guide USAID's Program Cycle:

- Apply analytic rigor to support evidence-based decision-making;
- Manage adaptively through continuous learning;
- Promote sustainability through local ownership;
- Use a range of approaches to achieve results.

In the *FY 2018 – FY 2022 Joint Strategic Plan* (JSP), USAID set the goal of integrating self-reliance into all Country Development Cooperation Strategies (CDCSs) by 2022. As this is a new approach, six CDCSs will apply the self-reliance principles to their strategies and programs in FY 2019. The Agency will then roll out the approach to all CDCSs in the following Fiscal Years, until all CDCSs address specific ways to strengthen host-country capacity to further self-reliance.

The Performance Management Plan (PMP) is a tool USAID uses to help plan and manage the process to monitor, evaluate, and learn from progress against strategic objectives and the performance of the programs USAID funds. USAID Missions and offices use a PMP to target and track progress toward intended results in a CDCS. They are also responsible for reporting key indicator data in their annual performance reports. These performance reports inform decisions on funding, developing, and implementing programs.

QUALITY OF MONITORING AND EVALUATION

As part of the Program Cycle, USAID's monitoring and evaluation requirements help the Agency build a body of evidence from which to learn and adapt, as well as increase the quality and transparency of that evidence. In 2011, USAID implemented an Evaluation Policy called a "model for other federal agencies" by the Evaluation Policy Task Force of the American Evaluation Association. In September 2016, USAID updated its Program Cycle Operational Policy (Automated Directives System (ADS) Chapter 201) to integrate monitoring, evaluation and learning guidance, and best practices throughout the Program Cycle. This includes basing strategic planning for, and the design of, projects and activities on the best available evidence, and ensuring ongoing accountability, learning, and adaptation during strategy and implementation. In FY 2017, USAID Operating Units (OUs) completed 161 external evaluations[2], which brings the total number of evaluations completed since the Agency's 2011 Evaluation Policy to over one thousand. Implementation of USAID's Program Cycle Operational Policy also ensures the Agency's compliance with the objectives of the Foreign Aid Transparency and Accountability Act (FATAA) of July 2016 and the guidelines for FATAA implementation published by the Office of Management and Budget (OMB).

In 2016, USAID published *Evaluation Utilization at USAID*, which found that at several stages during the USAID Program Cycle, evaluation use was evident, strong, and compared well to those of other U.S. Government Departments and Agencies. At the country level, 59 percent of approved strategies referred to USAID evaluations,

[2] A summary of FY 2017 USAID evaluations, including a regional and sector breakdown, can be found at *https://www.usaid.gov/sites/default/files/documents/1870/060418_2017_Evaluations_508.pdf*.

and 71 percent of respondents reported using evaluations to design or modify a USAID project or activity. The study also found the most-common changes were actions that refocus ongoing activities to better achieve intended results. To promote internal and external learning from evaluations, USAID requires evaluations (with limited exceptions) to be made publicly available on USAID's Development Experience Clearinghouse (DEC) at *https://dec.usaid.gov*.

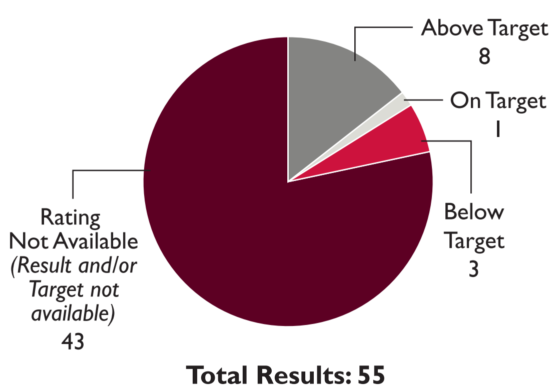
USAID is also building the capacity of its staff and partners to generate and use quality evidence for decision-making and to improve effectiveness of programs. USAID's capacity-building approach focuses on four main areas of work: delivering classroom and online training courses, creating tools and guidance to support staff in implementing the Program Cycle's procedures, direct technical assistance to USAID Missions and offices on the Program Cycle's processes, and facilitating peer-to-peer learning by hosting communities of practice. For example:

- USAID has developed a sophisticated training curriculum with a set of online and classroom courses that range from introductory to more advanced content and targeted to specific staff roles to build capacity in the Program Cycle's processes. Courses include Introduction to the Program Cycle; Project Design; Performance Monitoring and Evaluation Essentials; Applied Performance Monitoring and Evaluation; and Better Development through Collaborating, Learning, and Adapting.
- As of July 2018, USAID has trained more than three thousand staff in evaluating and monitoring programs since 2011.
- USAID provides templates, checklists, guidance documents, and other tools that support its staff in planning, designing, managing, and learning from monitoring and evaluation. USAID has published its toolkits for good practice in evaluation (*https://usaidlearninglab.org/evaluation*), monitoring (*https://usaidlearninglab.org/content/monitoring-toolkit*), and learning (*https://usaidlearninglab.org/cla-toolkit*) on USAID's Learning Lab website (*https://usaidlearninglab.org/*).

Performance indicators define the data to collect and enable the comparison of actual results achieved with planned results over time. Hence, they are an indispensable management tool for making evidence-based decisions about the design of programs and 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. OUs within USAID and the U.S. Department of State (State) do not report the results of their foreign-assistance programs for FY 2018 until December 2018, after the required publication date of USAID's Agency Financial Report (AFR). Accordingly, the most-recent performance data contained in this report are for FY 2017[3], with baseline and trend data included when available. In spite of a variety of obstacles, most USAID programs met or exceeded their targets in FY 2017.[4]

PERFORMANCE INDICATORS AND TRENDS

FY 2017 PERFORMANCE RESULTS[1]



[1] *The FY 2017 Performance Results reflect the first year of reporting on indicators under the FY 2018 – FY 2022 Joint Strategic Plan.*

[3] Annual targets are set before results of the previous year are calculated. Targets are included in the Performance Plan and Report (PPR) two years in advance. For example, targets for FY 2017 were set in the PPR of FY 2015.

[4] This is the first year of reporting under the *FY 2018 – FY 2022 JSP*, meaning target and result data are available for a small subset of indicators. For indicators which data are available, most met or exceeded their targets in FY 2017.

QUALITY OF DATA

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 ADS Chapter 201, USAID Missions and OUs are required to follow rigorous processes to ensure the quality of the data produced by programs they fund. A Performance Indicator Reference Sheet (PIRS) is the primary way USAID documents the quality and consistency of data for each performance indicator. An implementer must develop a PIRS for each performance indicator as it: (1) defines the indicator's meaning, use, and the method of data-collection; and (2) specifies where the data are sourced, and identifies any limitations of the data. A Data-Quality Assessment (DQA) is the process by which USAID assesses the validity, integrity, precision, reliability, and timeliness of performance-indicator data, with the results of the DQA recorded in the PIRS. All data reported externally from a Mission or OU must go through the DQA process. USAID obtains performance data from three sources: (1) primary (data collected by USAID or whose collection USAID funds); (2) secondary (data compiled by USAID's implementing partners, but collected from other sources); and (3) third-party (data from other U.S. Government Departments and Agencies or international organizations, such as the World Bank or the United Nations).

STRATEGIC GOALS AND RESULTS

Development plays an indispensable role, alongside diplomacy and defense, in advancing U.S. national security and economic interests. USAID's programs save lives, promote inclusive economic growth, strengthen democratic, citizen-responsive governance, and help avert crises worldwide. USAID continues striving to achieve measurable development results, confront threats to national security and global stability, demonstrate American leadership, and ensure the effectiveness and accountability of its programs to the American taxpayer.

Operationally, USAID and State implement this directive by working cooperatively to pursue U.S. national-security objectives abroad. They do this through diplomacy and foreign-assistance programs that are implemented by both organizations that support the President's National Security Strategy (NSS) (*https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf*).

Additionally, USAID and State developed the *FY 2018 – FY 2022 JSP* (*https://www.usaid.gov/sites/default/files/documents/1870/JSP_FY_2018_-_2022_FINAL.pdf*), which outlines the long-term goals the Department and Agency aims to achieve, what actions the they will take to realize those goals, and how the they will deal with challenges and risks that could hinder achieving results. The JSP also includes the performance goals USAID will use to measure progress. The FY 2018 AFR will include the first year of reporting under this new JSP.

USAID and State's joint strategic goals support the U.S. Government's overall efforts to promote and demonstrate democratic values abroad, and advance a free, peaceful, and prosperous world. These goals 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 under the NSS.

The Government Performance and Results Act (GPRA) of 2003 requires agencies to develop strategic plans. Since 2004, USAID and State have created joint strategic goals and objectives, Agency Priority Goals (APGs), and performance goals that reflect State's and USAID's global reach and impact.

Also according to the GPRA Modernization Act, USAID and State publicly report, on a quarterly basis, their progress of their APGs (*https://www.performance.gov/state/state.html*). The seven APGs for FY 2018 – FY 2019 are in the following areas: Food Security and Resilience (USAID), Maternal and Child Health (USAID), Effective Partnering and Procurement Reform (USAID), Category-Management (USAID and State), HIV/AIDS (USAID and State), Information Technology (IT) Modernization (State), and Visa Security (State). Results for some of these APGs appear in the applicable sections in this report, that provide updates on the Strategic Goals and on *performance.gov*.

STATE-USAID JOINT STRATEGIC GOAL FRAMEWORK

Strategic Goal	Strategic Objective	Program Categories*
Strategic Goal 1: Protect America's Security at Home and Abroad	Strategic Objective 1.1 – Counter the Proliferation of Weapons of Mass Destruction (WMD) and their Delivery Systems Strategic Objective 1.2 – Defeat ISIS, al-Qa'ida and other Transnational terrorist organizations, and counter state-sponsored, regional, and local terrorist groups that threaten U.S. national security interests Strategic Objective 1.3 – Counter instability, transnational crime, and violence that threaten U.S. interests by strengthening citizen-responsive governance, security, democracy, human rights, and rule of law Strategic Objective 1.4 – Increase capacity and strengthen resilience of our partners and allies to deter aggression, coercion, and malign influence by state and non-state actors Strategic Objective 1.5 – Strengthen U.S. border security and protect U.S. citizens abroad	Peace and Security Democracy, Human Rights and Governance
Strategic Goal 2: Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation	Strategic Objective 2.1 – Promote American prosperity by advancing bilateral relationships and leveraging international institutions and agreements to open markets, secure commercial opportunities, and foster investment and innovation to contribute to U.S. job creation Strategic Objective 2.2 – Promote healthy, educated and productive populations in partner countries to drive inclusive and sustainable development, open new markets and support U.S. prosperity and security objectives Strategic Objective 2.3 – Advance U.S. economic security by ensuring energy security, combating corruption, and promoting market-oriented economic and governance reforms	Health Education and Social Services Economic Growth Democracy, Human Rights and Governance
Strategic Goal 3: Promote American Leadership through Balanced Engagement	Strategic Objective 3.1 – Transition nations from assistance recipients to enduring diplomatic, economic, and security partners Strategic Objective 3.2 – Engage international fora to further American values and foreign policy goals while seeking more equitable burden sharing Strategic Objective 3.3 – Increase partnerships with the private sector and civil society organizations to mobilize support and resources and shape foreign public opinion Strategic Objective 3.4 – Project American values and leadership by preventing the spread of disease and providing humanitarian relief	Health Humanitarian Assistance Democracy, Human Rights and Governance Peace and Security Economic Growth
Strategic Goal 4: Ensure Effectiveness and Accountability to the American Taxpayer	Strategic Objective 4.1 – Strengthen the effectiveness and sustainability of our diplomacy and development investments Strategic Objective 4.2 – Provide modern and secure infrastructure and operational capabilities to support effective diplomacy and development Strategic Objective 4.3 – Enhance workforce performance, leadership, engagement, and accountability to execute our mission efficiently and effectively Strategic Objective 4.4 – Strengthen security and safety of workforce and physical assets	Program Development and Oversight

* *USAID implemented the revised Standardized Program Structure and Definition (SPSD) at the beginning of FY 2017. The program categories in this table reflect the SPSD program categories discussed in the Mission and Organizational Structure, the Financial Statements, and Notes to the Financial Statements.*

ILLUSTRATIVE ACCOMPLISHMENTS

Below are illustrative accomplishments that support achievement of USAID's strategic goals as outlined in the *FY 2018 – FY 2022 USAID-State JSP*.

STRATEGIC GOAL 1

Protect America's Security at Home and Abroad

PUBLIC BENEFIT

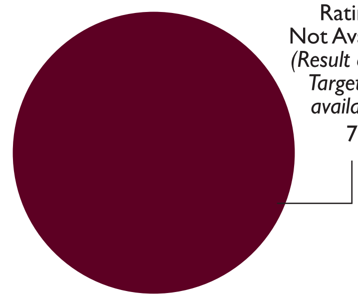
Effective, resilient, and democratic countries can act as key partners to the United States, supporting its own prosperity and security as well as stability around the globe. However, violence and instability currently affect half of the world's population, which imposes a staggering toll on human development, with an estimated cost of more than $13 trillion per year. USAID, along with State, works to ensure that countries have the tools and capacity to resolve conflict, address underlying sources of fragility and instability, and build resilience to external and internal shocks so they can more effectively and self-sufficiently respond to crises. The U.S. Government proactively works with countries to prevent and mitigate the consequences of violence, conflict, and violent extremism through peacebuilding and stabilization efforts, with the ultimate goal of preventing dangerous backsliding and helping countries consolidate positive gains.

LINKING ACTIVITIES TO OUTCOMES

Many Theories of Change posit that if there is more grassroots-level support for a peace process, the potential for durable peace will increase. This indicator registers the number of U.S. Government-funded activities—such as trainings or events—that aim to build popular support for peace or reconciliation among the general population. Building public support for peace or reconciliation is a critical approach for resolving conflict, and for identifying and addressing underlying issues that contribute to fragility and instability. Through support for more-inclusive processes, U.S. assistance can improve the prospects for durable peace, and help build the resilience of fragile countries to future shocks and challenges. In FY 2017, the U.S. Government funded 6,103 events, trainings, and activities designed to increase broad public support for peace and reconciliation in more than 10 countries. For example, activities focused on conflict analysis at the community level and stakeholder-mapping, engaged women and youth in dialogue initiatives, built social cohesion through sporting and cultural events, and supported the inclusion of civil society in peace processes.

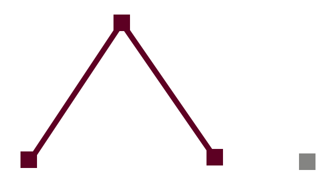
In FY 2017, U.S. Government-financed activities designed to build broad public support for peace and reconciliation engaged 324,546 people across multiple countries, including, but not limited to, Armenia, the Central African Republic, Georgia, Macedonia, Mali, Nepal, Nigeria, the Philippines, Sénégal, Somalia, South Sudan, and Sri Lanka.

FY 2017 STRATEGIC GOAL 1 PERFORMANCE RESULTS



Total Results: 7

PERFORMANCE INDICATOR: *Number of U.S. Government-funded events, trainings, or activities designed to build support for peace or reconciliation on a mass scale*



	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	N/A	N/A	N/A	N/A	5,135
Result	N/A	4,982	35,386[1]	6,103	N/A

Source: *FY 2019 Annual Performance Plan/FY 2017 Annual Performance Report.*

[1] *The FY 2016 result is high because of new projects starting in one Operating Unit.*

CAVE has increased the voices online and in the media standing against extremism in all its forms. PHOTO: USAID

MEDIA CAMPAIGN TACKLES VIOLENT EXTREMISM IN NIGERIA AND BEYOND

Films urge public to stand against radical ideology and destruction

March 2018 —"I was shocked to see that things like this happened in northeast Nigeria, the same country where I live," said Yemisi* following the screening of a documentary, "Evils of Boko Haram," in the capital city of Abuja. Yemisi had never truly grasped the scale of Boko Haram's destruction in the region.

Boko Haram and its separate ISIS-West Africa faction have been terrorizing northeast Nigeria since 2009 and 2016, respectively. In that time, Boko Haram has killed tens of thousands of people, kidnapped hundreds of schoolchildren and aid workers, and displaced more than 2.2 million people within Nigeria and the greater Lake Chad Basin.

Yemisi and others had never really considered violent extremism on a national scale before the Campaign against Violent Extremism (CAVE) began. Launched in January 2017, CAVE was a multimedia campaign that showcased life in northeast communities affected by violent extremism. Funded by USAID's Office of Transition Initiatives, CAVE used traditional media (television and radio), cinema screenings, and social media platforms (Facebook, Twitter, and YouTube) to target audiences in Nigeria and the greater Lake Chad Basin.

CAVE set out to reduce community appeal for radical and extremist groups by producing several media products, including the documentary "Evils of Boko Haram," highlighting the scale of Boko Haram's destruction in northeast Nigeria; a short film, "No Good Turn," portraying the aftermath of a suicide bomb attack in the area; and a short Hausa language drama, "The Community," depicting the effects of insurgency on community relations.

*Name changed to protect identity.

Over an eight-month period, the CAVE campaign hosted six cinema screenings of the films in northeast Nigeria and Abuja and distributed over four thousand DVDs of the films nationwide. Each film was broadcast twice on satellite TV to over 56 countries worldwide, while the social media campaign amassed over five thousand followers online. On social media, the campaign reached over 1.3 million people across the Lake Chad Basin, yielding success with regional viewers through Arabic and French translations of the "Evils of Boko Haram" documentary.

Based on feedback from viewers and social media commenters, the campaign created an avenue for people around the region to learn of the menace of violent extremism and the need for sustained anti-extremism campaigns.

"We, as a country, have to speak up against the scourge known as Boko Haram and violent extremism," Yemisi said.

"We, as a country, have to speak up against the scourge known as Boko Haram and violent extremism."

While there is still a lot to be done in countering extremist ideology, CAVE has increased the voices online and in the media standing against extremism in all its forms.

Since 2014, USAID has made considerable impact against insurgent groups Boko Haram and ISIS-West Africa, providing more than $57 million in stabilization assistance to help counter and prevent the factors that allow violent extremism to flourish, including feelings of marginalization and lack of economic opportunity.

STRATEGIC GOAL 2

Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation

PUBLIC BENEFIT

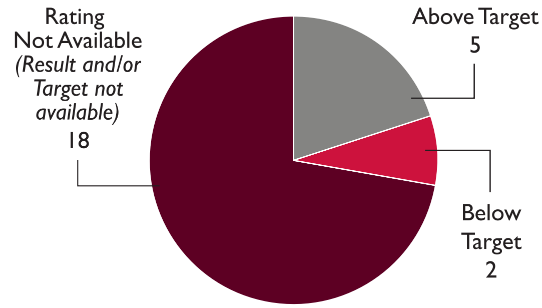
Growth and economic security among U.S. allies and partners builds markets for U.S. goods and services, and strengthens the ability to confront global challenges together. USAID's economic diplomacy and development assistance are key tools in projecting American leadership to enhance security and prosperity at home. Development, transparency, and citizen-responsive governance in unstable regions are essential to fight poverty, isolate extremists, and improve humanitarian conditions. Promotion of healthy, educated, and productive populations in developing countries can drive inclusive economic growth that opens markets for U.S. investments and counters violent extremism. Further, encouraging improvements to corporate governance, sharing new technology, and supporting capital-formation and strong, abuse-resistant financial systems to bolster the business capacity of small business and high-growth-potential entrepreneurs can help grow and integrate domestic and international markets.

LINKING ACTIVITIES TO OUTCOMES

Led by USAID, Feed the Future draws on the agricultural, trade, investment, development, and policy resources and expertise of several Federal Departments and Agencies. Through Feed the Future, the U.S. Government is moving the needle on poverty and stunting. In FY 2017, annual progress indicators projected 23.4 million more people live above the poverty line, 3.4 million more children are living free of stunting, and 5.2 million more families no longer suffer from hunger because of Feed the Future's investments. Harnessing the best of American ingenuity and innovation to create solutions, Feed the Future aims to ease human suffering, and put communities and countries on a path to self-reliance.

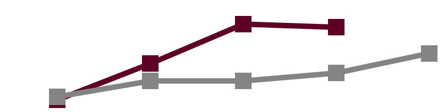
This indicator measures the total number of direct beneficiary farmers, ranchers, and other primary-sector producers (of food and non-food crops, livestock products, wild fisheries, aquaculture,

FY 2017 STRATEGIC GOAL 2 PERFORMANCE RESULTS



Total Results: 25

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



	FY 2014[1]	FY 2015	FY 2016	FY 2017	FY 2018
Target	7M	8M	8M	8.5M	9.75M
Result	6.8M	9.1M[2]	11.6M[2]	11.4M[3]	N/A

Source: *FY 2019 Annual Performance Plan/FY 2017 Annual Performance Report.*

[1] *The FY 2014 Target and Result values are sourced from the FY 2016 Annual Performance Report.*

[2] *The FY 2015 and FY 2016 Result values have been updated to reflect the Feed the Future Snapshot: A Decade of Progress.*

[3] *The FY 2017 Result value has been updated to reflect the FY 2018 Third Quarter APG Progress Update.*

agro-forestry, and natural-resource-based products), as well as individual processors (not firms), rural entrepreneurs, traders, natural-resource managers, *etc.*, that applied improved technologies anywhere within the food and fiber system as a result of U.S. Government assistance during the reporting year. This includes innovations in efficiency; value-addition; post-harvest management; marketing; sustainable management of land, forests, and water managerial practices; and the delivery of input supplies; as well as risk management practices, such as the use of drought and flood-resistant varieties, irrigation methods, and conservation agriculture. Technological change and its adoption by different actors in the agricultural value-chain will be critical to increasing agricultural productivity. In the

KYRGYZ SOYBEAN FARMERS GROW GREATER PROFITS IN A NEW MARKET

Private sector partnership raises agricultural incomes for thousands

May 2018—Kubanychbek Alymbekov, a 54-year-old farmer and father of five, cultivated clover and cotton for decades. He had never planted soybeans until spring 2017, when he learned that Oasis Agro, the largest producer of commercial animal feed concentrates in southern Kyrgyzstan, used soybeans as their main ingredient. He saw an opportunity.

Many livestock farmers in Kyrgyzstan rely on animal feed because of the long, harsh winters that limit pasturing. Historically, Oasis Agro struggled to source enough locally grown soybeans for their feed, forcing the company to import soybeans from neighboring Uzbekistan, incurring high transportation costs.

Realizing the high-earning potential of soybeans as cash crops for Kyrgyz farmers, Oasis Agro, in partnership with USAID, recruited hundreds of farmers, including Alymbekov, to grow the plants.

USAID's Agro Horizon Project has supported 90 thousand small holder farmers and partnered with over 50 businesses in the country to improve agricultural production in Kyrgyzstan.

PHOTO: SEVARA BAIBULATOVA

"I like to learn and experience new things. The secret of my success is to follow the technical requirements strictly."

The USAID Agro Horizon project supplied Alymbekov with agricultural inputs, including soybean seeds and fertilizers, with the understanding that he would pay back the cost after harvesting his plot. The arrangement appealed to the farmer because he could not afford the necessary supplies. As a first-time grower of soybeans, Alymbekov received training and ongoing support from USAID and Oasis Agro on the best farming methods and latest technologies.

"I like to learn and experience new things. The secret of my success is to follow the technical requirements strictly. With soybeans, this meant thorough land preparation and proper control of unwanted plants and weeds. Because of this, I got the highest yield out of all 275 farmers," said Alymbekov.

Come harvest time, Alymbekov produced 33 tons of soybeans on his 6.5 hectares of land and earned $8,235 in final profits—44 percent higher than what he earned the previous year when the same land was planted with corn. This was also 30 percent more than what other soybean farmers with similar-sized plots produced.

Thanks to the additional income, Alymbekov was able to pay university expenses for both of his children. Next year, he plans to increase his production and continue supplying to Oasis Agro.

"Two hundred and seventy-five soybean farmers joined our program in spring 2017," said Stephen Maier, program manager for Oasis Agro. "Kubanychbek did an outstanding job, even exceeding our highest expectations! We awarded him with a certificate of appreciation as the best soybean farmer. He is a great example for other farmers in his community."

USAID helped Oasis Agro install two new 250-cubic meter grain bins, providing 300 tons of additional storage. Now the company can buy and store more soybeans from local farmers, increasing profit-earning potential. The extra storage also allows Oasis Agro to meet the demand of local and export markets year-round.

In 2017, through more than 50 partnerships, the USAID Agro Horizon project leveraged $25 million in private sector resources to empower over 20 thousand farmers like Alymbekov in rural areas that suffer from poverty, labor migration, and unemployment. By improving opportunities for farmers and entrepreneurs, USAID improves sustainable economic growth and stability in Kyrgyzstan.

Feed the Future results framework, this indicator falls under Intermediate Result 1: Strengthened inclusive agriculture systems that are productive and profitable.

In FY 2017, 11.4 million farmers applied new technologies or management practices because of Feed the Future, which is above the target of 8.5 million. Feed the Future exceeded its target for the number of farmers who apply new technologies by reaching more farmers through direct training. The program also worked with public and private-sector actors to provide training. For example, in Nepal, Dev Bhar Rice Mill had previously been able to meet only about a third of the local demand for rice because of a lack of technical knowledge and low-quality seed. Feed the Future is changing that by teaching one thousand local farmers improved techniques to boost yields. With modern machinery, the mill expanded its production of rice, too. The more rice farmers grow, the more the mill had to process. Rice imports are down by 30 percent, as the mill helps meet growing local demand. Farmers have seized the opportunity to produce and sell more rice, and are making a better living as a result.

STRATEGIC GOAL 3

Promote American Leadership through Balanced Engagement

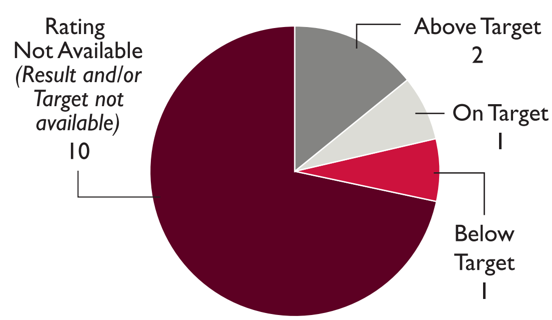
PUBLIC BENEFIT

Through alliances and partnerships, the United States promotes mutual security and economic interests in cooperation with like-minded countries. The United States, moreover, continues to play a leading role in international and multilateral organizations, which presents opportunities to build consensus around American values; advance American national security, economic, and development goals; and rally collective action with American leadership. The United States will continue to be the global leader in preventing the spread of disease; promoting protections for human life, dignity, and rights; and facilitating humanitarian efforts around the world. USAID projects American values as it stands shoulder to shoulder with people in their hour of need.

LINKING ACTIVITIES TO OUTCOMES

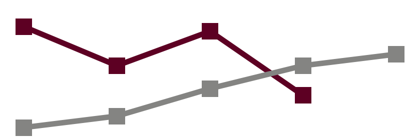
Over the past decade, the United States has helped to lead dramatic progress in reducing the burden of malaria in sub-Saharan Africa. According to the World Health Organization, the estimated number of malaria deaths in the Africa region has fallen by 58 percent from 2000 to 2015 in children under five years of age. In FY 2017, the U.S. President's Malaria Initiative's (PMI) continued to support the

FY 2017 STRATEGIC GOAL 3 PERFORMANCE RESULTS



Total Results: 14

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



	FY 2014[1]	FY 2015	FY 2016	FY 2017	FY 2018
Target	45M	50M	62M	72M	77M
Result	89M	72M	87M	59M[2]	N/A

Source: *FY 2019 Annual Performance Plan/FY 2017 Annual Performance Report.*

[1] *The FY 2014 Target and Result values are sourced from the FY 2016 Annual Performance Report.*

[2] *The FY 2017 result has been updated to reflect data finalized after FY 2019 Annual Performance Plan/FY 2017 Annual Performance Report publication.*

Villagers receive their bednets in rural Laos. PHOTO: ATHIT CHANTHALATH FOR USAID

BEDNETS DRAMATICALLY REDUCE MALARIA CASES IN LAOS

Testing and treatment also combine to save lives

August 2017—The deep green forests of Songkhone district in Laos's Savannakhet province are attractive to look at, and draw a lot of attention from villagers who forage and hunt between the trees. Long days looking for wild pigs, birds, grasshoppers, and bamboo to feed the family stretch into the night, and people often sleep in the forest.

Unprotected from the elements, their warm bodies attract hungry mosquitoes. Many are laden with malaria. And many bite.

Noy*, a 30-year-old rice and cassava farmer, was among those bitten. Although farming is his main job, he often goes into the forest to look for food. Last year, after coming back from a three-day trek through the woods, he started to get a fever.

His mother, Vang*, a 50-year-old widow and mother of five children, explained that she took him to the district health clinic. The nurse began to perform a rapid diagnostic test like those provided by the U.S. Government and confirmed that he had malaria. The nurse gave him antimalarial drugs and he recovered after three days.

"At that time, I was very scared. I thought I would lose my child, who I raised with my own two hands," Vang recalled. "Two years ago, we would go to bed without any mosquito net to protect us and we often got sick. We were scared every night and could not have a complete sleep."

She found herself waking up in the middle of the night to make sure that her grandchildren were safe. On many days, they were afraid to enter their house because of all the mosquitoes flying around.

"Two years ago, we would go to bed without any mosquito net to protect us and we often got sick."

"Today, we are very pleased with the net we received," she said, noting it was the second net she received from the U.S. Government. "We feel more confident and relieved sleeping in our own beds. From now on, we can sleep without worries. Now we have the nets in the house, we feel comfortable in our own home."

"Our lives have changed so much," added Vang, smiling broadly. "No more sickness, no more fear. We feel relieved and rarely see mosquito in our house. We were told that these nets were treated with chemicals. When the mosquito climbs on them, they die."

USAID, through support from the U.S. President's Malaria Initiative (PMI), promotes the use of long-lasting insecticide-treated bednets. Since 2011, USAID has funded and distributed 445 thousand nets, 380 thousand diagnostic tests, and 58 thousand antimalarial treatments. USAID and PMI, along with other donors, supported the Center for Malariology, Parasitology, and Entomology to provide the mosquito nets and other life-saving commodities to those communities most affected.

These investments are taking a bite out of malaria in Laos, officially known as the Lao People's Democratic Republic (Lao PDR). Since 2014, the number of malaria cases in the country dropped by 70 percent, from a peak of 50 thousand cases during a malaria outbreak to 15 thousand in 2016.

"It goes to show that bednets deserve all the buzz they can get," said USAID Laos Country Office Director Alexandria Huerta.

*Full name not available.

scale-up of insecticide treated nets (ITNs). PMI strives to reduce the burden of malaria and relieve poverty in 24 priority African countries and the Greater Mekong sub-region in Asia. In addition to financing PMI, USAID provides targeted funding to malaria-control efforts in one country in Africa (Burundi), and funds the control and elimination of malaria in Latin America and the Caribbean. If used properly, ITNs are one of the best ways to prevent mosquitoes from biting individuals and infecting them with malaria. To date, excluding the five new PMI countries announced in 2017, household ownership of at least one ITN increased from an average of 33 to 71 percent in all 19 PMI focus countries in Africa. Additionally, the use of an ITN among children under age five increased from an average of 21 to 55 percent, and PMI has documented similar increases for the use of ITNs by pregnant women (from an average of 23 to 53 percent).

The expected impact of ITNs is to reduce the number of malaria deaths in PMI countries. As such, measuring the number of people protected against malaria with an ITN distributed with PMI funds is a key indicator as to whether U.S. assistance is succeeding in extending prevention measures that are necessary to prevent deaths from malaria in 24 African countries and the Greater Mekong sub-region in Asia. Targets for this indicator estimate the number of ITNs distributed with PMI funds based on Malaria Operational Plans for the 24 PMI focus countries and one sub-region.

Malaria remains a major cause of mortality among young children—one child still dies from malaria every two minutes—and without sustained efforts, prior progress could be quickly reversed. USAID works with host countries and private partners to further reduce malaria deaths and substantially decrease malaria morbidity by helping partner countries adapt to changing epidemiology and incorporate new tools; improving local capacity to collect and use information; mitigating the risk of a resurgence of malaria; and building local capacity. Since morbidity from malaria also decreases school attendance and workplace-productivity, a healthier population also contributes to improved education and a more-robust economy.

In the last year, USAID's funding for PMI helped increase Liberian households with at least one ITN from 50 to 62 percent, and children who sleep under a net from 37 to 44 percent. In the same time period, and in collaboration with the Government of the Federal Republic of Nigeria and other partners, USAID under PMI has financed the distribution of 11.6 million ITNs in that country to provide protection to pregnant women and children.

STRATEGIC GOAL 4

Ensure Effectiveness and Accountability to the American Taxpayer

PUBLIC BENEFIT

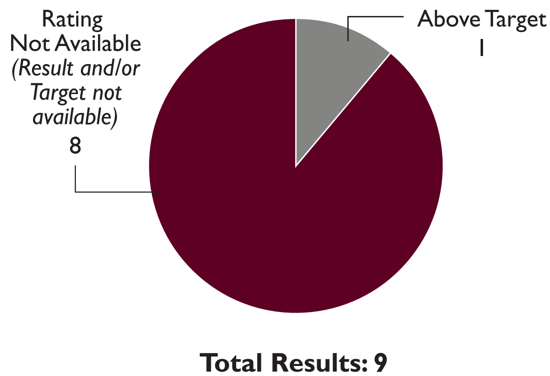
As part of the President's Management Agenda, the Administration set goals in areas that are critical to improving the Federal Government's effectiveness, efficiency, cybersecurity, and accountability. Concurrently, USAID seeks to maximize taxpayers' return on investment and improve operational efficiency. In support of these aims, USAID is pursuing efficiencies at all levels: using data-driven analysis for decisions; making risk-based investments in safety and security; diversifying and reorienting the foreign-assistance portfolio toward innovation and sustainability; and developing a more-flexible, highly skilled workforce.

LINKING ACTIVITIES TO OUTCOMES

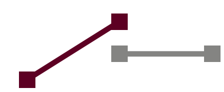
To use taxpayer dollars efficiently and effectively in its procurements, the Agency considers U.S. Government-wide contracts for goods and services to save money, avoid wasteful and redundant contracting actions, and free up acquisition staff to accelerate the use of innovative procurements for high-priority mission work. By applying principles from Category-Management and the associated Best in Class (BIC) solutions, USAID can purchase goods and services more like a single enterprise.

For FY 2018, USAID aims to maintain the use of BIC solutions to at least 35 percent of addressable spend. USAID plans to manage and attain this goal through a multi-phased process, including by increasing Agency awareness, providing education and training, managing advocacy, engaging stakeholders, and measuring and tracking results.

FY 2017 STRATEGIC GOAL 4 PERFORMANCE RESULTS



PERFORMANCE INDICATOR: *Percentage of addressable contract dollars awarded to Best in Class vehicles (USAID)*



	FY 2014	FY 2015	FY 2016[1]	FY 2017[1]	FY 2018
Target	N/A	N/A	N/A	35%	35%
Result	N/A	N/A	30%	41.3%	N/A

Source: *FY 2019 Annual Performance Plan/FY 2017 Annual Performance Report.*

[1] *Data source for FY 2016 and FY 2017 is the Federal Procurement Data System – Next Generation. The historical percentages have not been previously reported as part of the APG.*

In FY 2017, USAID exceeded the 35 percent target, with 41.3 percent because of actions such as increased review by senior management of acquisition and assistance; the tracking of BIC adoption across the Agency; and dedicated BIC training that emphasizes the benefits, process, and implementation of using such a solution. The Agency is on track to meet its FY 2018 goal.

Jay Mahanand, CIO, USAID, accepts a FITARA award with MeriTalk's Caroline Boyd and Rep. Gerry Connolly. PHOTO: MERITALK

FEDERAL INFORMATION TECHNOLOGY ACQUISITION REFORM ACT (FITARA): PROVIDING MODERN AND SECURE INFRASTRUCTURE

In support of the U.S. Government's efforts to ensure accountability to American taxpayers, USAID remains at the forefront of many key Federal information technology (IT) modernization priorities. In 2012, USAID began to strategically invest IT resources to modernize and improve key enterprise systems. Since that time, USAID has become a leader among Federal Agencies in IT modernization, having eliminated legacy IT, adopted cloud-based platforms for email and services, implemented IT collaboration tools, and migrated to a new cloud data center and disaster recovery site.

While USAID was an early adopter of these modern platforms to directly support the Agency's mission, the White House, Government Accountability Office (GAO), and other Government leaders began recognizing the excessive toll outdated, costly, inefficient, and unsecured IT was having on the majority of Agencies and the Federal Government at large. In 2014, Congress enacted the FITARA, a historic law that represented the first major overhaul of Federal IT in almost 20 years. FITARA was created to improve the Government's IT capabilities and enhance the authority of Chief Information Officers (CIOs) across Federal Agencies in making IT-related spend decisions.

Beginning in November 2015, the House Committee on Oversight and Government Reform (HOGR) began releasing two FITARA Scorecards per year, which graded an Agency's performance under the law. In June 2017, USAID became the first of 24 Government Agencies to receive an "A" on its Scorecard. In November 2017, HOGR Subcommittees on Information Technology and Government Operations issued its FITARA scorecard. In this fifth round of grades rating the 24 Chief Financial Officers (CFO) Act Agencies on their implementation of CIO authorities, risk management, data center optimization, and other FITARA factors, USAID was once again the only Agency to earn an "A" rating.

As a relatively small Agency with a relatively small IT budget, but one that manages a worldwide network, USAID has had to become very efficient. By implementing projects that have saved the Agency money and allowed USAID to reinvest in expanding other functions and providing other required services, the Agency has been able to move forward, delivering for its users without increased resources.

FITARA has been a key mechanism for USAID to demonstrate how transparency and accountability in IT investments have resulted in better mission outcomes, more efficient IT solutions, and ultimately more effective stewardship of taxpayer dollars for the American people.

CIO Jay Mahanand accepted an honorable mention award for USAID at the MeriTalk first annual FITARA Awards & Forum. The award recognizes the significant improvement in Federal IT excellence on the FITARA Scorecard. As is noted in the MeriTalk article on the event (https://www.meritalk.com/articles/meritalk-honors-six-agencies-rep-connolly-at-inaugural-fitara-awards/), "USAID remains the first and only Federal Agency to receive an A on the overall FITARA Scorecard and credits a passionate technology staff for executing on a shared IT vision. USAID has excelled in part because of concerted efforts to partner with OMB and GAO to improve FITARA performance."

USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS*

Strategic Goal 1: Protect America's Security at Home and Abroad						
Indicator Title	**FY 2014 Results**	**FY 2015 Results**	**FY 2016 Results**	**FY 2017 Target**	**FY 2017 Results**	**FY 2018 Target**
Number of Countering Violent Extremism (CVE) programs directly related to U.S. Government CVE objectives implemented in country by civil society and partner governments	N/A	N/A	96	N/A	237	200
Number of U.S. Government-funded events, trainings, or activities designed to build support for peace or reconciliation on a mass scale	N/A	4,982	35,386[1]	N/A	6,103	5,135
Number of people participating in U.S. Government-supported events, trainings, or activities designed to build mass support for peace and reconciliation	N/A	1,557,002	339,467	N/A	324,546	127,937
Number of local women participating in a substantive role or position in a peacebuilding process supported with U.S. Government assistance	N/A	41,762	49,395	N/A	37,150	13,185
Number of individuals receiving voter education through U.S. Government-assisted programs	N/A	N/A	1,448,778	N/A	2,734,067	3,207,041
Number of individuals receiving civic education through U.S. Government-assisted programs	N/A	N/A	169,982	N/A	4,462,613	6,638,345
Number of judicial personnel trained with U.S. Government assistance	N/A	10,230	28,774	N/A	34,039	26,289

Strategic Goal 2: Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation						
Indicator Title	**FY 2014 Results**	**FY 2015 Results**	**FY 2016 Results**	**FY 2017 Target**	**FY 2017 Results**	**FY 2018 Target**
Doing Business Trading Across Borders score for partner countries with USAID trade facilitation programming	N/A	65.9	67	N/A	71.4	70
Number of private sector firms that have improved management practices or technologies as a result of U.S. Government assistance	N/A	N/A	N/A	N/A	2,119	1,574[2]
Value of incremental sales generated with U.S. Government assistance	$532 million[3]	$829 million	$906 million	$850 million	$1.122 billion[4]	$850 million[5]
Number of farmers who have applied new technologies and management practices (including risk management technologies and practices) as a result of U.S. assistance	6.8 million[6]	9.1 million[7]	11.6 million[7]	8.5 million	11.4 million[4]	9.75 million[5]
Value of new private sector investment in the agriculture sector leveraged by Feed the Future implementation	$150 million[7]	$154 million	$230 million[7]	$290 million[8]	$243.2 million[4]	$220 million[5]
Number of children reached by nutrition interventions[9]	12.3 million[3]	18 million	27.7 million	22 million[8]	22.6 million[4]	18 million[5]
Number of formal knowledge-sharing events	N/A	N/A	N/A	N/A	N/A	15
Percentage of female participants in U.S. Government-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)	N/A	41.02%	53.55%	N/A	52.61%	55.42%
Percentage of participants reporting increased agreement with the concept that males and females should have equal access to social, economic, and political resources and opportunities	N/A	N/A	N/A	N/A	41.75%	54.72%

See end of table starting on page 26 for footnotes.

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USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS* *(continued)*

Strategic Goal 2: Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation *(continued)*

Indicator Title	FY 2014 Results	FY 2015 Results	FY 2016 Results	FY 2017 Target	FY 2017 Results	FY 2018 Target
Number of people reached by a U.S. Government-funded intervention providing gender-based violence (GBV) services (e.g., health, legal, psycho-social counseling, shelters, hotlines, other)	2,515,862[6]	11,837,166	3,146,925	675,616[6]	4,338,089	826,860[10]
Number of legal instruments drafted, proposed, or adopted with U.S. Government assistance designed to improve prevention of or response to sexual and gender-based violence at the national or sub-national level	N/A	30	2	N/A	47[11]	55
Number of countries with improved learning in primary grades	N/A	N/A	N/A	N/A	N/A	2
Number of learners in primary schools or equivalent non-school based settings reached with U.S. Government education assistance	N/A	7,569,082	20,004,643	N/A	25,259,173	23,389,069
Number of firms receiving U.S. Government-funded technical assistance for improving business performance	N/A	N/A	1,614	N/A	71,347	14,471[12]
Full-time equivalent employment of firms receiving U.S. Government assistance	N/A	N/A	21,259	N/A	25,002	7,483[13]
Number of people gaining access to safely managed drinking water services as a result of U.S. Government assistance	N/A	N/A	188,168	N/A	391,394	1,955,501
Number of people gaining access to a basic sanitation service as a result of U.S. Government assistance	N/A	2,431,211	2,964,497	N/A	1,554,451	7,333,314
Number of people with improved economic benefits derived from sustainable natural resource management and/or biodiversity conservation as a result of U.S. Government assistance	N/A	824,958	1,429,079	N/A	363,863	275,560[14]
Number of people receiving livelihood co-benefits (monetary or non-monetary) associated with the implementation of U.S. Government sustainable landscapes activities	N/A	1,152	13,870	N/A	59,493	24,800
Number of beneficiaries with improved energy services due to State and USAID assistance	N/A	4,694,294	11,189,631	N/A	9,210,497	8,689,284[15]
Amount of investment mobilized (in USD) for energy projects (including clean energy) as supported by U.S. Government assistance	N/A	$9,793,480,831	$9,175,299,861	N/A	$7,634,319,593	$7,613,218,763
Energy generation capacity (MW) supported by U.S. Government assistance that has achieved financial closure	N/A	1,079	3,642	N/A	5,094	13,812
Number of energy sector laws, policies, regulations, or standards formally proposed, adopted, or implemented as supported by U.S. Government assistance	N/A	278	474	N/A	427	167
Number of people affiliated with non-governmental organizations receiving U.S. Government-supported anti-corruption training	N/A	7,339	4,689	N/A	15,127	13,814[16]
Number of target countries with new Fiscal Transparency Innovation Fund projects	13	10	12	7	12	7[17]

See end of table starting on page 26 for footnotes.

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USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS* *(continued)*

Strategic Goal 3: Promote American Leadership through Balanced Engagement						
Indicator Title	**FY 2014 Results**	**FY 2015 Results**	**FY 2016 Results**	**FY 2017 Target**	**FY 2017 Results**	**FY 2018 Target**
Percentage of USAID Country Development Cooperation Strategies that include a Development Objective, Intermediate Result, Sub-Intermediate Result, or transition section that addresses ways to strengthen host country capacity to further its self-reliance	N/A	N/A	N/A	N/A	N/A	N/A
Amount of resource commitments by non-U.S. Government public and private entities in support of U.S. foreign policy goals	N/A	$7.131 billion	$28.416 billion	N/A	TBD[18]	$28.9 billion
Absolute change in all-cause under-five mortality (U5MR)	-2.4[6]	-1.7	-2.2	-2	-2.3[19]	-2
Absolute change in total percentage of children who received at least three doses of pneumococcal vaccine by 12 months of age	+0.9[6]	+1.6	+1.6	+0.5	N/A[20]	+5
Absolute change in total percentage of births delivered in a health facility	N/A	N/A	+0.4	+1	N/A[20]	+1
Absolute change in modern contraceptive prevalence rate (mCPR)	+1[6]	+1.2	+1.4	+1	+1[19]	+1
Annual total number of people protected against malaria with insecticide treated nets (ITN)	89 million[6]	72 million	87 million	72 million	59 million[19]	77 million[22]
On-time shipments of contraceptive commodities	N/A	N/A	N/A	N/A	N/A[21]	80%
Number of adults and children currently receiving antiretroviral therapy (ART)	N/A	N/A	11,404,117[8]	N/A	13,206,682	15,878,510
Number of adults and children newly enrolled on antiretroviral therapy (ART)	N/A	N/A	2,158,632[8]	N/A	2,774,524	4,021,968
Number of males circumcised as part of the voluntary medical male circumcision (VMMC) for HIV prevention program within the reporting period	N/A	N/A	2,290,141[8]	N/A	3,382,541	3,882,978
Protection mainstreaming in NGO proposals	N/A	N/A	N/A	N/A	N/A	95%
Percent of disaster declarations responded to within 72 hours	86%[6]	88%	100%	95%[6]	96% (partial)[23]	95%
Percent of targeted implementing partners with completed benchmark plans	N/A	N/A	N/A	N/A	N/A	50%

Strategic Goal 4: Ensure Effectiveness and Accountability to the American Taxpayer						
Indicator Title	**FY 2014 Results**	**FY 2015 Results**	**FY 2016 Results**	**FY 2017 Target**	**FY 2017 Results**	**FY 2018 Target**
Percentage of completed foreign assistance (FA) and diplomatic engagement (DE) evaluations used to inform management and decision making	FA: N/A DE: N/A	FA: N/A DE: 89% (25 out of 28 completed evaluations met intended use)	FA: N/A DE: 94% (17 out of 18 completed evaluations met intended use – preliminary results)	FA: N/A DE: N/A	FA: N/A DE: 100% (14 out of 14 completed evaluations met intended use –preliminary results)	FA: TBD DE: 95%

See end of table starting on page 26 for footnotes.

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USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS* *(continued)*

Strategic Goal 4: Ensure Effectiveness and Accountability to the American Taxpayer *(continued)*						
Indicator Title	**FY 2014 Results**	**FY 2015 Results**	**FY 2016 Results**	**FY 2017 Target**	**FY 2017 Results**	**FY 2018 Target**
Percent of completed Foreign Assistance evaluations with a local expert as a member of the evaluation team	N/A	N/A	49%	N/A	TBD[24]	50%
Measure the increased use of collaboration and co-creation methods of new awards by the Agency	N/A	N/A	N/A	N/A	N/A	N/A
Measure the increased use of new partners by the Agency	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of addressable contract dollars awarded to Best in Class vehicles (USAID)	N/A	N/A	30%[25]	35%[25]	41.3%[26]	35%
Percentage of contract dollars awarded to contract vehicles designated as Spend Under Management (USAID)	N/A	N/A	N/A	N/A	N/A	72%
Number of Operating Units Adopting DIS	N/A	N/A	N/A	N/A	N/A	7
Overall Score on Human Capital Function of GSA's Customer Satisfaction Survey	N/A	USAID: 2.99	USAID: 4.16	N/A	TBD[24]	USAID: 4.32
Percentage of USAID Global Health and Management Bureau staff moved to newly leased facility	N/A	N/A	N/A	N/A	N/A	0%

* *Indicators and data are from the FY 2017 Annual Performance Report (APR)/FY 2019 Annual Performance Plan (APP), available at https://www.usaid.gov/sites/default/files/documents/1870/State-USAID_FY_2019_APP_FY_2017_APR.pdf. This report also includes explanations for the results as compared to the targets. Some performance indicators were introduced in FY 2017, as part of the first year of reporting on progress toward the USAID-State FY 2018 – FY 2022 Joint Strategic Plan (JSP), and thus data was not collected in previous years. Where appropriate, N/A (not applicable) has been indicated.*

[1] *The FY 2016 result is high because of new projects that started in one Operating Unit (OU).*

[2] *Because a major program in the Philippines concluded in FY 2017 and another large program in the agricultural sector in Georgia ending in FY 2019, the aggregate targets are decreasing.*

[3] *Data source: Feed the Future Snapshot Progress Through 2017, available at https://www.usaid.gov/sites/default/files/documents/1867/2017_Feed_the_Future_Progress_Snapshot_Final_-_508C_1.pdf.*

[4] *USAID does not report annual Food-Security data until late into the following calendar year. USAID has updated the FY 2017 Result value to reflect the FY 2018 Third Quarter Agency Priority Goal (APG) Progress Update,available at https://www.performance.gov/state/APG_usaid_1.html.*

[5] *The FY 2018 President's Budget proposed a reduction in funding for USAID's funding streams for food security. The initiative has decreased out-year targets accordingly. The decrease in out-year targets might also reflect the ending of existing activities and transition to new activities that have not yet started, and thus have not set targets yet.*

[6] *Data source: FY 2016 APR, available at https://www.usaid.gov/sites/default/files/documents/1870/FY_2016_State_USAID_APR.pdf.*

[7] *USAID has updated these values to reflect the Feed the Future Snapshot: A Decade of Progress, available at https://www.usaid.gov/documents/1867/feed-future-snapshot-decade-progress. The results were revised based on additional information provided after publication for previous years.*

[8] *Data source: FY 2018 Third Quarter APG Progress Update, available at https://www.performance.gov/state/state.html*

[9] *Starting in FY 2017, this revised indicator captures nutrition-specific interventions only. The previous version of this indicator captured both nutrition-specific and nutrition-sensitive efforts.*

[10] *The target is lower than the FY 2017 results for a number of reasons. Of these, major programming is concluding for three OUs in FY 2018, and an additional seven in FY 2019. These targets are planning figures outlined in proposal documents, calculated on the basis of the projected need for addressing GBV as a percentage of overall protection programming. Given the extreme variability in year-to-year needs, out-year targets are based on a conservative analysis of historical trends.*

[11] *The increase in FY 2017 from FY 2016 results is because of a large uptick in results reported from programming in Colombia, which includes 37 measures implemented at both the sub-national and national levels.*

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USAID ILLUSTRATIVE INDICATORS AND PERFORMANCE TRENDS* *(continued)*

[12] The large number of firms that received technical assistance in FY 2017 reflects short-term assistance provided to microenterprises in the Philippines. Several OUs' activities, including this technical assistance in the Philippines, are coming to an end in FY 2019, which will cause a reduction in the target for that year relative to FY 2018.

[13] The FY 2018 target is lower because one OU responsible for most of the numbers is considering switching standard indicators for future years.

[14] Targets for FY 2018 and FY 2019 are anticipated to increase as new activities come online and they establish baselines.

[15] FY 2017 results represent reporting from seven OUs with major programming in India, Indonesia, and Pakistan. The FY 2018 target is decreasing because projects in India are ending in FY 2018. The FY 2017 result is lower than the FY 2016 result because of changes to three projects in Afghanistan.

[16] The FY 2017 result and out-year target reflects reporting from 15 OUs. The target is decreasing slightly, as some programs are closing in FY 2018, and do not capture new programming that will begin in FY 2018.

[17] The FY 2018 indicator target is the same as FY 2017, adjusted to reflect a change in the strategy of the Fiscal Transparency Innovation Fund's (FTIF). As the FTIF program has matured, project-selection panels have focused more on strategic and sustainable projects, rather than the overall number of projects.

[18] The data collected in FY 2016 will serve as a new baseline from which the U.S. Department of State (State) and USAID will aim for a two-percent annual increase in resource commitments for public-private partnerships. State and USAID will report FY 2017 data in the FY 2018 APR/FY 2020 APP.

[19] USAID has updated the FY 2017 result to reflect data finalized after the publication of the FY 2017 APR/FY 2019 APP.

[20] The FY 2017 result is not yet available.

[21] USAID reports on this indicator quarterly. Please refer to www.performance.gov for quarterly targets and results.

[22] Targets for this indicator estimate the number of ITNs distributed with PMI funds based on Malaria Operational Plans for the 24 PMI focus countries and one sub-region.

[23] The result reported for FY 2017 includes data from only one quarter of FY 2017. USAID will report final FY 2017 data in the FY 2018 APR/FY 2020 APP.

[24] USAID will report final FY 2017 data in the FY 2018 APR/FY 2020 APP.

[25] The data source for FY 2016 and FY 2017 is the Federal Procurement Data System – Next Generation (FPDS – NG). USAID has not previously reported the historical percentages as part of the APG.

[26] The data source for FY 2017 is the FPDS – NG. USAID has not previously reported the historical percentages as part of the APG. In FY 2017, USAID exceeded the 35 percent target, with 41.3 percent BIC spend, because of actions such as increased review of acquisition and assistance by senior management and the tracking of adoption by BIC across the Agency; dedicated BIC training; and an emphasis on the benefits, process, and implementation of using such a solution.

LOOKING FORWARD

Angelique M. Crumbly

AGENCY IMPACT

U.S. foreign assistance has always had the two-fold purpose of furthering America's interests while improving lives in the developing world. We do so by reducing the reach of conflict, preventing the spread of pandemic disease, and counteracting the drivers of violence, instability, transnational crime, and other security threats. We promote American prosperity through investments that expand markets for U.S. exports; create a level playing field for U.S. businesses; and support more stable, resilient, and democratic societies. As the world leader in humanitarian assistance, we stand with people when disasters strike or crises emerge.

IDENTIFYING CHALLENGES

In support of our mission, we continuously strive for greater impact through innovation, adaptive management, increased effectiveness and efficiency, and data-driven decision-making. As we work with other Federal Departments and Agencies and international partners, some particular areas the Agency will focus on in FY 2019 include balancing risk and opportunity, protecting beneficiaries and staff, and programming with flexibility and adaptability.

BALANCING RISK AND OPPORTUNITY

Agency staff manage risks every day as a natural part of decision-making. To ensure our risk management approach is intentional and systematic, the Agency has implemented an Enterprise Risk Management (ERM) governance structure and process. This allows the Agency's leadership to take an holistic, organization-wide view of the external risks that could prevent USAID from achieving its objectives. ERM is as much about optimizing opportunities as it is about mitigating threats. Our goal is not to avoid all risk, but to maximize our chances of achieving our mission by balancing opportunities against threats. Sometimes, we might determine that threats are intolerable, and so it is incumbent upon us to take action to mitigate or minimize the likelihood that such risks will occur. Other times, we might determine the opportunities far outweigh the potential threats and accept the risk. And often, our determinations fall somewhere in between.

The Agency developed a Risk-Appetite Statement (*https://www.usaid.gov/policy/risk-appetite-statement*), which encourages us to be bolder in areas where our tolerance for risk is high, while remaining highly vigilant in areas where it is not. The Risk-Appetite Statement is a crucial component of USAID's ERM* efforts, which will allow the Agency to be more thoughtful and diligent about how we manage risk and pursue opportunities moving forward. USAID is the first Federal Department or Agency to make its Risk-Appetite Statement public.

PROTECTING BENEFICIARIES AND STAFF

Sexual exploitation, abuse, and harassment within international development and humanitarian organizations undermine our legitimacy and credibility. Proper conduct by all personnel in aid organizations is crucial to the effectiveness of our work. USAID has zero tolerance for sexual misconduct, including harassment, exploitation, or abuse of any kind among staff or implementing partners. To this end, in March 2018, Administrator Mark Green

* For more information regarding USAID's ERM program, see the Management Assurances Section of this AFR.

established the Action Alliance for Preventing Sexual Misconduct (AAPSM), an intra-Agency group charged with leading our work on addressing sexual misconduct in all forms, including harassment, exploitation, and abuse. We have revised our standard provisions for grants and contracts to clarify the need for implementers to have codes of conduct for their employees; launched mandatory, Agency-wide training to raise awareness about sexual harassment and trafficking-in-persons; and worked with other major donors to reiterate a joint commitment to preventing sexual exploitation and abuse.

Going forward, we will continue to strengthen the accountability of our staff and partners to prevent sexual harassment in the workplace, and to put an end to the sexual exploitation and abuse of beneficiaries.

FLEXIBILITY AND ADAPTABILITY FOR PROGRAMMING

USAID needs flexible approaches to overcome the challenge of operating in non-permissive and conflict-affected areas where conditions on the ground change rapidly. Adaptive management in programming creates an agile USAID that is able to improve the effectiveness of our development assistance as events unfold. One way the Agency ensures our programming is flexible is a focus on adaptability in partnerships and procurement processes. To this end, the Agency will continue to build flexibility and adaptability into solicitations and awards, and focus on building host-country capabilities to achieve development results by establishing regular intervals of reflection within the procurement, program-design, and implementation processes. This allows for continuous engagement of stakeholders and the evaluation of results as a program unfolds, adjustments to interventions, and the creation of new partnerships when necessary. The intentional and systematic use of adaptive-management principles for partnering and procurement allows the Agency to operate more flexibly and efficiently, thereby maximizing taxpayers' return on investment and increasing worldwide development gains.

LOOKING TO THE FUTURE

Our ultimate goal is a future in which foreign assistance is no longer needed. In pursuit of this, USAID consistently seeks to maximize taxpayers' return on investment and improve our efficiency and effectiveness. We are committed to confronting our challenges as we work toward a world of safe, prosperous, self-reliant, and economically integrated countries that work together to solve common problems.

Angelique M. Crumbly
Performance Improvement Officer

ANALYSIS OF FINANCIAL STATEMENTS

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

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

CHANGES IN FINANCIAL POSITION IN FY 2018
(In Thousands)

Net Financial Condition	2018	2017	% Change in Financial Position
Fund Balance with Treasury	$ 35,482,587	$ 34,226,053	4%
Direct Loans and Loan Guarantees, Net	936,618	1,266,621	-26%
Accounts Receivable, Net	109,265	40,737	168%
Cash and Other Monetary Assets, Advances and Other Assets	1,055,843	934,393	13%
PP&E, Net and Inventory, Net	107,954	113,035	-4%
Total Assets	$ 37,692,267	$ 36,580,839	3%
Debt and Liability for Capital Transfers to the General Fund of the Treasury	1,193,693	1,501,914	-21%
Accounts Payable	2,489,484	1,912,109	30%
Loan Guarantee Liability	3,726,199	3,620,039	3%
Other Liabilities and Federal Employees and Veteran's Benefits	1,208,581	1,215,054	-1%
Total Liabilities	$ 8,617,957	$ 8,249,116	4%
Unexpended Appropriations	28,803,928	28,126,624	2%
Cumulative Results of Operations	270,382	205,099	32%
Total Net Position	29,074,310	28,331,723	3%
Net Cost of Operations	$ 13,019,818	$ 13,058,496	0%
Budgetary Resources	$ 30,702,538	$ 29,463,075	4%

OVERVIEW OF FINANCIAL POSITION

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

A summary of USAID's major financial activities in FY 2018 and FY 2017 appears in the Changes in Financial Position in FY 2018 table. 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 $37.7 billion as of September 30, 2018. This represents an increase of $1.1 billion over the FY 2017 total assets of $36.6 billion. The most-significant asset is the Fund Balance with Treasury, which represents 94 percent of the total USAID's assets, as of September 30, 2018. The Fund Balance with Treasury consists of cash appropriated to USAID by Congress or transferred from other Federal Departments and Agencies and held in accounts of the U.S. Department of the Treasury (Treasury) accessible by the Agency to pay the its obligations incurred. During the year, the Direct Loan and Loan Guarantees, Net balance decreased by $330 million due to borrower repayments on the pre-1992 direct loan program. This loan program balance will continue to decrease as payments are made and since no new loans will be established against the program. Additionally, there was a substantial increase to the Accounts Receivable balance primarily because of recording of contractor questionable costs. The 13 percent increase in Cash and Other Monetary Assets, Advances and Other Assets balance is attributed to an increase in advances in 2018, for instance, $112 million in advances were made under the Humanitarian Assistance program to facilitate initiatives such as providing food security, humanitarian coordination and information management, logistics support and relief commodities, and water, sanitation and hygiene activities in crisis-affected populations globally.

LIABILITIES – WHAT WE OWE

The Consolidated Balance Sheet reflects total liabilities of $8.6 billion, of which $7.4 billion or 86 percent is comprised of the Debt and Liability for Capital Transfer to the General Fund of the Treasury, Accounts Payable and Loan Guarantee Liability accounts. The Loan Guarantee Liability account represents 43 percent of the total liabilities and consists of funds borrowed from Treasury to carry out the Agency's Federal Credit Reform program activities and net liquidating account equity. During FY 2018, the accounts payable account increased by $577.4 million or 30 percent because of an increase in accruals recorded for the Humanitarian Assistance, Democracy, Human Rights and Governance, and Economic Growth programs as USAID continues to support global initiatives. Lastly, the Debt and Liability for Capital Transfer to the General Fund of the Treasury account decreased by $308.2 million or 21 percent, primarily as a result of $290 million of unobligated balances from borrower collections under the pre-1992 loan programs being transferred back to Treasury during FY 2018.

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 appears on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position. The reported Net Position balance as of September 30, 2018, was $29.1 billion which is an increase of $742.6 million or 3 percent over the $28.3 billion reported for FY 2017. This increase is primarily as a result of the residual carryover of the International Disaster Assistance appropriated balance from FY 2017.

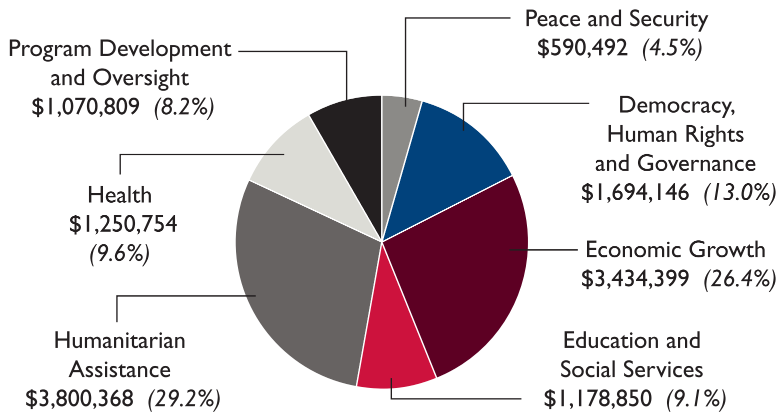
RESULTS (NET COST) OF OPERATIONS

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 foreign-assistance programs. The U.S. Department of State (State) and USAID use the Standardized Program Structure and Definition (SPSD) system to categorize their programs. The SPSD contains the following seven categories of foreign-assistance programs: Democracy, Human Rights and Governance (DR); Economic Growth (EG); Education and Social Services (ES); Humanitarian Assistance (HA); Health (HL); Program Development and Oversight (PO); and Peace and Security (PS). Refer to the Mission and Organization Section in this report for specific details on each of the foreign-assistance programs.

FY 2018 NET COST OF OPERATIONS BY CATEGORIES

(In Thousands)



Total Net Cost: $13,019,818

The FY 2018 Net Cost of Operations by Categories chart shows the total net cost incurred to carry out each of these Agency's program categories.

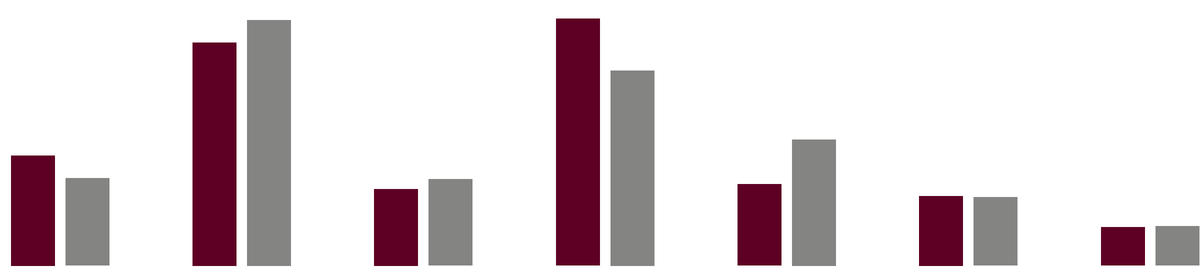
The USAID's net cost of operations totaled $13.0 billion and $13.1 billion for FY 2018 and FY 2017, respectively. Overall the USAID net cost of operations remained relatively unchanged, with a decrease of $38.7 million, or 0.3 percent decrease, over this two-year period. However, the net costs of operations within the programs shifted due to changing global program initiatives as shown in the Major Categories of Net Cost Comparison chart. For example, the largest shift in net cost categories was an increase of $797.0 million or 26.5 percent in the Humanitarian Assistance program, of which $778.2 million was from the Protection, Assistance and Solutions program area. The Democracy, Human Rights and Governance program had an increase of $348.8 million, or a 25.9 percent increase, primarily due to an increase of $368.3 million for the Good Governance program within the Bureaus of Economic Growth, Education, and Environment, Latin America and Office of Afghanistan and Pakistan Affairs. On the other hand, there was a significant decrease of $692.4 million or 35.6 percent of the costs within the Health program. This change is mainly because of an increase of $594.8 million in collected revenue related to the HIV/AIDS program within the Bureau of Global Health which offsets the overall net costs for the program. The Education and Social Services program decreased by $149.0 million or 11.2 percent over the FY 2017 net costs due a decrease of costs within the Basic Education, Social Assistance, and Social Services programs of the Bureaus of Africa, Asia, Middle East, and the Office of Afghanistan and Pakistan Affairs. The Major Categories of Net Cost Comparison chart presents the major elements of net cost broken out by category for FY 2018 and FY 2017.

NET COSTS BY PROGRAM AREAS

In addition to reporting net costs by overall categories, USAID further calculates nets costs by category and program areas for financial reporting. In FY 2018, USAID incurred costs within all of the 48 program areas within the seven foreign assistance categories,

MAJOR CATEGORIES OF NET COST COMPARISON OVER TIME

(In Thousands)



CATEGORIES	Democracy, Human Rights and Governance	Economic Growth	Education and Social Services	Humanitarian Assistance	Health	Program Development and Oversight	Peace and Security
FY 2018	$ 1,694,146	$ 3,434,399	$ 1,178,850	$ 3,800,368	$ 1,250,754	$ 1,070,809	$ 590,492
FY 2017	$ 1,345,369	$ 3,781,773	$ 1,327,874	$ 3,003,382	$ 1,943,133	$ 1,051,220	$ 605,745

FY 2018 NET COST BY PROGRAM AREAS
(In Thousands)

Categories	Program Areas*	Total
Democracy, Human Rights and Governance	Rule of Law (ROL)	$ 199,987
	Good Governance	1,054,350
	Political Competition and Consensus-Building	135,630
	Civil Society	240,757
	Independent Media and Free Flow of Information	12,519
	Human Rights	50,903
Democracy, Human Rights and Governance Total		1,694,146
Economic Growth	Macroeconomic Foundation for Growth	719,941
	Trade and Investment	109,323
	Agriculture	922,381
	Financial Sector	149,472
	Private Sector Productivity	519,743
	Workforce Development	62,432
	Modern Energy Services	227,580
	Information and Communications Technology Services	3,946
	Transport Services	111,285
	Environment	594,093
	Climate Change – Adaptation	921
	Climate Change – Clean Energy	715
	Climate Change – Sustainable Landscapes	12,567
Economic Growth Total		3,434,399
Education and Social Services	Basic Education	1,018,456
	Higher Education	9,395
	Social Policies, Regulations, and Systems	13,484
	Social Services	54,246
	Social Assistance	83,269
Education and Social Services Total		1,178,850
Humanitarian Assistance	Protection, Assistance and Solutions	3,777,395
	Disaster Readiness	22,865
	Migration Management	108
Humanitarian Assistance Total		3,800,368
Health	HIV/AIDS	659,720
	Tuberculosis	9,143
	Malaria	44,060
	Pandemic Influenza and Other Emerging Threats (PIOET)	26,657
	Other Public Health Threats	39,545
	Maternal and Child Health	155,711
	Family Planning and Reproductive Health	68,283
	Water Supply and Sanitation	236,758
	Nutrition	10,877
Health Total		1,250,754
Program Development and Oversight	Program Design and Learning	450,511
	Adminstration and Oversight	615,333
	Evaluation	4,965
Program Development and Oversight Total		1,070,809
Peace and Security	Counterterrorism	53,256
	Combating Weapons of Mass Destruction (WMD)	75,135
	Counternarcotics	102,831
	Transnational Threats and Crime	1,009
	Trafficking in Persons	26,447
	Conflict Mitigation and Stabilization	330,760
	Conventional Weapons Security and Explosive Remnants of War (ERW)	197
	Strengthening Military Partnerships and Capabilities	124
	Citizen Security and Law Enforcement	733
Peace and Security Total		590,492
Total Net Cost of Operations		**$13,019,818**

* *For insight on how the Program Areas relate to development, see the State-USAID Joint Strategic Goal Framework on page 13 for related Strategic Goals and Strategic Objectives.*

as shown in the FY 2018 Net Cost by Program Areas table on the previous page. Each program area is an important element of the Agency's framework for effectively leveraging scarce resources to impact development priorities, and allows USAID's management to evaluate the overall major mission or program activity efficiently and effectively. For a further breakout of net costs by responsibility segments and program areas refer to Note 16, *Suborganization Program Costs/Program Costs by Program Area*. The responsibility segments include the six geographic Bureaus and four technical Bureaus.

BUDGETARY RESOURCES

OUR FUNDS

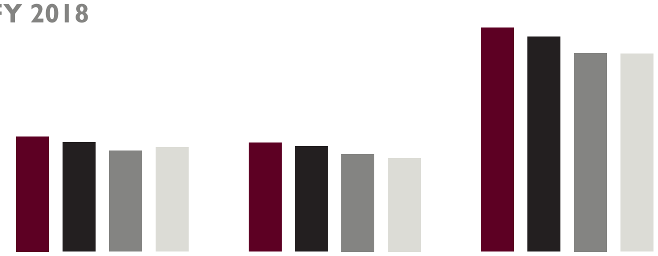
The Combined Statement of Budgetary Resources provides information on the budgetary resources made available to USAID during the Fiscal Year and the status of those resources at the end of the Fiscal Year. The Agency receives most of its funding from general U.S. Government funds administered by Treasury and appropriated by Congress for use by USAID. In addition, USAID receives budget authority as the parent for the following Federal Departments and Agencies: State and the U.S. Forest Service of the U.S. Department of Agriculture. Activity related to these Departments and Agencies appears 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 Status of Budgetary Resources chart compares the new obligations and upward adjustments, unobligated balances, and total budgetary resources for USAID from FY 2018 through FY 2015. The Agency received $30.7 billion in cumulative budgetary resources in FY 2018, of which it has obligated $15.8 billion.

OBLIGATIONS AND OUTLAYS

The Status of Budgetary Resources chart shows the overall Total Budgetary Resources received and whether new obligations and upward adjustments were incurred or the funding remained unobligated at year-end for FY 2018 through FY 2015. As shown in the chart, USAID's Total Budgetary Resources for FY 2018 was $30.7 billion, which is an increase of $1.2 billion, or a 4 percent increase, over the FY 2017 Total Budgetary Resources of $29.5 billion. This increase in resources is primarily due to the residual carryover of the International Disaster Assistance appropriated balance from FY 2017.

STATUS OF BUDGETARY RESOURCES
FY 2015 – FY 2018
(In Thousands)



	New Obligations and Upward Adjustments	Unobligated Balance	Total Budgetary Resources
FY 2018	$ 15,784,051	$ 14,918,487	$ 30,702,538
FY 2017	$ 14,994,990	$ 14,468,085	$ 29,463,075
FY 2016	$ 13,837,261	$ 13,393,581	$ 27,230,842
FY 2015	$ 14,323,918	$ 12,825,515	$ 27,149,433

LIMITATIONS OF THE FINANCIAL STATEMENTS

USAID's Chief Financial Officer has prepared these principal financial statements from the Agency's accounting records to report the financial position and results of operations of USAID, pursuant to the requirements of Section 3515 (b) of Title 31 of the United States Code (U.S.C.). While the Chief Financial Officer has prepared these statements 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 Agency provides them 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 ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

The Agency's internal control policy is comprehensive and requires all USAID managers to establish cost-effective systems of internal control 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 USAID operations.

The Federal Managers' Financial Integrity Act (FMFIA) requires Departments and Agencies to establish internal controls and financial systems that provide reasonable assurance of the achievement of the following objectives:

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

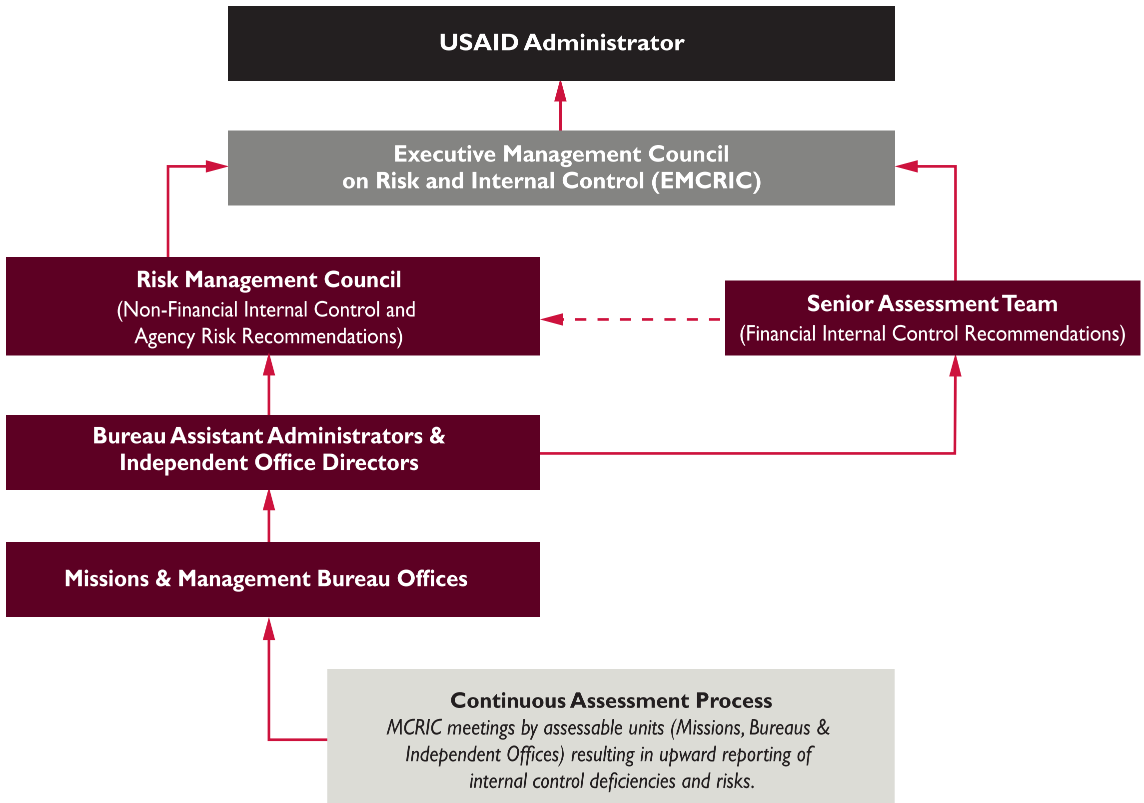
The Administrator of USAID is required to provide an annual Statement of Assurance (see below) on whether the Agency has met this requirement. Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the FMFIA, and defines management's responsibility for internal controls and risk management. In addition, the Agency has provided a Summary of Financial Statement Audits and Management Assurances, as required by OMB Circular A-136, *Financial Reporting Requirements*, revised, in the Other Information Section of this report.

USAID STATEMENT OF ASSURANCE

The Agency's management is responsible for identifying and managing risks, as well as maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act and the provisions of the Federal Financial Management Improvement Act. The Agency conducted its assessments of risk and internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Based on the results, the Agency can provide reasonable assurance that its internal controls over operations, reporting, and compliance were effective as of September 30, 2018, except for the following existing material weakness reported: USAID did not reconcile its Fund Balance with Treasury account with the U.S. Department of the Treasury and resolve reconciling items in a timely manner (Exhibit A).

Mark A. Green
Administrator
December 17, 2018

GOVERNANCE STRUCTURE FOR ERM AND INTERNAL CONTROL SYSTEMS



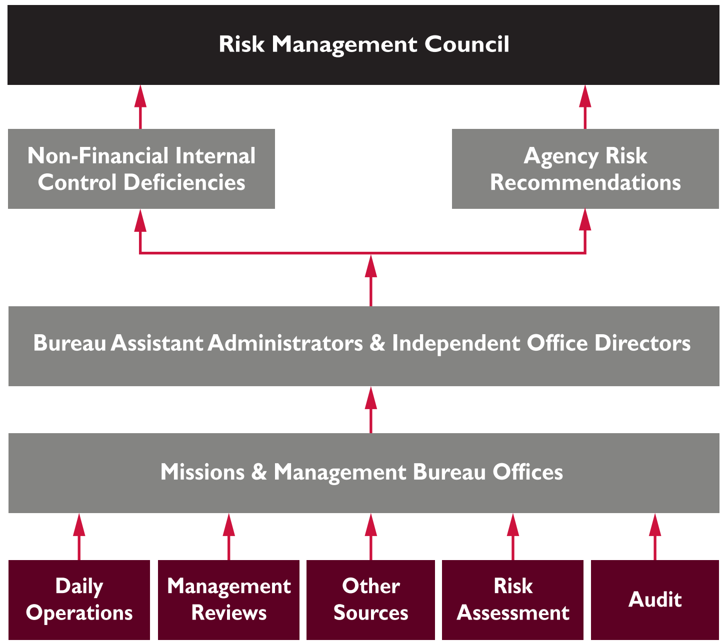
The Executive Management Council on Risk and Internal Control (EMCRIC) integrates Enterprise Risk Management (ERM) with USAID's internal control structure. The ERM Secretariat provides administrative and logistical support to the USAID governance structure. USAID's Bureaus, Independent Offices (IOs), and assessable units have appointed Risk Management Liaisons to facilitate efficient and effective identification, reporting, and treatment of risks. The Deputy Administrator chairs the EMCRIC, which is comprised of the Agency's senior leadership, including the heads of Bureaus and IOs; the Chief of Staff; the Chief Risk Officer; the Chief Financial Officer; the Chief Information Officer; the Chief Acquisition Officer; the Chief Human Capital Officer; and the Director of the Office of Management Policy, Budget, and Performance within the Bureau for Management. Certifications from heads of Operating Units (OUs) worldwide serve as the basis for the assurance statement issued by the USAID Administrator, informed by information gathered from various sources, including managers' personal knowledge of day-to-day operations and existing controls, management program reviews, and other management-initiated evaluations. In addition, management considers external reviews, audits, inspections, and investigations.

The Risk Management Council (RMC), co-chaired by the Deputy Assistant Administrator of the Management Bureau and the Deputy Assistant Administrator of the Policy, Planning, and Learning Bureau, is responsible for assessing the roll-up of top Agency risks and non-financial internal control deficiencies from USAID OUs worldwide. The RMC evaluates risks, and recommends updates to the Agency Risk Profile, an Agency-level portfolio of risks, for review and endorsement by the EMCRIC.

The Senior Assessment Team (SAT), chaired by the Agency's Chief Financial Officer, is responsible for evaluating deficiencies in financial internal controls, as identified through the FMFIA-certification process, audits, and other reviews, as well as assessing, monitoring, and proposing appropriate corrective measures. The SAT reports financial internal control deficiencies to the EMCRIC for consideration to include in the annual FMFIA assurance statement. The SAT is comprised of senior executives with significant responsibilities over financial processes. The Agency's Internal Control Team employs an integrated process to perform the work necessary to meet the requirements of the various appendices of OMB Circular A-123, including compliance with Internal Control over Financial Reporting, Management of Government Charge Cards, Payment Integrity, and the Federal Financial Management Improvement Act (FFMIA).

During FY 2018, the Agency used the Uniform Risk and Internal Control Assessment (URICA) tool to conduct internal control assessments of all the Agency's units in support of the FMFIA. USAID OUs self-assessed and reported that the 17 Government Accountability Office (GAO) principles of internal control were effective. In an effort to fully integrate ERM, OUs leveraged the existing internal control assessment process, identifying risks simultaneously. Beginning this year, top risks are identified in the Agency Risk

RISK MANAGEMENT COUNCIL FRAMEWORK



Profile, categorized, assigned a treatment, and monitored in accordance with a treatment plan. Other accomplishments during FY 2018 include developing tools and guidance for OUs; establishing an ERM training program; and publishing a Risk-Appetite Statement, which articulates USAID's risk tolerance related to seven categories of risk: fiduciary, human capital, information technology (IT), legal, programmatic, reputational, and security. Further information regarding the

SENIOR ASSESSMENT TEAM FRAMEWORK

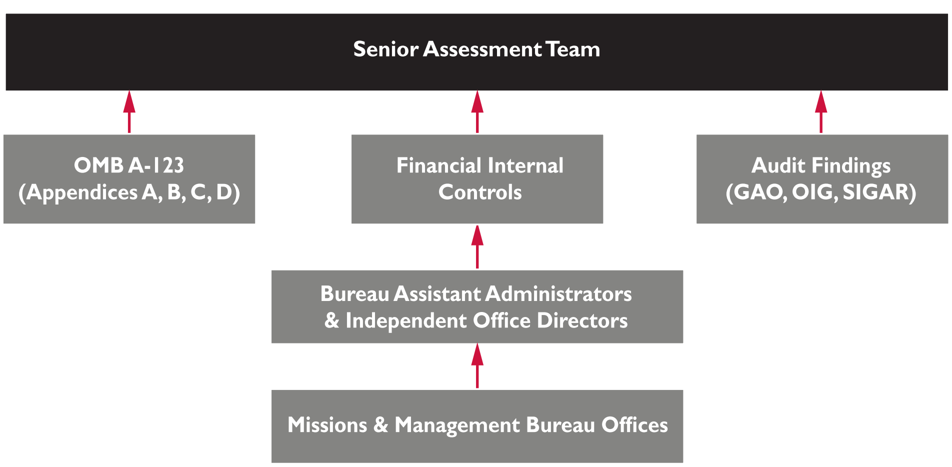


EXHIBIT A – FMFIA MATERIAL WEAKNESS

The Agency reported one material weakness for FY 2018.

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 unreconciled items in a timely manner.

Plan: USAID will: (1) resolve the differences between its General Ledger and Treasury account; (2) continue monthly reconciliations to investigate and resolve unreconciled differences, and monitor and report the results to ensure that the balances in the General Ledger and subsidiary ledger are consistently in agreement; and (3) consult with Treasury and OMB to obtain final approval for resolving unreconciled funds.

Progress to date: The Agency has shared with OMB and Treasury its plan that documents actions taken, reconciliation procedures implemented, and steps taken to identify the remaining difference between USAID's recorded balance and Treasury's balance. Because of the absence of legacy underlying documentation, the Agency is unable to post adjustments to transactions in order to resolve balance differences. OMB recommended the Agency consider seeking a statutory change to resolve the differences. The Agency drafted language to request a technical correction through legislative action and will work with OMB for its clearance for submission to Congress. The Agency revised the target completion date to April 1, 2019, to allow time to request the one-time adjustment through legislative action.

Target completion date: April 1, 2019

Risk-Appetite Statement and how USAID balances risk and opportunity appear in the Looking Ahead Section of this report.

In conclusion, the Agency's integrated internal control and risk management program is designed to promote full compliance with the goals, objectives, and requirements of the FMFIA and other Federal laws and regulations. To that end, the Agency's top management dedicated considerable support and resources to administer a successful program. Management will continue to direct focused efforts to monitor risks and resolve issues for all internal control deficiencies identified by management and auditors.

ASSESSMENT OF COMPLIANCE WITH THE FFMIA

The FFMIA requires USAID to implement and maintain financial management systems that comply substantially with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. USAID assesses its financial management systems annually for compliance with Appendix D of OMB Circular A-123, the FMFIA and FFMIA, and other Federal requirements. USAID's process for assessing compliance includes the use of the FFMIA Compliance Determination Framework, which incorporates a risk model applied against common goals and compliance indicators. For FY 2018, the Agency determined that its financial management systems more fully complied with the FFMIA Section 803(a) requirements with the implementation of the Project Cost Accounting System (PCAS) module in the Agency's financial accounting system, Phoenix. The Agency implemented the PCAS module in FY 2018 for reimbursable agreements initiated after the start of the fiscal year. Agency management decided that the most efficient and effective solution to correcting older (agreements established prior to FY 2018) reimbursable agreements was to allow them to be resolved over time rather than transferring all related transaction to date for the individual activities into the PCAS module. The Agency acknowledges the Office of Inspector General (OIG) finding related to the legacy reimbursable agreements recorded on Phoenix prior to the FY 2018 PCAS implementation. Specifically, these legacy reimbursement agreements continue to deviate from (1) Statement of Federal Financial Accounting Standards No. 1, *Accounting for Selected Assets and Liabilities*, and (2) the USSGL at the transaction level.

GOALS AND SUPPORTING FINANCIAL SYSTEM STRATEGIES

USAID's increasing operational efficiency in financial management enables the Agency to focus its resources where they achieve the most impact in direct support of the Administration's focus. The Agency's emphasis is not only on the dollars spent, but on the results achieved.

USAID strives to maximize development impact to deliver more sustainable results by promoting resilient, democratic societies, while advancing U.S. security and prosperity. To do so, USAID needs a financial management system that is efficient for staff, both reliable and useful for management, and compliant with Federal requirements. For 18 years, USAID has met this requirement through Phoenix, a single, worldwide IT system that enables the Agency to account effectively for the billions of dollars recorded for activities in the over 100 countries where USAID operates.

This year, USAID began work on a project to modernize its Operating Expense (OE) Budget. To streamline the Agency's processes for developing and executing its OE budget, USAID has implemented Performance Budgeting (PB), a commercial-off-the-shelf (COTS) product fully integrated with Phoenix. USAID is using PB to create and score its Operating Year Budget and Spend Plans; help track planned versus actual OE resources; simplify OE fund transfers; and track both projected and actual salary and benefits expenses across the Agency. USAID hopes to expand its use of PB to help the Agency track, manage, and measure results more effectively from the formulation of the OE budget to its execution. In addition, the Administrator has launched a zero-based-budget exercise to rationalize the Agency's operational spending in FY 2019. USAID expects this effort will produce significant efficiencies and allow the Agency to deploy its existing resources better.

The Bureau for Management, Office of the Chief Financial Officer (M/CFO) continues to explore ways to use technology to streamline its financial business processes. The Automated Deobligation Application received an upgrade to allow for automated deobligations of small purchase awards in the Global Acquisition and Assistance System (GLAAS) as well as travel orders, credit card obligations, and Phoenix obligations. In FY 2018, the application allowed the Agency to deobligate over 26 thousand accounting lines, which freed up over $59 million for potential reuse. The Upward Adjustment Request tool continued to help the Agency automate its process for tracking and executing upward adjustments, and logged over two thousand actions from more than 100 users this Fiscal Year.

USAID uses data from Phoenix to guide decision-making and provide an accurate picture of the Agency's activity worldwide. Last year, Treasury recognized USAID as a lead Agency in the implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act). This Act requires Federal Departments and Agencies to report on procurement and financial-assistance spending in a more-standardized manner. FY 2018 marked the first full year of the implementation of the DATA Act, and USAID successfully submitted certified DATA Act files to Treasury on time and on budget each quarter, which provided increased transparency into the Agency's finances and procurement activity. Detailed budget and spending data from Phoenix are also a vital input into the public Foreign Assistance Dashboard (*https://www.foreignassistance.gov/*), a tool that shows stakeholders how U.S. taxpayer funds achieve international development results, and explains how the U.S. Government invests in countries around the world.

The Chief Financial Officer is committed to ensuring that USAID complies with evolving Federal requirements. In FY 2018, USAID began using Phoenix's PCAS to improve the Agency's ability to track reimbursable agreements and address a long-standing deficiency cited by the OIG. PCAS will help USAID track the status of agreements, and recognize both revenue and receivables against specific agreements. USAID has also begun working with the U.S. Department of Health and Human Services (HHS) to improve the accuracy of the Agency's Letter of Credit (LoC) grant accounting and reporting, serviced by HHS. The current process for recording LoC expenditures meets Federal financial requirements, but does not provide USAID program staff with the level of detail needed to manage grants. The proposed upgrade will allow the tracking of LoC expenditures in greater detail, which will improve the accuracy of data on pipelines and other LoC grant-reporting, and reduce the current need for manual adjustments. This change is particularly important to provide the detailed data necessary to allow Agency staff to perform the real-time adjustments in programming required by the President's Emergency Plan for AIDS Relief (PEPFAR), of which USAID is a major implementer.

FRAMEWORK FOR FINANCIAL MANAGEMENT SYSTEMS

The Phoenix financial system is the accounting system of record for the Agency and the core of USAID's financial management systems framework. Phoenix enables the Agency's staff to analyze, manage, and report on foreign-assistance funds. In FY 2018, nearly three thousand Phoenix users processed nearly one million transactions, including almost $21 billion in obligations and $20.3 billion in disbursements.

Phoenix interfaces with other Agency systems and tools to align financial management with other business processes. Phoenix is fully integrated with USAID's GLAAS system, which produced a real-time interface between USAID's financial and procurement system that helps streamline business processes and simplify unified reporting. Throughout FY 2018, USAID implemented the GLAAS 4.3 upgrade and is piloting the new FedConnect functionality to allow for the electronic submission of proposals and applications. Phoenix is also integrated with E2, USAID's E-Government travel service, which permits unified tracking of the Agency's travel budgets and spending.

USAID makes incremental investments to automate and streamline financial management processes to reflect standard business processes, meet user and Federal requirements, and follow guidance from OMB and Treasury to strengthen practices in the management of both finances and IT. In FY 2018, USAID began the process of upgrading Phoenix to a more-current version of the COTS software, which will allow USAID to implement fully Treasury's Invoice Processing Platform (IPP); improve USAID's accruals process; update Phoenix's many interfaces with other systems; and roll out an improved user interface that will improve Phoenix's usability for its employees. USAID will also use the upgrade to implement a suite of automated tools to increase the efficiency and accuracy of testing of the upgrade to Phoenix and other changes going forward.

OTHER MANAGEMENT INFORMATION, INITIATIVES, AND ISSUES

Through a series of interconnected reforms and initiatives, USAID has continued to Transform the Agency's structure, workforce, policies, programs, and processes in FY 2018 to advance its national security and support host-country partners on their Journey to Self-Reliance. As part of its contributions to the Administration's efforts to modernize the Federal Government for the 21st century, USAID organized this section around three key areas: providing modern information technology (IT); promoting better data, accountability, and transparency; and preparing USAID's workforce for the future.

PROVIDING MODERN IT

In FY 2018, USAID continued to build and maintain more modern, secure, and resilient IT to enhance the delivery and productivity of its programs. USAID derived value by increasing the efficiencies of the Agency's IT by leveraging common solutions and innovative practices; reducing the impact of cybersecurity risks by safeguarding IT systems, sensitive data, and networks; and enhancing employees' engagement with the services provided.

IMPROVING OUTCOMES THROUGH GREATER TRANSPARENCY IN IT SPENDING

The Agency's spending priorities center around modernizing and optimizing its IT portfolio, through designing and developing data-management initiatives that provide evidence-based support for the Agency's development outcomes; continuing to build the Development Information Solution (DIS) portfolio-management platform; migrating to cloud computing services, such as Platform as a Service (PaaS) and Software as a Service (SaaS); exploring the possibilities offered by emerging technologies like blockchain and artificial intelligence; and investing in IT security and compliance to protect and defend the Agency's network and systems from intrusion. USAID will direct an increased proportion of its capital investments and operating expenses to these areas in the coming years. USAID will also make more information available on its compliance with the Federal Information Technology Acquisition Reform Act (FITARA) and Technology Business Management (TBM). The Agency continues to work on how best to implement TBM, which the Office of Management and Budget (OMB) has mandated for adoption by FY 2022.

CYBERSECURITY

USAID faces a wide array of cyber threats, and cybersecurity is a critical priority. USAID has a vast attack surface— with a vast multitude of potential entry points for internal and external adversaries—operations in more than 100 countries around the clock 365 days a year; over 12 thousand users that have access to its network, including hundreds of foreign nationals; and about 35 thousand devices connected to the USAID global network. The Agency detects and mitigates more than 200 thousand malware and intrusion events each month. Through its cyber work over the last few years, USAID has laid an important foundation for working closely with OMB, the U.S. Department of Homeland Security (DHS), the Federal Chief Information Officers (CIO) Council, and other Federal organizations to protect its networks, systems, and information from unauthorized access or disruption while continually providing essential services and protecting privacy.

USAID is also strengthening its overall cybersecurity capabilities, by implementing DHS' Continuous Diagnostics and Mitigation program to provide the capabilities and tools that identify cybersecurity risks on an ongoing basis, prioritize these risks based upon potential impacts, and enable its cybersecurity personnel to mitigate the most significant problems first. In addition, USAID was one of the first Federal Departments or Agencies to comply with the Domain-based Message Authentication, Reporting and Conformance (DMARC) mandate by July 30, 2018, an email-validation system designed to detect and prevent email spoofing. USAID continually works with the Federal Risk and Authorization Management Program and other stakeholders to maintain strong practices for the detection and mitigation of cybersecurity events for its leading-edge cloud capabilities.

USAID was one of 10 Chief Financial Officer (CFO) Act Departments and Agencies to receive the highest possible overall cybersecurity risk management rating of "Managing Risk" from OMB and DHS. This designation signifies that the Agency has instituted required information-security policies, procedures, and tools, and can manage its cybersecurity risk actively. This assessment of the Agency's cybersecurity program used the National Institute of Standards and Technology Cybersecurity Framework, and was a requirement of Presidential Executive Order (E.O.)13800, *Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure*, issued in May 2017.

The Federal Cybersecurity Workforce Assessment Act of 2015 requires the Office of Personnel Management (OPM) to establish procedures to implement the National Initiative for Cybersecurity Education (NICE) coding structure, and to identify all Federal civilian positions that perform IT, cybersecurity, or other cyber-related functions. OPM published this guidance in January 2017, which provided dates and milestones to complete the coding and identification of the workforce. USAID is on track to meet all the milestones and tasks outlined in the legislation and OMB guidance. USAID has categorized and recorded the cyber codes for all its IT staff, as well as completed the analysis and gap report. The next milestone, in April 2019, requires Departments and Agencies to submit a report to OPM to indicate the roles and substantiate the designations of critical need. OPM is currently developing guidance for Departments and Agencies to use in determining work roles of critical need and reporting this information.

DEVELOPMENT INFORMATION SOLUTION (DIS)

USAID's work requires an integrated portfolio-management system, for use in every Mission and Bureau, to capture the Agency's data and facilitate evidence-based decisions in real time. The current proliferation of systems and lack of data-integration place a high management burden on USAID staff, which prevents the optimal oversight of taxpayer resources. To address these multiple challenges, USAID established a business case to develop an Agency-wide portfolio-management system called the DIS.

The DIS supports the integration of multiple streams of data across different systems to manage function of the Program Cycle, which includes strategic planning, project-design, planning for budget and procurement, and performance-management. The DIS will also advance the Development Data Library (DDL) as the central digital repository for detailed, high-value datasets generated with USAID funding. Agency staff, and in some cases the general public, will be able to use these datasets to cross-check evaluation findings, re-confirm development hypotheses, and conduct research.

Major goals for the DIS are the following: (1) accelerate the Agency's Transformation and implementation of associated policies, including compliance with FITARA and the Federal Information Security Modernization Act; (2) facilitate better analysis of data and management of resources; and (3) streamline standard reporting and portfolio-management tasks. When completed, the DIS will be the corporate-level system that all of USAID uses to manage portfolios and results.

USAID is currently developing workstreams for the DIS on performance-management, planning and monitoring budgets, and procurement-planning. The Agency's subject matter experts continue to provide critical support, by helping refine the high-level business requirements for DIS to ensure the system provides value to all users, and meets its intended goals. In August 2017, the Administration requested the Agency consider DIS a high-priority project, and accelerated its development from the original five-year time line to three years.

PROMOTING THE BETTER USE OF DATA AND GREATER ACCOUNTABILITY AND TRANSPARENCY

USAID is committed to the principles of transparency, accountability, and data-driven decision-making. In FY 2018, the Agency continued to leverage data and data-informed processes as a strategic asset to increase the effectiveness of the Agency, facilitate oversight, and promote transparency.

LEVERAGING DATA AS A STRATEGIC ASSET

USAID continues to refine its approach to making its data discoverable, accessible, and usable to the American taxpayer and the larger international development community. Readily available data support the Agency's effort to design and implement programs based on solid evidence that advance a country's Journey to Self-Reliance. Sharing data in the highly decentralized, international environment in which USAID operates reduces duplicative data collection efforts while increasing the ability of the Agency to learn from previous work.

During FY 2018, USAID staff and implementing partners submitted more than 260 new datasets to the DDL, in accordance with the Agency's Development Data Policy (*https://www.usaid.gov/ads/policy/500/579*). USAID has worked to curate these datasets in its repository to ensure they are preserved, accessible, and made usable over the long term.

USAID remains committed to enhancing the accessibility and value of submissions of data while protecting the privacy and security of all individuals, including participants in USAID programs. This commitment prompted the Agency to stand up the USAID Data Services Team in March 2018, charged with providing and coordinating a comprehensive portfolio of data-related services across the Agency. The team includes an array of experts with backgrounds in economics, data science, digital curation, academic research, visualization and reporting, change-management, and data-literacy. The team also has statisticians and data-privacy experts to help the Agency balance the inherent risk of sharing data with the immense potential it holds for improving development outcomes.

USAID anticipates launching a new DDL platform in FY 2019 that will greatly enhance the accessibility and usability of the Agency's data (*https://www.usaid.gov/sites/default/files/documents/1868/579.pdf*). Partners will have increased control over the submission and presentation of their data through the new DDL, including the ability to create visualizations of their data to share key lessons with potential users. USAID staff will also have increased capabilities to guide partners through the collection, submission, curation, and publication of data. In tandem with this launch, USAID is also developing proposals to streamline the clearance process by which the Agency releases data to the public as part of a larger update to USAID's Development Data Policy.

TRANSPARENCY

In the realm of foreign assistance, transparency is essential for promoting accountability to both recipients abroad and American taxpayers at home. USAID is leading the effort to ensure greater transparency of U.S. Government foreign assistance through fulfilling various international and Congressional reporting requirements. Specifically, USAID accomplishes this through the Agency's Foreign Aid Explorer website (*https://explorer.usaid.gov/*) and underlying database, which includes all U.S foreign-assistance funding for over 70 U.S. Government Departments, Agencies, and Offices. The Foreign Aid Explorer website allows stakeholders, both internal and external, to search and visualize expanded, timely information about what, where, how, and with whom USAID spends development dollars. USAID is also committed to publishing timely financial and descriptive data to the International Aid Transparency Initiative (IATI), through which hundreds of development actors provide data in a common international standard. In FY 2018, USAID developed internal resources to improve the quality of the data reported to IATI, as well as included additional fields, such as sub-national geographic data, so the data are more useful for decision-making and analysis. As a result of these and other efforts, in Publish What You Fund's 2018 Aid Transparency Index, USAID showed the biggest improvement among U.S Departments and Agencies, as it placed securely in the "Good" category.

Each quarter, the Agency transmits transaction-level information for IATI to publish. In turn, partner-country governments can pull these data into their systems. This helps governments oversee the coordination and management of incoming foreign aid, and serves as an effective tool in standardizing and centralizing information about flows of external assistance. By streamlining reporting to these partner-country systems, USAID is promoting efficiency in the collection of data; improving the quality of those data; reducing the time needed to publish updated information; as well as providing timely information to partner countries to inform analysis, future decisions, and policy-making.

Additionally, in FY 2018, USAID updated the recently redesigned Dollars to Results (D2R) website (*https://results.usaid.gov/*). In support of USAID and the U.S. Government's transparency and accountability priorities, the website displays data about USAID's impact around the world by linking foreign-assistance spending and illustrative results by Fiscal Year. Currently, D2R displays data for FY 2014 through FY 2017.

USAID's Program Cycle policy requires that unstructured, qualitative data remain available through the Development Experience Clearinghouse (DEC) (*https://dec.usaid.gov*) within three months of completion. The DEC provides a snapshot in time of aid-related work conducted or sponsored by the Agency, and contains over 250 thousand USAID-funded technical and programmatic documents that span more than 50 years of U.S. foreign assistance. Over 12 thousand documents in the DEC are evaluations that cross multiple sectors, countries, and regions. USAID uses materials in the DEC to identify opportunities for improvement to current and future projects. In addition, the materials in the DEC allow future partners to identify how the Agency has invested in foreign assistance to prepare new and innovative ideas to improve the work conducted by the Agency and its partners.

SHARING QUALITY SERVICES

The Agency is invested in shared services, and continues to explore opportunities to expand their use to promote efficiency and effectiveness. For instance, USAID works through the National Finance Center of the U.S. Department of Agriculture to process payroll, and is increasing Federal electronic payments through the implementation of the Invoice Processing Platform (IPP), a Web-based system, which once functional, will allow for e-invoicing. In addition, the Agency funds a centralized help desk for human resources, IT, and management-support services, which provides staff with a single point of entry to resolve their questions and problems. USAID also participates in interagency fora and exercises to assess the Agency's readiness to deploy more shared administrative services.

USAID collects data to improve internal customer service continuously and enhance its capacity to deliver on its mission. USAID administers an annual survey to all staff to solicit feedback about its support services. The 2018 Management Support Services Customer Survey gathered input on 16 Operating Units (OUs) and initiatives that provide management services to Agency staff. USAID respondents' overall satisfaction with services is, on average, higher than the U.S. Government-wide average across the categories of contracting, financial management, and IT.

Based on the results from previous years' surveys, USAID's OUs have taken concrete steps to improve customer satisfaction and increase the efficiency and effectiveness of the Agency's management operations. For example, the Office of the General Counsel established a global ethics hotline that ensures that all ethics questions are tracked and receive an initial response within 24 hours. In addition, through collaboration with stakeholders and experts, the data team of the CIO has been improving data services, updating data-repositories, using data visualizations, and providing training.

SHIFTING FROM LOW-VALUE TO HIGH-VALUE WORK

Consistent with the President's Management Agenda, USAID examines every opportunity to shift time, effort, and funding from burdensome requirements to high-value work. For example, USAID is moving to a new portal for the shipment of household effects that will allow Foreign Service Officers to directly track their deliveries themselves. These efforts minimize the Agency's administrative burden, eliminate outdated reporting and compliance requirements, and reduce unnecessary costs. USAID is legislatively required to submit recommendations to OMB on how it can reduce its reporting burden for Congressional reports, according to the Government Performance and Results Act and Modernization Act of 2010. In addition to this mandate, the Agency remains committed to streamlining its overall reporting, including to its oversight entities (*e.g.*, OMB or the Government Accountability Office (GAO)).

The Agency has recently rolled out a financial model for use in estimating the productivity and efficiency savings realized from IT-transformation initiatives, including automation; improved work-flow-management; reduction in rework; accelerated collection and reporting of data; and a number of other business process areas. In addition, the model will help in projecting cost-savings and costs avoided from the decommissioning of legacy systems that are no longer needed or that the Agency has replaced with enterprise-wide applications or shared platforms. The one-year cost avoidance from the decommissioning of systems in FY 2018 is estimated to be $3.3 million.

USAID is dedicated to promoting engagement with customers and the public, and the rule-making process is an integral part of that effort. As required, USAID gives notice to the public that it is considering a specific regulatory change that could alter the rights and interests of outside parties, and does so before the rule takes effect. Once USAID publishes a proposed rule in the Federal Register, the public can comment on it and provide feedback to the Agency.

In FY 2018, USAID continued its commitment to transparency with partners/stakeholders via the rule-making and e-rule-making processes and engagement. USAID currently has eight regulatory actions identified in the Fall 2018 Unified Semi-Annual Agenda of Regulations—five proposed rules, and three final rules. OMB has designated one proposed rule as significant, and all of USAID's remaining rules as non-significant. Two of the three final rules are deregulatory actions. (*https://www.reginfo.gov/public/do/eAgendaMain*) USAID will continue to take every opportunity to propose the elimination and the streamlining of regulations.

USAID's rule-making program complies with E.O. 12866, *Regulatory Planning and Review*, and the Regulatory Flexibility Act, which require Federal Departments and Agencies to publish their semi-annual agenda of planned regulatory activity. USAID also complies with the regulatory-reform principles and requirements of E.O. 13771, *Reducing Regulations and Controlling Regulatory Costs*, issued in January 2017, and E.O. 13777, *Enforcing the Regulatory Reform Agenda*, issued in February 2017.

CATEGORY-MANAGEMENT (CM)

USAID has made an extensive effort to use taxpayer dollars efficiently and effectively in its procurements. USAID considers U.S. Government-wide contracts for goods and services, and is committed to applying principles from CM and the associated Best in Class (BIC) solutions (which meet specific OMB criteria and are available to multiple Departments and Agencies). As part of this effort, the Agency has been identifying, assessing, and reporting on its portfolio of acquisition contracts. USAID assessed how its contracts were applicable to the Federal-wide CM "tiered" system, and determined contracts met the requirements for BIC solutions. In FY 2018, USAID categorized 75 percent of its acquisition dollars as Spend Under Management, which means that percentage met defined criteria for management maturity and data-sharing.

Hosted by the Office of Federal Procurement Policy at OMB the Agency has been an active participant in the initial set of Federal-wide coordination meetings that supported USAID's roll-out of CM. USAID hosted a CM-specific training co-sponsored by OMB and the General Services Administration (GSA) for some acquisition and assistance (A&A) staff in FY 2018, designed to increase the familiarity of CM and the supporting tools (Acquisition Gateway) available for staff in support of implementating CM. USAID will continue to engage with and train its staff during FY 2019 on the benefits and proper application of CM, and will assess existing and new BIC solutions for its Agency-wide adoption and implementation. USAID anticipates there will be additional "roll-outs" of other CM and BIC solutions for consideration and adoption in FY 2019 and beyond.

RESULTS-ORIENTED ACCOUNTABILITY FOR GRANTS

USAID obligates the majority of funding via assistance mechanisms (grants and cooperative agreements), which makes it important to structure solicitations and awards to focus on results. "Results-oriented" assistance solicitations clearly define the problem/objective of the funding opportunity, and the expected results of the award. USAID then expects to receive a "results-oriented" program description from applicants to later incorporate as the work plan for award.

To facilitate results-oriented assistance awards, USAID has developed guidance and suggested tools and methods, and shares best practices within the Agency, including considering the use of an adaptive assistance mechanism, sharing public strategy documents, and disseminating information about anticipated activities and soliciting feedback.

IMPROVE THE AWARD AND MANAGEMENT OF MAJOR ACQUISITIONS

USAID works in more than 100 countries, and works with a variety of different types of organizations to achieve its mission. USAID awards the majority of its funds competitively through A&A instruments. In FY 2018, USAID continued to pursue improvement relentlessly in the management of major acquisitions to meet taxpayer expectations and performance goals on key transformational projects, and to enhance flexibility and create more-responsive procurement approaches to support countries on their Journey to Self-Reliance.

USAID designs, competes, and awards a complex array of A&A instruments annually in support of the Agency's mission, a portfolio that represents the greatest share of its annual spending. (See Automated Directives System (ADS) Chapter 300, *https://www.usaid.gov/sites/default/files/documents/1868/300.pdf*). For the past five years, the Agency's most-senior leadership has reviewed major A&A awards to ensure that they fulfill specific requirements. In June 2018, USAID announced the Senior Obligation Alignment Review (SOAR) process, which aims to ensure the Agency integrates the principles of self-reliance into its grants, contracts, and other transactions, leverages new resources, increases the use of co-collaboration/co-design, and broadens USAID's partner base. The goal of the SOAR is to ensure senior leaders in Bureaus and crosscutting functional OUs examine high-dollar-value A&A proposals prior to solicitation, to encourage creativity and innovation. This review process continues to be a valuable tool for focusing attention on the scope of awards, their impact, and their value for the money invested.

USAID uses a Web-based A&A Plan to capture all planned actions from 147 OUs. The Agency combines this with financial data to create a clearer picture of the Agency's business mechanisms. USAID can then engage OUs to direct resources where needed. The system also provides a variety of dashboards and reports, customized to its users, which help USAID to manage its awards effectively. Since the launch of the A&A Plan in FY 2015, users have entered over 13,700 planned actions into the system including 3,942 actions in FY 2018. Since January 2017, the Agency has produced a "live feed" of its Business Forecast, an improvement upon the previous practice of producing a quarterly forecast. USAID pulls the forecast directly from the Agency's A&A Plan every 24 hours, which provides more accurate and timely information to partners. This feature enables potential partners to plan and organize before the Agency posts a solicitation on Grants.gov or FBO.gov. This timely forecast information can help improve Procurement Action Lead Time (PALT) when the Agency receives better proposals or applications from partners. USAID also added functionality to the A&A planning system to track Mission concurrence by field Missions, in accordance with the revised ADS Chapter 201 (*https://www.usaid.gov/ads/policy/200/201man*), to ensure Mission Directors have overall visibility of activities operating under their purview.

USAID created the A&A Lab to bolster innovation while also developing and enhancing the A&A workforce. USAID has used the A&A Lab to connect A&A staff worldwide, and for the testing and scaling of innovations that spur competition and establish new partnerships. In FY 2018, the Agency piloted a co-creation facilitation course to build on the Agency's collaborative approaches and internal capacity. The A&A Lab continued to host a series of community of practice conference calls, webinars, and a topical speaker series. Throughout FY 2018, the topics included Catalyzing Private Investment, Pay-For-Success Models, Development-Impact Bonds, Streamlining Cost and Budget Tools, and debriefings and case studies/conversations on various innovative procurements. In addition, the A&A Lab expanded its workshops to include how Collaborate, Learn, Adapt (CLA) is directly connected to A&A approaches such as the Broad Agency Announcements; co-creation; adaptive-management techniques, such as shock-responsive programming; and adaptive design. By the end of FY 2018, workshops included sessions on innovative financing approaches and co-creation techniques for both competitive and non-competitive awards. These types of approaches help spur procurement competition to reach unique and small community partners. They also ensure the Agency can react quickly with agile mechanisms in response to an ever-changing operating environment and humanitarian emergencies.

Given that USAID relies on procurement tools to implement programs around the world, it is critical the Agency's A&A processes operate efficiently to achieve its development objectives. In FY 2018, USAID continued to take steps to reduce PALT on awards over $10 million. The Agency focused its efforts on developing a tracking process with each Bureau and Mission to ensure internal transparency on procurement processes, and to identify delays. In FY 2018, USAID replatformed the system as a part of the DIS effort, which brings the following specific improvements to the A&A Plan System: (1) a user interface consistent with DIS standards, (2) improved search and filter capabilities, (3) improved validations interface for better understanding and navigability between various tabs, (4) alignment with the DIS technical architecture, and (5) integrated, user-friendly milestone plans. USAID established a cross-functional team to ensure the replatform and new milestone method (1) continues to streamline milestone planning; (2) increases tracking and reporting; (3) integrates milestone requirements into other Agency enterprise systems; (4) allows Contracting and Agreement Officers to customize milestone plans for particular procurements; and (5) serves as an Agency-level management tool.

PREPARING USAID'S WORKFORCE FOR THE FUTURE

Improving the way USAID supports human resources (HR) and talent-management is central to advancing the Agency's mission. The Agency is committed to establishing strong, core HR capabilities that exceed the expectations of customers, focused on strategic talent-management, particularly in the areas of comprehensive workforce-planning, performance-management, leadership-development, and organizational culture and wellness.

USAID continues to develop and implement innovative human-capital programs to prepare its workforce for the future. In FY 2018, in partnership with HR stakeholders across the Agency, USAID has successfully increased customer satisfaction, improved HR operations, automated HR customer interfaces, and streamlined processes. The Agency has increasingly focused on strategic talent through comprehensive workforce-planning, reform of performance-management, the effective deployment of talent, and leadership education.

The following illustrative initiatives advanced workforce preparedness in FY 2018 consistent with the Agency's Transformation, the *USAID and U.S. Department of State (State) Joint Strategic Plan for FY 2018 – 2022*, the Agency's HR Strategy and Action Plan (*http://pdf.usaid.gov/pdf_docs/PBAAE486.pdf*), and the Agency's Strategic Human Capital Plan.

LAUNCHPAD: NEW AND INNOVATIVE EMPLOYEE PORTAL FOR HR SERVICES

USAID re-engineered the Agency's delivery of HR services which previously relied on emails and telephone calls to create a centralized online employee portal and mobile App, called LaunchPad for HR. LaunchPad, built on ServiceNow, makes it easy for customers—the Agency's workforce—to access their personnel data easily and check the status of their HR-service requests, all in one location. It also makes it easy for HR specialists and managers to provide timely, consistent customer service; to learn from customer feedback and track performance data, such as service level metrics; and to compile performance reports.

Deployed in May 2018, LaunchPad augments the 2014 enterprise system, ServiceNow, and enables employees to view and verify their employee data while also offering access to key HR services. It also allows employees to make requests for assistance and corrections to employee data in a secure online environment. Less than four months after its implementation, USAID's Office of Human Capital and Talent Management (HCTM) has received more than eight thousand HR cases through LaunchPad, and has seen its metrics for customer timeliness and resolution from survey scores increase from 3.7 to 4.3 (out of five). In addition, through the use of LaunchPad, overall customer satisfaction has improved from 3.8 to 4.5 (out of five) since implementation.

USAID also has been advancing the Agency's employee performance-management system, starting with the Foreign Service. In April 2018, the Agency rolled out the new Foreign Service Performance Management System that emphasizes ongoing, regular feedback on a quarterly basis. The new system, which also includes an online ePerformance tool under LaunchPad, saves significant time, while also increasing the focus on quality feedback and performance discussions between employees and supervisors. These efforts fully align with USAID's plan to maximize the performance and accountability of its employees, consistent with March 2017 E.O. 13781, *Comprehensive Plan for Reorganizing the Executive Branch*.

DEPLOYING TALENT: NEW FOREIGN SERVICE ASSIGNMENTS PLATFORM

In August 2018, USAID implemented the first release of a new Interactive Assignment and Bidding Platform, to a warm reception by the Agency's Foreign Service cadre, particularly the over 600 Foreign Service Officers who bid on new assignments each year. By transitioning to the more advanced ServiceNow software, HCTM has not only been able to provide an enhanced user experience, but also to integrate actions that take place within the bidding and assignments process with other HCTM processes. By removing this administrative silo, HCTM has already been able to integrate and launch several follow-on improvements such as the Getting to Post (G2P) module. It replaced a cumbersome process, heavy on forms and paper, with an automated, online, "one-stop shop" solution. Since 600 Foreign Service Officers and their families relocate annually, this tool has significantly improved the transitions of thousands of family members.

The new platform also offers the Agency's management a vastly improved ability to maintain centralized records, monitor workflow and workload, and track staffing levels and metrics. As with all major HR initiatives over the past two years, the Agency relied on a collaborative approach of communities of stakeholders and subject-matter experts to assess, and streamline the requirements for new online tools that often replaced paper processes. As with broader LaunchPad services, the Agency will continue to develop the processes and platforms for assignments and bidding, including the G2P tool. Further improvements will reflect customer feedback and enhance the interface and dashboard for both customers and HCTM and management officials throughout the Agency.

PERFORMANCE, ACCOUNTABILITY, AND FEEDBACK

In April 2018, USAID implemented a significant overhaul of its performance-management system, starting with the Foreign Service, including the following:

(1) Implementing an automated performance-management system (ePerformance) for Foreign Service Officers through LaunchPad, which incorporates the new components of the Foreign Service Employee Performance and Development system;

(2) Implementing shared Agency goals for all its executive-level personnel—Senior Foreign Service, Senior Executive Service (SES), and Administratively Determined employees, focused on the Administration's priorities and cross-Agency initiatives, such as effective partnerships and procurement reform, the Agency's planned Transformation, employee engagement, and the timeliness of responses to audits;

(3) Finalizing an ePerformance system for SES employees:

- USAID drafted user requirements, conducted focus groups with executives, rating officials, and members of the Performance Review Board, and finalized system requirements for the system.
- User-acceptability testing began in October 2018, and the system is scheduled for implementation during January 2019.

(4) Incorporating changes into performance-management process in response to E.O. 13781, *Comprehensive Plan for Reorganizing the Executive Branch*.

(5) Beginning the design of the Agency's Civil Service performance-management system, fully aligned with USAID's comprehensive plan to maximize employee performance.

ENHANCING EMPLOYEE WELLNESS AND RESILIENCE THROUGH STAFF CARE

USAID's Staff Care is an innovative, integrated program specifically designed to improve the wellness and resilience of the USAID workforce, both in Washington D.C., and overseas. Services include work-life assistance, emergency back-up care, wellness programs, support for new and expecting parents, employee assistance counseling, liaison services for Foreign Service Officers, and organizational-resilience training. Organizational resilience supports teams across the world to build strong and dynamic working environments, and relationships that are capable of effectively navigating change.

In the last calendar year, Staff Care received 38 requests for engagement from USAID Missions around the world, and provided assistance to over eight thousand employees. In the past quarter alone, 454 Agency employees participated in resilience education and training. Of these, 86 percent reported improved effectiveness at work, 94 percent reported an increased feeling that USAID appreciates its employees, and 97 percent reported strengthened resilience and well-being. In the same period, 352 staff received counseling support on employee resilience, which saved the Agency an estimated 182 work days, and $69,915, over the most-recent three-month period. Looking forward, Staff Care will provide support for the Agency's Transformation, particularly the proposed structural reorganization that is awaiting Congressional approval.

EMPLOYEE ENGAGEMENT

USAID's focus on employee engagement leverages data from the Federal Employee Viewpoint Survey (FEVS). USAID values an inclusive work environment, one in which 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, and made action planning mandatory for all Bureaus and Missions in FY 2017. The Agency continues to improve its Employee Engagement Index score through these and other efforts: it increased by nine percentage points in a three-year period, from 69 percent in 2014 to 78 percent in 2017. All indices reflect positive percent increases for USAID in the 2017 survey compared with 2016 results.

Further, the Agency enhanced its FEVS Dashboard in 2017 to provide increased functionality for all staff to improve their review of survey results, including the following updates:

- An interactive homepage that shows response-rate and trend data on key indices (to allow users to filter by different hiring mechanisms), and which includes the top 10 scoring questions;
- Heat maps for the key indices added to the dashboard;
- Sort and download tabs added for Washington and overseas to allow users to sort and analyze data easily, as well as easily download raw data to Excel or CSV files.

The Agency anticipates new action planning will commence soon to address findings from the 2018 FEVS results, and to support the change-management requirements of USAID's Transformation.

FEDERAL REAL-PROPERTY INITIATIVE

USAID holds leasehold and freehold interest in real-property assets overseas and domestically. For overseas assets, the Agency works with State's Bureau of Overseas Building Operations (OBO) to transact and manage real property. Domestically, USAID's primary partner is GSA. As of December 31, 2017, the latest reporting period for the Federal Real Property Profile (FRPP), the Agency manages 1,512 overseas assets[5] including 98 owned assets of which 33 have reversionary interests as trust-funded properties. The plant replacement value for owned assets is $598 million.[6] The Agency has overseas 1,433 leases, with annual rent payments that totaled $61 million for 2017, including for facilities such as office buildings, warehouses, housing units, guard booths, and secure parking areas. The Overseas Management Division of the Office of Management Services (OMS) within the Management Bureau overseas portfolio, with oversight from USAID's Senior Real Property Officer, and in collaboration with OBO.

In the United States, as of December 31, 2017, USAID maintains six occupancy agreements with GSA, and one direct lease with a private landlord. Domestic office and warehouse space is included in the baseline measurements for the Reduce the Footprint required by OMB. Under the baseline requirements, USAID reports on usable square feet for office and warehouse space in the Washington area. The administration of occupancy agreements and leases, as well as the facilities and building operations management, is the responsibility of the Headquarters Management Division within OMS in the Management Bureau, under the oversight of the Senior Real Property Officer, and in coordination with GSA.

USAID manages its real-property portfolio in accordance with a series of legislative mandates, regulatory guidance, policies, and E.O.s. These include, but are not limited to, the Foreign Assistance Act; Title 41 of the Code of Federal Regulation; the Foreign Affairs Manual; the ADS; and E.O. 13327, *Federal Real Property Asset Management*. According to the requirements of E.O. 13327, the Agency reports through the FRPP database all owned, leased, and otherwise managed Federal real-property assets within and outside the

5 This figure includes land parcels.

6 This figure does not include real-property leases, and is not used for financial-reporting purposes.

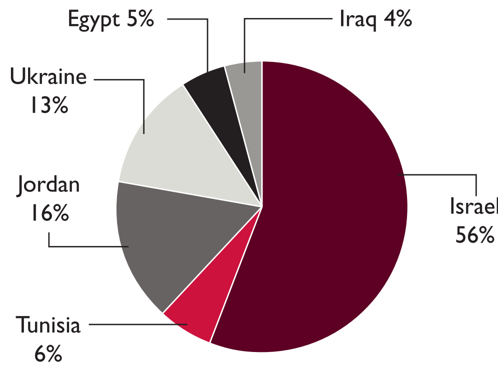
United States, including improvements on Federal land, in coordination with GSA and OMB.

USAID actively supports Federal energy and sustainability goals, such as those outlined in E.O. 13834, *Regarding Efficient Federal Operations*; the Energy Independence and Security Act of 2007; the Energy Policy Act of 2005; and the Telework Enhancement Act of 2010. These goals are highlighted in the implementation of the Reduce the Footprint goals and integrated into project planning for the renovations of workplace in the Ronald Reagan Building and the Agency's ongoing lease-consolidation project by following LEED® requirements to design spaces that promote healthy, safe, and quality works areas. In addition to LEED®, USAID conforms to other industry-endorsed standards around the world. For example, the USAID office in Cairo, Egypt, is currently in the design phase for a solar electrical power-generating roof-panel system, which will provide significant cost savings to the Mission and reduce dependency upon Cairo's power grid.

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, GSA, and OMB to effectively plan and administer the real-property portfolio. Global real-property management faces rapidly evolving challenges to keep personnel safe and secure, while supporting expanded development and diplomatic missions and mandates. USAID continues to meet these challenges in an uncertain budget environment and manages the real-property portfolio in a cost effective and operationally efficient manner.

SOVEREIGN BOND GUARANTEES (SBG)

Since 1993, the U.S. Government has provided 20 guarantees of sovereign bonds issued by foreign governments in the international capital markets (Israel, Egypt, Tunisia, Jordan, Ukraine, and Iraq) that have totaled $23.8 billion. The guarantees are one form of macro-level financial assistance the United States provides to strengthen the economic and policy environments of countries facing that are economic difficulties.



From 1993 to 2011, the U.S. Government used SBGs sparingly to support Israel and Egypt. However, the use of SBGs expanded under the Obama Administration in response to political shocks in the Middle East and Eastern Europe, to10 issuances over the past six years. USAID reports the guarantees on its financial statements. The total current exposure of USAID's SBG portfolio is $21.0 billion, of which $17.6 billion represents outstanding principal following Egypt's full repayment of its bond in 2015 and the continuing amortization of one of Israel's sovereign bonds. See Note 6, *Direct Loans and Loan Guarantees*, Net in the Financial Section for additional information on loan guarantees for Israel; Ukraine; and Tunisia, Jordan, and Iraq (Middle East Northern Africa—MENA). The Better Utilization of Investments Leading to Development Act (BUILD Act) of 2018, signed into law by President Trump on October 9, 2018, will begin a process to move the SBGs from USAID in FY 2019.

SOVEREIGN BOND GUARANTEE PORTFOLIO
(Dollars in Millions)

Country	Year	Amount
Israel	1993	$ 9,199
Israel	2003	$ 4,100
Egypt	2005	$ 1,250
Tunisia	2012	$ 485
Tunisia	2014	$ 500
Jordan	2014	$ 1,250
Jordan	2014	$ 1,000
Ukraine	2014	$ 1,000
Ukraine	2015	$ 1,000
Jordan	2015	$ 1,500
Tunisia	2016	$ 500
Ukraine	2016	$ 1,000
Iraq	2017	$ 1,000
Total		$ 23,784

AUDIT FOLLOW-UP

BACKGROUND

USAID is subject to audit by the OIG and the GAO, an independent, nonpartisan Agency that works for Congress. The OIG staff conduct audits of worldwide foreign-assistance programs and USAID operations, including performance audits and reviews of programs and management systems, the Agency's financial statement audit required under the CFO Act of 1990, and audits related to the financial accountability of grantees and contractors. Often called the "Congressional watchdog," the GAO performs evaluations of Federal programs, policies, operations, and performance to examine how Departments and Agencies spend taxpayer dollars, and provides Congress and Federal organizations with objective, reliable information to help the Government save money and work more efficiently.

AGENCY TRANSFORMATION PRIORITY: BACKLOG ELIMINATION

USAID's Bureau for Management, Office of the Chief Financial Officer (M/CFO) and the Office of Inspector General (OIG) staff work in partnership to ensure timely and appropriate responses to OIG audit recommendations. As of December 5, 2017, the Agency had 42 open GAO audit recommendations, and 908 open OIG recommendations, of which almost 100 were in backlog. "Backlog" is defined as recommendations: (a) with past-due target completion dates; (b) over six months old without a management decision (OIG), or past 60 days without a Statement of Action (GAO); and (c) with management decisions with which the auditor disagreed. On December 6, 2017, the Administrator announced that reducing the number of open audit recommendations is a key goal under Outcome 5 of USAID's Transformation: *Respecting the Taxpayer's Investment*. He also announced a zero-tolerance policy for audit backlogs, and challenged all Bureaus and Independent Offices to address all GAO and OIG audit recommendations that were in backlog within six months, *i.e.*, by June 5, 2018. USAID cleared the backlog ahead of schedule, on May 25, 2018. In its Transformation package before Congress, USAID has proposed creating a new audit unit within the new Bureau of Policy, Budget, and Performance to maintain the Agency's focus on tracking, responding to, and following upon recommendations from the OIG and the GAO.

FY 2018 AUDIT FOLLOW-UP RESULTS

OIG

USAID managers are mindful of the statutory requirements included in the Inspector General Act, as amended; OMB Circular A-50, *Audit Follow-up*; and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Management has a responsibility to complete action, in a timely manner, on audit recommendations on which USAID has reached agreement with the OIG. Management must make a decision regarding audit recommendations within a six-month period after issuance of the audit report, and implement a management decision[7] within one year, to the extent practicable.

On October 1, 2017, the Agency had a beginning balance of 848 audit recommendations. During FY 2018, the OIG issued a total of 624 audit recommendations. During FY 2018, the Agency closed 1,041 recommendations, including 57 write-offs not accounted for in the beginning balance, which left 488 recommendations open at the end of the Fiscal Year. Of the number closed, 645 were procedural or non-monetary; 395 were questioned costs, which represented $14.3 million in disallowed costs USAID recovered; and one was a recommendation with management efficiencies[8], which represented $11.5 million in funds the Agency put to better use. As of September 30, 2018, USAID had no recommendations over six months old without a management decision, and only 18 recommendations were more than a year old.

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

[8] "Management efficiencies" relate to monetary recommendations that could allow the Agency to use funds more efficiently. The recommendation can include (a) savings from such items as reprogramming or the recapture of unliquidated obligations; (b) more-efficient contract negotiations; or (c) the reduction or elimination of payments, costs, or expenses the Agency would incur. This term has the same meaning as "funds are put to better use."

The following tables show that USAID made management decisions to act on 292 audit recommendations with management efficiencies and planned recoveries[9] that totaled more than $210 million. In addition, final action was completed for 306 monetary audit recommendations representing $26 million in cost savings.

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	Recommendations	Dollar Value ($000)
Management decisions:		
Beginning balance 10/1/2017	1	$ 16
Management decisions during the fiscal year	1	11,520
Total management decisions made	2	11,536
Final actions:		
Recommendations implemented	1	11,520
Recommendations not implemented	–	–
Total final actions	1	11,520
Ending Balance 9/30/2018[10]	1	$ 16

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS	Recommendations	Dollar Value ($000)
Management decisions:		
Beginning balance 10/1/2017	212	$ 36,063
Management decisions during the fiscal year	291	198,360
Total management decisions made	503	234,423
Final actions:		
Collections/Offsets	–	10,811
Other Recovery	–	1,281
Non-Efficiency	–	101
Write-offs	–	2,104
Total final actions[11]	305	14,297
Ending Balance 9/30/2018[10]	198	$220,126

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

GAO

The number of open recommendations issued to USAID by the GAO declined from 42 to 24, which represents a 43 percent decrease from FY 2017. The Agency closed 35 recommendations, up from 30 the previous year. The GAO is currently reviewing 34 USAID programs worldwide.

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

10 "Ending Balance 9/30/2018" equals "Total management decisions made" minus "Total final actions."

11 A single audit recommendation can involve multiple recovery types (collections/offset, other recovery, write-offs).

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FINANCIAL SECTION

(Preceding page) **At 14, Mohammed left home in Morocco to work odd jobs in construction, but he dreamt of earning enough to provide for his family. When Mohammed heard about a USAID program to become a trained electrician, he signed up without hesitation. USAID's support with internship and education programs helps at-risk youth like Mohammed find jobs they can thrive in.**

PHOTO: BOBBY NEPTUNE FOR USAID

(Above) **USAID-supported innovator Simpa Networks provides solar energy systems to households and small businesses in India with pay-as-you-go financing, especially for the low-income, rural population. Simpa has already reached 250 thousand people and is expanding its domestic financing base with banks in India. Simpa recently launched India's first solar-powered air cooler.**

PHOTO: COURTESY OF SIMPA NETWORKS

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

It is my privilege to present the Agency Financial Report (AFR) for Fiscal Year (FY) 2018 of the U.S. Agency for International Development (USAID). The AFR provides us an opportunity to share with the American public our commitment to accountability for the funds entrusted to us to carry out our mission. It is our goal to present the Agency's use of resources, operating performance, financial stewardship, and assessment of risks in a clear and effective manner. By doing so, we hope to continue to build upon the recognition we have received for the last three years from the Association of Government Accountants' *Certificate of Excellence in Accountability Reporting*.

We are pleased that in FY 2018 USAID sustained an unmodified audit opinion, as determined by our Office of Inspector General. As reported previously, our Agency worked diligently to eliminate our material weakness finding related to USAID's Fund Balance with the U.S. Department of the Treasury (Treasury). Now that the underlying root cause for the fund balance with Treasury has been accurately addressed, we will continue to confer with the Office of Management and Budget (OMB) and stakeholders to make a one-time adjustment in our accounting system to eliminate the remainder of the legacy difference.

In addition, during FY 2018, USAID continued to mature and improve our strong and sustainable internal control posture. Specifically, we instituted improved processes to account for reimbursable agreements, intragovernmental transfers, and a quality assurance program to achieve adequate records for reporting on Property, Plant and Equipment. This included Project Cost Accounting System (PCAS) implementation that addressed our Federal Financial Management Improvement Act (FFMIA) compliance associated with reimbursable agreements, decreasing our outstanding balance with our intragovernmental trading partners over the past three-year average from $2 billion in the first three quarters of FY 2015 to $512 million in the current average of FY 2018, which account for only 0.01% of the $5 trillion Government-wide total. The status of the Agency's compliance with FFMIA is discussed further in the Management's Discussion and Analysis on page 38.

Over the last year, USAID continued the integration of our Enterprise Risk Management (ERM) governance into our systems for internal control as required by OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. We established guidance, tools, and classroom training to enable Operating Units worldwide to conduct risk assessments. Also, Administrator Mark Green communicated his support for USAID's ERM strategy and approach, updated our initial Agency Risk Profile, and publicly released a Risk-Appetite Statement to serve as a guidepost for the identification, assessment, and treatment of USAID's key enterprise risks, and to demonstrate transparency regarding our tolerance for risk. Despite the infancy of our program, we are emerging as a leader among Federal Departments and Agencies in implementing ERM. In accordance with our emphasis on working with local partners, my office continues to play a strong role in the Agency's support of host-country partners by prioritizing programs that incentivize reform, strengthen in-country capacity and facilitate locally-led development, including enhancing partner country public financial management capacity and improving aid effectiveness and sustainability. We work with the Government Accountability Office (GAO) and the International Monetary Fund

Reginald W. Mitchell

to provide expertise, collaboration, and training to assist recipient nations in developing their financial and auditing capabilities.

USAID remains vigilant in our efforts to reduce payment errors by identifying, reporting, and recovering overpayments, as required by the Improper Payments Elimination and Recovery Act (IPERA) of 2010. The GAO recently recognized USAID as one of three Federal Departments and Agencies that are fully compliant with IPERA from FY 2011 to FY 2017.

To provide our stakeholders and the American public increased transparency into our finances and procurement activity, the Agency fully implemented the requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act), which requires Federal Departments and Agencies to report their spending on procurement and financial assistance in a more standardized manner. Treasury has recognized USAID as a lead Agency in DATA Act implementation.

As you will read throughout this report, USAID has undertaken a number of Transformation initiatives, including establishing a zero-tolerance policy for backlogged open audit recommendations. Our record regarding the timely closure of audit recommendations is among the best in Federal Government.

Finally, I want to thank our financial and program professionals for the diligent work performed in FY 2018 to mitigate weaknesses, implement new requirements, and partner creatively and strategically in achieving the Agency's mission. In FY 2019, we will continue to work closely with our auditors, and remain dedicated to holding ourselves and the Agency to the highest financial management standards. USAID affirms its commitment to promoting effective internal controls, managing risk, and to resolving any impediments to producing fairly presented financial statements today and in the future.

Reginald W. Mitchell
Chief Financial Officer
December 17, 2018

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

(Preceding page) **After getting pregnant at 17, Isobel Báez dropped out of school, fearing she would be bullied. At 23, Isobel decided to take her life back. She took classes at a USAID-supported center for at-risk youth in the Dominican Republic, where she learned how to make shampoo and sell it around her neighborhood.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

(Above) **Children practice playing the guitar at an outreach center in El Salvador. USAID supports over 100 centers for at-risk youth across El Salvador, one of the most violent countries in the Western Hemisphere. Throughout Central America, outreach centers are one way that USAID seeks to address the factors causing people to attempt to migrate to the United States.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

MEMORANDUM

DATE: December 17, 2018

TO: USAID, Chief Financial Officer, Reginald W. Mitchell

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

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2018 and 2017 (0-000-19-001-C)

This memorandum transmits the final report on our audit of USAID's financial statements for fiscal years 2018 and 2017. The Government Management Reform Act of 1994, Public Law 103–356, requires USAID to prepare consolidated financial statements for each fiscal year. Office of Management and Budget (OMB) Circular A–136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report or an Agency Financial Report, including audited financial statements, to OMB, Congress, and the Government Accountability Office. USAID has prepared an Agency Financial Report with an agency head message, management's discussion and analysis, an "other information" section, and a financial section. OIG is responsible for auditing the Agency's financial statements and preparing the independent auditor's report, which appears in the financial section.

OIG has issued unmodified opinions on each of USAID's principal financial statements for fiscal years 2018 and 2017.

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

Regarding compliance, in doing tests required under section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, we found no instances of substantial noncompliance with Federal financial management system requirements, but one

Office of Inspector General, U.S. Agency for International Development
Washington, DC
https://oig.usaid.gov

instance that did not comply with Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

The report contains two recommendations to improve USAID's internal control. After reviewing information you provided in response to the draft report, we consider the recommendations resolved but open pending completion of planned activities.

For these recommendations please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff extended to us during this 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, 2018 and 2017, 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 19-01, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 19-01 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.

Office of Inspector General, U.S. Agency for International Development

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, 2018 and 2017, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the Required Supplementary Information (RSI) be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued reports dated December 17, 2018, 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 /s/
December 17, 2018

Office of Inspector General, U.S. Agency for International Development

REPORT ON INTERNAL CONTROL

We have audited the accompanying consolidated financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2018 and 2017, 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 19-01. 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 97-255, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on it.

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

A deficiency in internal control 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 and correct, misstatements on a timely basis. 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 three significant deficiencies in internal control related to three of USAID's financial management processes:

- Reconciling intragovernmental transactions.
- Maintaining adequate records of property, plant, and equipment.

Office of Inspector General, U.S. Agency for International Development

- Complying with Federal accounting standards for reimbursable agreements.

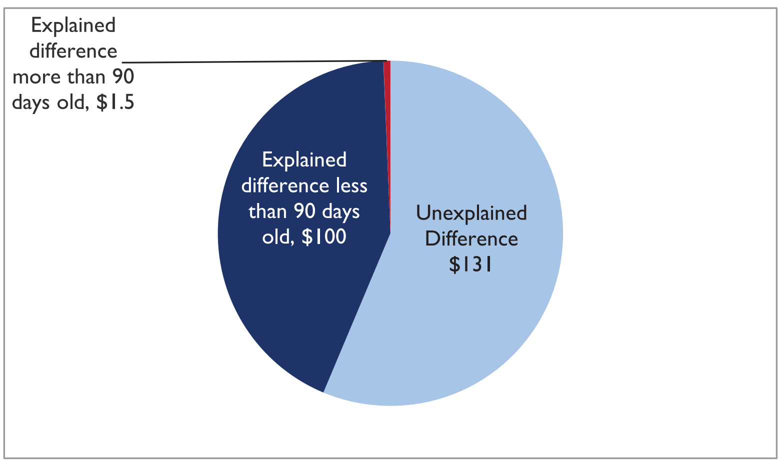
We also noted other matters involving internal control over financial reporting, which were not significant deficiencies that we will communicate to USAID's management.

Material Weakness

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

USAID has made significant efforts to reconcile its Fund Balance With Treasury (FBWT) account with the fund balance reported by the U.S. Department of the Treasury (Treasury) as required by Federal guidance.[2] However, the Agency still has large unreconciled differences. As of September 30, 2018, these differences totaled approximately $232.5 million. Of the $232.5 million, $101.5 million was due to explained outstanding items and $131 million could not be explained (as shown in the figure below).

Composition of USAID's FY 2018 FBWT Difference ($ millions)



These differences persist because USAID has not reconciled the FBWT account with Treasury's fund balance each month and researched and resolved differences promptly. The following table illustrates the differences for the past seven fiscal years.

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[2] Treasury Financial Manual, Chapter 5100, Section 5125, "Fund Balance With Treasury Accounts," states, "Agencies must reconcile the corresponding [U.S. Standard General Ledger] account 101000 balance for each Treasury Account Symbol reported, as shown on the [Governmentwide Accounting] Statement."

Office of Inspector General, U.S. Agency for International Development

USAID's FBWT Differences ($ millions)

Fiscal Year	Net Difference	Absolute Value
2012	114	127
2013	121	1,915
2014	154	2,011
2015	198	528
2016	195	356
2017	214	263
2018	232	303

In FY 2018, USAID management consulted with Treasury and the Office of Management and Budget (OMB) to resolve the unexplained difference and submitted a plan to them for their approval. OMB recommended the Agency consider seeking congressional approval to resolve this difference. Management is working closely with Treasury and the OMB to pursue this course of action.

Because we reported a similar finding in previous audits and acknowledge USAID's efforts to address the problem, we are not making a new recommendation, but we will continue to monitor USAID's progress in fiscal year 2019.

Significant Deficiencies

Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

As of September 30, 2018, USAID had $468 million in unreconciled intragovernmental transactions, according to Treasury's Intragovernmental Differences by Trading Partner Report. Of that amount, USAID was required to reconcile, resolve, and confirm $455 million, but did not resolve the differences.[3]

When a Federal Government agency buys goods or services from another agency, the two engage in an intragovernmental transaction and are referred to as trading partners. Differences arise in Governmentwide financial reporting when agencies record such transactions in different periods or make accounting errors. Treasury's "Intragovernmental Transactions Guide" suggests that agencies work together to reconcile any differences and prevent them by eliminating long-term accounting policy differences.

In fiscal year 2013, Treasury developed scorecards to track and correct these differences. The scorecards rank each agency by its contribution to Governmentwide differences. At the end of fiscal year 2017, USAID had differences amounting to $336 million and ranked as the 19th largest contributor out of 140. According to the

[3] OMB Circular A-136, "Financial Reporting Requirements," July 30, 2018, and Treasury's "Intragovernmental Transactions Guide."

Office of Inspector General, U.S. Agency for International Development

scorecard for the end of the third quarter of fiscal year 2018,[4] USAID's differences had increased by 1 percent to $376 million, but the Agency remained the 19th largest contributor.

Although we acknowledge that USAID has processes to resolve unreconciled differences and has made efforts to do so, it could do more. Despite creating corrective action plans in fiscal year 2015, the plans have not been fully implemented and significant differences remain. One reason is that USAID has communicated with only a few trading partners, narrowing the scope for difference resolution.

We reported a similar finding in previous audits and recognize that resolution of these differences requires more coordination with other Federal agencies.[5] Therefore, we recommend that the Office of the Chief Financial Officer:

Recommendation 1. Establish an Agency working group comprising personnel of the Office of the Chief Financial Officer and the bureaus to research and address the $455 million differences between USAID and its trading partners that were reported in the fiscal year 2018 Agency Financial Report.

USAID Did Not Maintain Adequate Records of Property, Plant, and Equipment (Repeat Finding)

USAID's controls to ensure correct and on-time recording of the acquisition and disposal of depreciable assets—property, plant, and equipment (PP&E)—were not effective. Specifically, missions did not follow established procedures for the acquisition and disposition of vehicles and other equipment.

Correctly tracking PP&E is a multistep process. To record vehicle transactions, USAID's overseas missions are expected to use the vehicle management information system (VMIS).[6] When an overseas mission acquires or disposes of a vehicle, the mission must make an entry in VMIS within 5 days and send supporting documentation to the Overseas Management Division (OMD) of the Bureau for Management's Office of Management Services in Washington, DC.[7] To record all other PP&E transactions, missions are expected to provide and certify complete, accurate information in response to quarterly data calls by USAID's Office of the Chief Financial Officer (CFO) for changes to PP&E.

However, the OMD and CFO records we reviewed showed that missions did not fully comply with these requirements, as the following examples illustrate:

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[4] Treasury does not publish fourth quarter scorecards because they do not reflect the final differences that agencies have eliminated for the fiscal year.
[5] "Audit of USAID's Financial Statements for Fiscal Years 2017 and 2016" (0-000-18-004-C), November 5, 2017.
[6] VMIS was decommissioned on September 30, 2018. The Department of State and USAID now use the Fleet Management Information System.
[7] Department of State, "Foreign Affairs Manual," 14 FAM 437.1b, "Accountability, Use, and Maintenance Records," August 3, 2015.

Office of Inspector General, U.S. Agency for International Development

- Missions disposed of 12 vehicles that cost $575,812 in VMIS in fiscal year 2018, but did not record the vehicles in the PP&E subledger disposal list.
- In the fourth quarter of fiscal year 2018, CFO personnel recorded an adjusting journal entry for $368,332 to update the general ledger for vehicles and equipment acquired between 2003 and 2016 that missions never accounted for.
- Fifteen vehicles with net book value of $463,585 were never recorded in VMIS.
- Although the missions certified the data call, 38 vehicles with total cost of $2,473,386 were recorded twice as disposed of in the cumulative disposal list because of similar serial and VIN numbers. Similarly, 42 vehicles recorded as disposals in the cumulative disposal list had the same serial numbers but different amounts and descriptions.
- CFO personnel recorded an adjusting journal entry for $1,333,341 to write down nine vehicles that were overstated in prior periods.
- Seven missions responded to the fourth quarter data call without certifying their responses.

Moreover, reviews of data provided by CFO and of inventory records at six selected missions showed that missions sent CFO inaccurate PP&E data not limited to vehicles:

- An x-ray machine that cost $56,800 was not included in data call information for 12 quarters after purchase.
- Three vehicles that cost $168,027 were not recorded in VMIS; another four vehicles that cost $206,677 were recorded in VMIS with a $0 acquisition cost. One of the vehicles was disposed of in April 2018, but not removed from VMIS.
- A mission inaccurately recorded the costs of 3 of 10 vehicles in responding to the CFO's quarterly data call, leading the net cost of the vehicles to be overstated by $101,944.
- Five pieces of equipment listed in inventory as being worth approximately $513,862 were not in use and were kept in a server room storage closet.
- The VMIS report included four vehicles, three of which were worth more than $25,000 apiece, that were used and maintained by the U.S. Embassy. Documentation needed to formalize the transfer was missing.

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

For their part, CFO staff do not reconcile the PP&E subsidiary ledger with VMIS to ensure the accuracy of their records and resolve any differences between the CFO's capital asset records and OMD's equipment records.

Office of Inspector General, U.S. Agency for International Development

"Standards for Internal Control in the Federal Government" states that management should design control activities so that all transactions are completely and accurately recorded. Not verifying the accuracy of information on assets increases the risk that account misstatements will not be detected. In the above cases, not verifying data caused the vehicle inventory report and the capitalized asset depreciation report to be inaccurate, which could cause the financial statements to be misstated.

We reported a similar finding in previous audits and are aware that USAID implemented a quality assurance program (QAP) on June 19, 2018. However, coming so late in the fiscal year, the QAP had not been fully implemented at the time of our audit and did not prevent the issues we identified during fiscal year 2018. Because the QAP is still new, we are not making a recommendation, but we will continue to monitor USAID's progress in fiscal year 2019.

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

USAID continues to have difficulty accounting for reimbursable agreements in accordance with U.S. generally accepted accounting principles[8]—in particular, with the following standard:[9]

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

In prior years, before implementation of the project cost accounting system (PCAS), we reported that the way USAID accounted for transactions under reimbursable agreements did not comply with U.S. generally accepted accounting principles in three respects:

1. USAID received cash advances from agencies with which it has reimbursable agreements ("trading partners") and recorded them as receipts of cash and earned revenue although the revenue had not yet been earned.
2. USAID recorded all reimbursable agreements as unfilled customer orders without advances even though it received cash advances for most agreements.

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

[9] Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," paragraph 85.

3. USAID did not track incurred expenses or recognized revenue to specific reimbursable agreements because, according to Agency officials, its accounting system did not have this functionality.

In response to the deficiencies reported above, beginning in fiscal year (FY) 2018 USAID activated PCAS, a subsystem of its financial accounting system. According to USAID's management, PCAS allows USAID to track the status of agreements including amounts available, collected, and expended, making it possible for USAID to recognize revenue and receivables under the agreements.

However, the system as implemented does not substantially comply with U.S. generally accepted accounting principles or the U.S. Standard General Ledger in these respects:

- The system did not process agreements which were entered into before October 1, 2017, and management must calculate and post a manual adjustment to account for these agreements in accordance with U.S. generally accepted accounting principles. For FY 2018, USAID recorded adjustments of approximately $441 million to properly recognize revenue that was earned in FY 2018. However, USAID recognized revenue of $63 million for services that had not been rendered instead of reclassifying the amount as a liability. This noncompliance occurred because USAID did not use the complete inventory of reimbursable agreements as a basis for the adjustments.
- USAID did not record Anticipated Reimbursements and Other Income to recognize reimbursable agreements that were expected in FY 2018. Recording anticipated reimbursements conforms to Treasury guidance.
- For Reimbursable Agreements Without Advance in FY 2018, USAID recorded accounts receivable in Phoenix—the Agency's accounting system—only in quarter 4 although PCAS recognizes accounts receivable quarterly. According to USAID, the delay in posting these receivables was the result of an intense effort to enter agreement data into Phoenix for the Agency's second largest category of reimbursable agreements.

We recommend that the Office of the Chief Financial Officer:

Recommendation 2. Review and revise, if necessary, the business process to account for reimbursable agreements so that all transactions are recorded in accordance with U.S. generally accepted accounting principles and the U.S. Standard General Ledger.

The Agency's Response to Audit Findings

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

Purpose of This Report

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

USAID Office of Inspector General /s/
December 17, 2018

Office of Inspector General, U.S. Agency for International Development

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, 2018 and 2017, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon, dated December 17, 2018.

The management of USAID is responsible for complying with laws, regulations, contracts, and grant agreements applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of USAID's 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 19-01, including the requirements referred to in section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Our tests did not disclose instances of noncompliance that were reportable under Government Auditing Standards and OMB Bulletin 19-01. Our objective was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements; accordingly, we do not express such an opinion.

Compliance With the Federal Financial Management Improvement Act of 1996

Under FFMIA, we are required to report on whether USAID's financial management systems substantially comply with 1) Federal financial management system requirements, 2) applicable Federal accounting standards, and 3) the USSGL at the transaction level. To meet this requirement, we performed tests of compliance with each of these three FFMIA section 803(a) (31 U.S.C. 3512 note) requirements, Public Law 104-208, Title VIII. We noted noncompliance in accounting for reimbursable agreements, which deviated from the Statement of Federal Financial Accounting Standards No. 1, "Accounting for Selected Assets and Liabilities," and the USSGL at the transaction level.

As planned, USAID activated the Project Cost Accounting System (PCAS), a subsystem of its financial accounting system. According to USAID's management, which is responsible for the noncompliance, PCAS allows USAID to track elements of reimbursable agreements to recognize revenue and receivables. However, as reported in the Internal Control Report, the system did not process agreements which were entered into before October 1, 2017. As a result, USAID recognized revenue of $63 million for services that had not been rendered instead of reclassifying the amount as a liability. This noncompliance occurred because USAID did not use the complete inventory of reimbursable agreements as a basis for the adjustments.

Purpose of This Report

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

USAID Office of Inspector General /s/
December 17, 2018

Office of Inspector General, U.S. Agency for International Development

APPENDIX B. AGENCY COMMENTS

USAID
FROM THE AMERICAN PEOPLE

Chief Financial Officer

December 14, 2018

MEMORANDUM

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

FROM: Reginald W. Mitchell /s/

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2018 and 2017 (0-000-19-00X-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2018 and 2017* and for the professionalism exhibited by your staff throughout this process.

Fiscal Year (FY) 2018 was a significant year for federal financial management at USAID. We are pleased that the USAID Inspector General will issue an unmodified opinion on the Agency's principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are appreciated.

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

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

Management acknowledges this finding. Notwithstanding, the Agency maintains since it implemented updated reconciliation procedures in FY 2018, reconciliations are being performed on a monthly basis consistent with standard accounting principles. It is important to note that the $232 million difference is composed of two components.

The first component is the difference of $101 million. This difference is explained, as mentioned by OIG, and is fully identified at the detail transaction level. This amount is dynamic and will fluctuate on a monthly basis. This difference changes based on new items received with existing items resolved every month. As stated by the OIG, of the $101 million, $1.5 million remained unresolved over 90 days.

Office of Inspector General, U.S. Agency for International Development

The second component of $131 million difference represents the legacy unexplained difference which occurred in the past due to various historical factors. These historical factors have now been fully addressed through several major system enhancements and business processes. These enhancements included augmenting the Agency's general ledger-based financial system with a web-based cash reconciliation tool to identify, monitor, and track open reconciling items at the mission and agency levels. Management will continue to work with the Office of Management and Budget and Treasury to seek authorization to resolve the legacy $131 balance.

Target Completion Date for resolving the legacy difference: September 30, 2019

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Recommendation 1: Establish an Agency working group comprised of personnel of the CFO's office and the bureaus to research and address the $455 million differences between USAID and its trading partners that were reported in the FY 2018 Agency Financial Report.

Management Decision: Management accepts this recommendation.

Target Completion Date: September 30, 2019

Significant Deficiency: USAID Did Not Maintain Adequate Records of Property, Plant and Equipment (Repeat Finding)

Management acknowledges this finding. As reported by OIG, Management implemented a Quality Assurance Program (QAP) during the fourth quarter of FY 2018. Based on Management's progress to date, we anticipate the QAP will fully address the issues identified during the OIG's FY 2018 audit.

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

Recommendation 2: Review and revise, if necessary, the business process to account for reimbursable agreements to ensure that all transactions are recorded in accordance with generally accepted accounting principles and USSGL.

Management Decision: Management accepts this recommendation. Management understands that this recommendation is associated with those reimbursement agreements in PCAS and requires the appropriate associated documentation.

Target Completion Date: September 30, 2019

APPENDIX C. 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 2017 Findings and Recommendations

Recommendation 1. The Office of the Chief Financial Officer continue to investigate the $83 million differences between the Agency's Fund Balance With Treasury Account and Treasury fund balance to identify the root cause and, if appropriate, modify its business process to mitigate future occurrences.

Status: The target completion date is April 1, 2019.

Recommendation 2. The Office of the Chief Financial Officer enhance its policies and procedures to ensure the subsidiary and general ledgers are completely reconciled and the causes of the differences are corrected.

Status: Closure request submitted February 6, 2018. It has not been closed, as it is related to a finding made this year.

Recommendation 3. The Office of the Chief Financial Officer implement a quality assurance program to validate the quarterly information that missions submit, and ensure that there are no differences between vehicle management information system and the Chief Financial Officer's records.

Status: Closure request submitted April 4, 2018. It has not been closed, as it is related to a finding made this year.

Status of 2016 Findings and Recommendations

Recommendation1**.** We recommend that the Office of the Chief Financial Officer resolve all unexplained differences between USAID's Fund Balance With Treasury account and the Department of the Treasury by December 31, 2016, and institutionalize the monthly reconciliation of the Fund Balance With Treasury account.

Status: The target completion date is April 1, 2019.

Status of 2014 Findings and Recommendations

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 April 1, 2019.

Office of Inspector General, U.S. Agency for International Development

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: This recommendation was closed on December 29, 2017.

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 April 1, 2019.

FINANCIAL SECTION

FINANCIAL STATEMENTS AND NOTES

(Preceding page) **In Kenya, USAID grantee KickStart International provides low-cost, manually powered irrigation pumps that enable farmers to increase their incomes. KickStart has sold over 320 thousand pumps that have contributed to $210 million in new farm profits and wages annually.**

PHOTO: COURTESY OF KICKSTART INTERNATIONAL

(Above) **In Kathmandu, Nepal, workers at Himalayan Bio Trade Pvt. Ltd. make rhododendron flowers out of lokta bark paper and prepare them for export—part of a long legacy of USAID initiatives to conserve nature and provide income to rural communities. U.S. company Aveda uses the handcrafted paper for holiday gift packaging. In 2018, USAID returned to six conservation enterprises programs after 20 years to learn what happened once USAID financing ended.**

PHOTO: JASON HOUSTON FOR USAID

INTRODUCTION TO PRINCIPAL FINANCIAL STATEMENTS

USAID has prepared the **Principal Financial Statements** to report the financial position and results of its operations, from the books and records of the Agency, in accordance with formats prescribed by the Office of Management and Budget (OMB) OMB in Circular A-136, *Financial Reporting Requirements*. The statements are 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, from the same books and records. Subject to appropriation law, the Agency has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of a corresponding appropriation. The Principal Financial Statements include comparative data for FY 2017. USAID's Principal Financial Statements, footnotes, and other information for FY 2018 and FY 2017 consist of the following:

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

The **Consolidated Statement of Net Cost** presents the net cost of USAID operations, comprised of the gross costs incurred by USAID less any exchange revenue earned from the Agency's activities. Because of the geographic and organizational complexity of USAID's operations, the classification of gross cost and exchange revenues by major program and sub-organization appears in Note 16, *Schedule of Costs by Standardized Program Structure and Definition (SPSD).*

The **Consolidated Statement of Changes in Net Position** presents the change in USAID's net position that result from the net cost of USAID's operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2018 and 2017. The components are separately displayed in two sections, namely "Unexpended Appropriations" and "Cumulative Results of Operations."

The **Combined Statement of Budgetary Resources** presents the spending authority or budgetary resources available to USAID, the use or status of these resources at year-end, and outlays of budgetary resources for the years ended September 30, 2018 and 2017. USAID reports the information in this statement on the budgetary basis of accounting.

The **Notes to Principal Financial Statements** are an integral part of the Principal Financial Statements. They provide explanatory information or additional detail, to help readers understand, interpret, and use the data presented, and includes comparative note data from FY 2017.

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 the Agency's 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 the enactment of the GMRA that USAID received an opinion on all of its Principal 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 Principal Financial Statements, but rendered an unmodified opinion on the comparative FY 2015 and FY 2014 (Restated) Principal Financial Statements.

USAID is proud the Agency received an unmodified opinion on its FY 2017 and FY 2016 Principal Financial Statements. The OIG rendered an unmodified opinion on the FY 2018 Principal Financial Statements. Administrator Green and the Agency remain committed to employing the systems, resources, and strategies necessary to ensure the production of timely and accurate financial reports.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2018 and 2017

(In Thousands)

	2018	2017
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 35,482,587	$ 34,226,053
Accounts Receivable (Note 3)	6,855	118
Other Assets (Note 4)	15,862	84,179
Total Intragovernmental	35,505,304	34,310,350
Cash and Other Monetary Assets (Note 5)	210,917	204,959
Accounts Receivable, Net (Note 3)	102,410	40,619
Direct Loans and Loan Guarantees, Net (Note 6)	936,618	1,266,621
Inventory and Related Property, Net (Note 7)	26,584	25,171
General Property, Plant, and Equipment, Net (Note 8)	81,370	87,864
Other Assets (Note 4)	829,064	645,255
Total Assets	**$ 37,692,267**	**$ 36,580,839**
LIABILITIES:		
Intragovernmental:		
Accounts Payable	$ 81,531	$ 70,557
Debt (Note 11)	36,686	36,704
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	1,157,007	1,465,210
Other Liabilities (Notes 10 and 12)	751,593	761,377
Total Intragovernmental	2,026,817	2,333,848
Accounts Payable	2,407,953	1,841,552
Loan Guarantee Liability (Note 6)	3,726,199	3,620,039
Federal Employee and Veteran's Benefits (Note 13)	23,469	26,938
Other Liabilities (Notes 10 and 12)	433,519	426,739
Total Liabilities	**8,617,957**	**8,249,116**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations	28,803,928	28,126,624
Cumulative Results of Operations	270,382	205,099
Total Net Position	**29,074,310**	**28,331,723**
Total Liabilities and Net Position	**$ 37,692,267**	**$ 36,580,839**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2018 and 2017

(In Thousands)

Categories	2018	2017
DR–Democracy, Human Rights and Governance		
Gross Costs	$ 1,701,494	$ 1,355,379
Less: Earned Revenue	(7,348)	(10,010)
Net Program Costs	1,694,146	1,345,369
EG–Economic Growth		
Gross Costs	3,588,058	4,471,125
Less: Earned Revenue	(153,659)	(689,352)
Net Program Costs	3,434,399	3,781,773
ES–Education and Social Services		
Gross Costs	1,186,630	1,335,348
Less: Earned Revenue	(7,780)	(7,474)
Net Program Costs	1,178,850	1,327,874
HA–Humanitarian Assistance		
Gross Costs	3,808,222	3,023,343
Less: Earned Revenue	(7,854)	(19,961)
Net Program Costs	3,800,368	3,003,382
HL–Health		
Gross Costs	1,875,981	1,989,992
Less: Earned Revenue	(625,227)	(46,859)
Net Program Costs	1,250,754	1,943,133
PO–Program Development and Oversight		
Gross Costs	1,078,908	1,059,728
Less: Earned Revenue	(8,099)	(8,508)
Net Program Costs	1,070,809	1,051,220
PS–Peace and Security		
Gross Costs	592,571	608,474
Less: Earned Revenue	(2,079)	(2,729)
Net Program Costs	590,492	605,745
Net Cost of Operations (Notes 15 and 16)	**$ 13,019,818**	**$ 13,058,496**

The accompanying notes are an integral part of these statements.

Note: In FY 2017, USAID implemented the new U.S. Department of State's (State) Office of U.S. Foreign Assistance Resources (F) Standardized Program Structure and Definition (SPSD).

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2018 and 2017
(In Thousands)

	2018	2017
Unexpended Appropriations:		
Beginning Balance	$ 28,126,624	$ 26,603,696
Budgetary Financing Sources:		
Appropriations Received	14,110,845	15,041,056
Appropriations Transferred in/out	(112,966)	(305,647)
Other Adjustments	(164,588)	(105,573)
Appropriations Used	(13,155,987)	(13,106,908)
Total Budgetary Financing Sources	677,304	1,522,928
Total Unexpended Appropriations	28,803,928	28,126,624
Cumulative Results of Operations:		
Beginning Balance	$ 205,099	$ 338,339
Budgetary Financing Sources:		
Appropriations Used	13,155,987	13,106,908
Nonexchange Revenue	(30)	19
Donations and Forfeitures of Cash and Cash Equivalents	109,539	38,583
Transfers-in/out Without Reimbursement	–	76
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	20,829	18,470
Imputed Financing	36,541	31,361
Other	(237,765)	(270,161)
Total Financing Sources	13,085,101	12,925,256
Net Cost of Operations (Notes 15 and 16)	(13,019,818)	(13,058,496)
Net Change	65,283	(133,240)
Cumulative Results of Operations	270,382	205,099
Net Position	**$ 29,074,310**	**$ 28,331,723**

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2018 and 2017
(In Thousands)

	2018		2017	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 11,654,602	$ 3,489,262	$ 10,638,356	$ 2,938,532
Appropriations (Discretionary and Mandatory)	13,918,947	4	14,792,117	(29)
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	40	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,079,850	559,833	386,852	707,247
Total Budgetary Resources	**$ 26,653,399**	**$ 4,049,139**	**$ 25,817,325**	**$ 3,645,750**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 17)	$ 15,501,459	$ 282,592	$ 14,837,837	$ 157,153
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts (Note 2)	5,903,112	262,199	10,466,436	315,025
Exempt from Apportionment, Unexpired Accounts (Note 2)	(4)	–	(4)	–
Unapportioned, Unexpired Accounts (Note 2)	4,996,796	3,504,348	256,253	3,173,572
Unexpired Unobligated Balance, End of Year	10,899,904	3,766,547	10,722,685	3,488,597
Expired Unobligated Balance, End of Year	252,036	–	256,803	–
Total Unobligated Balance, End of Year	11,151,940	3,766,547	10,979,488	3,488,597
Total Budgetary Resources	**$ 26,653,399**	**$ 4,049,139**	**$ 25,817,325**	**$ 3,645,750**
Outlays, Net:				
Outlays, Net (Total) (Discretionary and Mandatory)	$ 12,703,861	$ (279,039)	$ 12,928,059	$ (551,057)
Distributed Offsetting Receipts (-)	(396,088)	–	(240,024)	–
Agency Outlays, Net (Discretionary and Mandatory)	**$ 12,307,773**	**$ (279,039)**	**$ 12,688,035**	**$ (551,057)**

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 by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

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; Economic Support Fund; Development Assistance; International Disaster Assistance; Global Health and Child Survival; 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.

Funds appropriated in prior years under "Assistance for the Independent States of the Former Soviet Union" and "Assistance for Eastern Europe" shall be available under this heading Assistance for Europe, Eurasia, and Central Asia.

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.

Economic Support Fund

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

Development Assistance

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

International Disaster Assistance

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

Global Health and Child Survival

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

Direct and Guaranteed Loans

- *Direct Loan Program*

  These loans are authorized under the Foreign Assistance Act of 1961, various predecessor Agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made "with maintenance of value" places the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made "without maintenance of value" place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- *Urban and Environmental Program*

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

- *Micro and Small Enterprise Development Program*

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

- *Development Credit Authority*

  The first obligations for USAID's Development Credit Authority were made in FY 1999. The DCA allows Missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that (1) the project generates enough revenue to cover the debt service including USAID fees, (2) there is at least 50 percent risk-sharing by 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 notes issued.

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

  The authority for the MENA Program was initially established under the Consolidated Appropriations Act, 2012 (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 Loan Guarantee Program. In January 2017, pursuant to the Further Continuing and Security Assistance Appropriations Act, 2017 (Pub. L. No. 114-254), a new guarantee agreement with Iraq, was added to the MENA portfolio. These assistance programs aim to support these Sovereign governments in their respective economic transition and reform initiatives. Under this program, the U.S Government guarantees total repayment of $6.24 billion notes issued to date.

- *Ukraine Loan Guarantee Program*

  The Loan Guarantee Program for Ukraine was established in accordance with Title III of the U.S. Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014 (division K of Pub. L. No. 113-76). 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. To date a total of $3 billion in notes have been issued.

FUND TYPES

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

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

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

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

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

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

C. BASIS OF ACCOUNTING

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

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

The "Consolidated Appropriations Act" signed into law as Pub. L. No.112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011" authority. 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. Appropriations are also recognized as financing sources when used to acquire capital and other assets. In addition to funds warranted directly to USAID, the Agency also receives allocation transfers from the U.S. Department of Agriculture (USDA) Commodity Credit Corporation, the Executive Office of the President, the U.S. Department of State, and Millennium Challenge Corporation (MCC).

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

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

F. FUND BALANCE WITH 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 (pre-1992), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on an allowance for loss method prescribed by OMB that takes into account country risk and projected cash flows.

The Federal Credit Reform Act of 1990 (FCRA) prescribes an alternative method of accounting for direct loans and guarantees obligated on or after October 1, 1991(post-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 reestimated when necessary and changes reflected in the operating statement.

Subsidy cost associated with direct loans and guarantees, is required by the FCRA 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.

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.

Pre-1992 direct loan and loan guarantee repayments expected from the Borrowers are accounted for as a Liability for Capital Transfers since any unobligated balance from the collections are paid out to Treasury at the end of each Fiscal Year. In addition, any excess subsidy derived through the reestimate calculations on post-1991 loan guarantees is expected to be disbursed to Treasury and is also accounted for as a Liability for Capital Transfer.

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. 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 to the financial statements. 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. As a sovereign entity, the Federal Government can abrogate the payment of all liabilities other than for contracts.

N. LIABILITIES FOR LOAN GUARANTEES

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

O. ANNUAL, SICK, AND OTHER LEAVE

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

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

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

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

Q. COMMITMENTS AND CONTINGENCIES

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

R. NET POSITION

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

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

S. NON-ENTITY ASSETS

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

T. AGENCY COSTS

USAID costs of operations are comprised of program and operating expenses. USAID/Washington program and Mission related expenses by objectives 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:

- U.S. Department of Agriculture, Forest Service
- U.S. Department of State.

USAID receives allocation transfers as the child from:

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2018 and 2017 consisted of the following *(in thousands)*:

Status of Fund Balance with Treasury	2018	2017
Unobligated Balance		
Available	$ 6,165,307	$ 10,781,461
Unavailable	8,753,181	3,686,625
Obligated and Other Balances Not Yet Disbursed (Net)	20,564,099	19,757,967
Total	$ 35,482,587	$ 34,226,053

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

As of September 30, 2018, the Agency's records reflect a historical difference of $131 million after accounting for open reconciling items in its FBWT. M/CFO management is closely working with Treasury and OMB to resolve this difference, and anticipates to finalize this process in FY 2019.

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

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's Accounts Receivable, Net as of September 30, 2018 and 2017 are as follows *(in thousands)*:

	Receivable Gross	Allowance Accounts	Receivable Net 2018	Receivable Net 2017
Intragovernmental				
Accounts Receivable from Federal Agencies	$ 443,649	N/A	$ 443,649	$ 619,878
Less: Intra-Agency Receivables	(436,794)	N/A	(436,794)	(619,760)
Total Intragovernmental Accounts Receivable	6,855	N/A	6,855	118
Accounts Receivable from the Public	116,967	(14,557)	102,410	40,619
Total Receivables	$ 123,822	$ (14,557)	$ 109,265	$ 40,737

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

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

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

NOTE 4. OTHER ASSETS

Other Assets as of September 30, 2018 and 2017 consisted of Advances, as follows *(in thousands)*:

	2018	2017
Intragovernmental		
Advances to Federal Agencies	$ 15,862	$ 84,179
Total Intragovernmental	15,862	84,179
With the Public		
Advances to Contractors/Grantees	624,676	395,823
Advances to Host Country Governments and Institutions	496,098	378,450
Advances, Other	(291,710)	(129,018)
Total with the Public	829,064	645,255
Total Other Assets	$ $844,926	$ 729,434

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

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

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2018 and 2017 are as follows *(in thousands)*:

	2018	2017
Other Cash	$ (672)	$ (623)
Foreign Currencies	211,589	205,582
Total Cash and Other Monetary Assets	$ 210,917	$ 204,959

Foreign Currencies is the value of the Foreign Currency Trust Funds which totaled $211 million in FY 2018 and $205 million in FY 2017, as disclosed in Note 12. USAID does not have any non-entity case or other monetary assets. The funds are restricted to Host Countries programs.

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

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

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

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Middle East North Africa (MENA) Loan Guarantee Program (comprised of Tunisia, Jordan, and Iraq Loan Guarantees)
- Ukraine Loan Guarantee Program

A description of these credit programs and the accounting for them is detailed in Note 1 of this report.

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, 2018 and 2017 are as follows *(in thousands)*:

	2018	2017
Net Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 836,456	$ 1,099,625
Net Direct Loans Obligated After FY 1991 (Present Value Method)	(83,913)	(23,717)
Defaulted Guaranteed Loans from Pre-1992 (Allowance for Loss Method)	71,920	84,429
Defaulted Guaranteed Loans Post-1991 (Present Value)	112,155	106,284
Total Loans Receivable, Net as reported on the Balance Sheet	$ 936,618	$ 1,266,621

DIRECT LOANS

Direct Loan amounts for loans obligated prior to 1992 and after 1991 as of September 30, 2018 and 2017 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, 2018:				
Direct Loans	$ 1,047,908	$ 354,864	$ (566,316)	$ 836,456
MSED	29	5	(34)	–
Total	$ 1,047,937	$ 354,869	$ (566,350)	$ 836,456
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2017:				
Direct Loans	$ 1,305,079	$ 339,219	$ (544,673)	$ 1,099,625
MSED	29	5	(34)	–
Total	$ 1,305,108	$ 339,224	$ (544,707)	$ 1,099,625

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991 (Present Value) as of September 30, 2018:				
Direct Loans	$ 708,928	$ 6,526	$ (799,367)	$ (83,913)
Total	$ 708,928	$ 6,526	$ (799,367)	$ (83,913)
Direct Loans Obligated After 1991 (Present Value) as of September 30, 2017:				
Direct Loans	$ 744,512	$ 8,808	$ (777,037)	$ (23,717)
Total	$ 744,512	$ 8,808	$ (777,037)	$ (23,717)

Total Amount of Direct Loans Disbursed as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Direct Loan Programs	2018	2017
Direct Loans	$ 1,756,836	$ 2,049,591
MSED	29	29
Total	$ 1,756,865	$ 2,049,620

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) as of September 30, 2018 and 2017 are as follows *(in thousands)*:

	2018			2017		
	Direct Loan	UE (Subrogated Claims)	Total	Direct Loan	UE (Subrogated Claims)	Total
Beginning Balance of the Subsidy Cost Allowance	$ 777,037	$ (1,896)	$ 775,141	$741,888	$ 6	$ 741,894
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	19,843	–	19,843	20,797	–	20,797
(F) Other	2,487	1,896	4,383	14,352	(1,902)	12,450
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 799,367	$ –	$ 799,367	$ 777,037	$ (1,896)	$ 775,141
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	$799,367	$ –	$ 799,367	$ 777,037	$ (1,896)	$775,141

DEFAULTED GUARANTEED LOANS FROM PRE-1992 GUARANTEES

Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method) as of September 30, 2018 and 2017 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): 2018				
UE	$ 108,457	$ 7,737	$ (44,274)	$ 71,920
Total	$ 108,457	$ 7,737	$ (44,274)	$ 71,920
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2017				
UE	$ 122,263	$ 7,164	$ (44,998)	$ 84,429
Total	$ 122,263	$ 7,164	$ (44,998)	$ 84,429

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

Defaulted Guaranteed Loans from Post-1991 as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Post-1991 Guarantees (2018):				
DCA	$ –	$ –	$ –	$ –
UE (Subrogated Claims)	68,586	43,569	–	112,155
Total	$ 68,586	$ 43,569	$ –	$ 112,155
Defaulted Guaranteed Loans from Post-1991 Guarantees (2017):				
DCA	$ (259)	$ –	$ (6)	$ (265)
UE (Subrogated Claims)	65,898	38,749	1,902	106,549
Total	$ 65,639	$ 38,749	$ $1,896	$ 106,284

GUARANTEED LOANS OUTSTANDING

Guaranteed Loans Outstanding as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2018):		
DCA	$ 607,468	$ 303,734
Israel	8,366,966	8,366,966
UE	332,068	332,068
Ukraine	3,000,000	3,000,000
MENA	6,235,000	6,235,000
Total	$ 18,541,502	$ 18,237,768
Guaranteed Loans Outstanding (2017):		
DCA	$ 1,588,962	$ 794,481
Israel	8,688,758	8,688,758
UE	405,318	405,318
Ukraine	3,000,000	3,000,000
MENA	6,235,000	6,235,000
Total	$ 19,918,038	$ 19,123,557
New Guaranteed Loans Disbursed (2018):		
DCA	$ 262,506	$ 131,253
MENA	–	–
Total	$ 262,506	$ 131,253
New Guaranteed Loans Disbursed (2017):		
DCA	$ –	$ –
MENA	1,000,000	1,000,000
Total	$ 1,000,000	$ 1,000,000

Liability for Loan Guarantees as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Post-1991 Guarantees	Loan Guarantee Liabilities
Liability for Loan Guarantees as of September 30, 2018:			
UE	$ 176	$ 155,072	$ 155,248
MSED	–	1	1
Israel	–	1,101,548	1,101,548
DCA	–	92,209	92,209
Ukraine	–	1,182,907	1,182,907
MENA	–	1,194,286	1,194,286
Total	$ 176	$ 3,726,023	$ 3,726,199
Liability for Loan Guarantees as of September 30, 2017:			
UE	$ 176	$ 156,953	$ 157,129
MSED	–	1	1
Israel	–	1,173,872	1,173,872
DCA	–	81,357	81,357
Ukraine	–	1,121,642	1,121,642
MENA	–	1,086,038	1,086,038
Total	$ 176	$ 3,619,863	$ 3,620,039

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Subsidy Expense for Loan Guarantees by Program and Component as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2018):					
DCA	$ –	$9,953	$(1,670)	$ –	$8,283
MENA	–	–	–	–	–
Total	$ –	$9,953	$(1,670)	$ –	$8,283
Subsidy Expense for New Loan Guarantees (2017):					
DCA	$ –	$ 15,268	$ (3,198)	$ –	$ 12,070
MENA	–	255,312	–	–	255,312
Total	$ –	$ 270,580	$ (3,198)	$ –	$ 267,382

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Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2018):				
UE	$ –	$ –	$ (8,876)	$ (8,876)
Israel	–	–	(151,948)	(151,948)
DCA	4	–	(1,227)	(1,223)
Ukraine	–	–	33,740	33,740
MENA	–	–	89,681	89,681
Total	$ 4	$ –	$ (38,630)	$ (38,626)
Modifications and Reestimates (2017):				
UE	$ –	$ –	$ –	$ –
Israel	–	–	–	–
DCA	–	506	6,331	6,837
Ukraine	–	2,176	40,000	42,176
MENA	–	24,295	276,434	300,729
Total	$ –	$ 26,977	$ 322,765	$ 349,742

Total Loan Guarantee Subsidy Expense as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Loan Guarantee Programs	2018	2017
UE	$ (8,876)	$ –
Israel	(151,948)	–
DCA	7,060	18,907
Ukraine	33,740	42,176
MENA	89,681	556,041
Total	$ (30,343)	$ 617,124

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	–	8.78%	-4.59%	–	4.19%

Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees) as of September 30, 2018 and 2017 are as follows *(in thousands)*:

2018: Post-1991 Loan Guarantees

	DCA	MSED	UE	Israel	Ukraine	MENA	Total
Beginning Balance of the Loan Guarantee Liability	$ 81,357	$ 1	$ 156,953	$ 1,173,872	$1,121,642	$ 1,086,038	$3,619,863
Add: Subsidy Expense for Guaranteed Loans Disbursed							
During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	9,953	–	–	–	–	–	9,953
(C) Fees and Other Collections	1,670	–	–	–	–	–	1,670
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 11,623	$ –	$ –	$ –	$ –	$ –	$ 11,623
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	2,730	–	711	–	–	–	3,441
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(5,390)	–	–	–	–	–	(5,390)
(F) Interest Accumulation on the Liability Balance	3,116	–	3,225	79,624	27,525	18,567	132,057
(G) Other	–	–	3,059	–	–	–	3,059
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 93,436	$ 1	$ 163,948	$ 1,253,496	$1,149,167	$ 1,104,605	$3,764,653
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(1,227)	–	(8,876)	(151,948)	33,740	89,681	(38,630)
Total of the Above Reestimate Components	(1,227)	–	(8,876)	(151,948)	33,740	89,681	(38,630)
Ending Balance of the Loan Guarantee Liability	$ 92,209	$ 1	$ 155,072	$ 1,101,548	$1,182,907	$ 1,194,286	$3,726,023

2017: Post-1991 Loan Guarantees

	DCA	MSED	UE	Israel	Ukraine	MENA	Total
Beginning Balance of the Loan Guarantee Liability	$ 91,175	$ 1	$ 150,444	$ 1,210,343	$1,141,061	$ 552,553	$ 3,145,577
Add: Subsidy Expense for Guaranteed Loans Disbursed							
During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	3,444	–	1,908	–	–	–	5,352
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(12,569)	–	(9,864)	–	–	–	(22,433)
(F) Interest Accumulation on the Liability Balance	3,085	–	2,962	82,454	24,956	17,384	130,841
(G) Other	(17,314)	–	7,276	–	1	255,312	245,275
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 67,821	$ 1	$ 152,726	$ 1,292,797	$1,166,018	$ 825,249	$ 3,504,612
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	13,536	–	4,227	(118,925)	(44,376)	260,789	115,251
Total of the Above Reestimate Components	13,536	–	4,227	(118,925)	(44,376)	260,789	115,251
Ending Balance of the Loan Guarantee Liability	$ 81,357	$ 1	$ 156,953	$ 1,173,872	$1,121,642	$ 1,086,038	$ 3,619,863

Administrative Expense as of September 30, 2018 and 2017 are as follows *(in thousands)*:

Loan Guarantee Programs	2018	2017
DCA	$ 9,408	$ 28,498
Total	$ 9,408	$ 28,498

OTHER INFORMATION

1. Allowance for loss for pre-1992 receivables have been calculated in accordance with OMB guidance using an allowance for loss 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 $519.7 million that is more than one year delinquent.

2. Reestimate amounts calculated during the year are subject to approval by OMB, and any adjustments, if necessary, will be made in FY 2019. In 2018, the DCA portfolio had two guarantees that extended the coverage expiration date of the agreements which subsequently resulted in a $4 thousand modification in the subsidy cost for these guarantees.

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. New guaranteed loans disbursed under the DCA guarantee program are maintained within USAID's Central Management System.

5. The $(83.9) million asset reported for post-1991 direct loans is attributed to the increase in the allowance for subsidy over the years. Financing account interest is calculated at the end of each Fiscal Year per Treasury and OMB guidelines. This accumulated interest income and expense has gradually created an abnormal balance for the direct loan financing account since the offset of the cash receipts/disbursements on the interest is in the allowance for subsidy account. There have been no new direct loans in recent years and these historical loans continue to draw down as borrowers repay. The abnormal balance will clear when USAID returns the funds to Treasury.

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, 2018 and 2017 are as follows *(in thousands)*:

	2018	2017
Items Held for Use		
Office Supplies	$ 4,006	$ 2,364
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	8,560	6,666
Birth Control Supplies	14,018	16,141
Total Inventory and Related Property	$ 26,584	$ 25,171

Operating Materials and Supplies are considered tangible properties that are consumed in the normal course of business and not held for sale. The valuations are 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, 2018 and 2017 are as follows *(in thousands)*:

2018	Useful Life	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Classes of Fixed Assets:				
Equipment	3 to 5 years	$ 58,862	$ (48,829)	$ 10,033
Buildings, Improvements, and Renovations	5 to 20 years	111,757	(54,818)	56,939
Land and Land Rights	N/A	7,203	N/A	7,203
Construction in Progress	N/A	3	–	3
Internal Use Software	3 to 5 years	128,717	(121,525)	7,192
Total PP&E		$ 306,542	$ (225,172)	$ 81,370

2017	Useful Life	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Classes of Fixed Assets:				
Equipment	3 to 5 years	$ 59,757	$ (47,300)	$ 12,457
Buildings, Improvements, and Renovations	5 to 20 years	115,133	(53,258)	61,875
Land and Land Rights	N/A	7,203	N/A	7,203
Construction in Progress	N/A	5	–	5
Internal Use Software	3 to 5 years	124,625	(118,301)	6,324
Total PP&E		$ 306,723	$ (218,859)	$ 87,864

(continued)

Equipment consists primarily of electric generators, Automatic Data Processing (ADP) hardware, vehicles, and copiers located at the overseas field Missions.

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, 2018, Future Lease Payments consisted of the following *(in thousands)*:

Operating Leases:

Future Payments Due: **Fiscal Year**	**2018** **Future Costs**
2019	$ 115,698
2020	101,507
2021	33,720
2022	22,276
2023	11,795
2024 and Beyond	6,254
Total Future Lease Payments	$ 291,250

Future operating lease payments total $291 million in future lease payments, of which $151 million is for the USAID headquarters in Washington, D.C., and the remainder is for the Missions. The current lease agreements are for approximately 893,888 sq. feet for the headquarters. The expiration dates for headquarters leases are from FY 2019 through FY 2022 and the expiration dates for the Missions' leases are from FY 2019 through FY 2028. All the leases are non-cancelable and the lessor for headquarters is General Services Administration (GSA), which charges commercial rates for USAID's occupancy.

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30, 2018 and 2017 Liabilities Not Covered by Budgetary Resources were as follows *(in thousands)*:

	2018	2017
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
Unfunded FECA Liability (Note 13)	$ 5,164	$ 8,205
Other Unfunded Employment Related Liability	55	296
Other Liabilities (Note 12)	2,302	1,722
Total Intragovernmental	$ 7,521	$ 10,223
Accrued Annual Leave	54,215	55,539
Future Workers' Compensation Benefits (Note 13)	23,469	26,938
Debt – Contingent Liabilities for Loan Guarantees (Note 6)	176	176
Total Liabilities Not Covered by Budgetary Resources	85,381	92,876
Total Liabilities Covered by Budgetary Resources	8,532,576	8,156,240
Total Liabilities	$ 8,617,957	$ 8,249,116

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

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

NOTE 11. INTRAGOVERNMENTAL DEBT

USAID Intragovernmental Debt as of September 30, 2018 and 2017 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt *(in thousands)*:

Debt Due to Treasury	2017 Beginning Balance	Net Borrowing	2017 Ending Balance	Net Borrowing	2018 Ending Balance
Direct Loans	$ 409,825	$(373,749)	$ 36,076	$ –	$ 36,076
DCA	3,095	(2,467)	628	(18)	610
Total Treasury Debt	$ 412,920	$(376,216)	$ 36,704	$ (18)	$ 36,686

Pursuant to the Federal Credit Reform Act of 1990, Agencies with credit programs have permanent indefinite authority to borrow funds from the Treasury. These funds are used to fund the unsubsidized portion of direct loans and, in certain situations, to cover credit program costs.

The above disclosed debt is principal payable to Treasury, which represents Financing account borrowings from Treasury. During the year, the DCA program borrowed $57 thousand and repaid $39 thousand. The interest paid to Treasury's Bureau of the Fiscal Service on the outstanding debt was $1.8 million in total.

Pre-1992 loan equity reported in the Liquidating account in the amount of $919 million is required to be recorded as Liability for Capital Transfers to the General Fund of the Treasury. As of September 30, 2018, $290 million in excess funds from the Liquidating account were transferred to Treasury. In addition, $238 million in Liability for Capital Transfers from downward reestimates is anticipated to be paid to Treasury next year. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2018 and 2017 Other Current Liabilities consisted of the following *(in thousands)*:

	2018	2017
Intragovernmental		
IPAC Suspense	$ 4,770	$ 5,896
Unfunded FECA Liability (Note 13)	5,164	8,205
Custodial Liability	7,575	4,570
Employer Contributions & Payroll Taxes Payable	7,144	5,083
Other Unfunded Employment Related Liability	55	296
Liability for Advances and Prepayments	724,583	735,605
Other Liabilities	2,302	1,722
Total Intragovernmental	$ 751,593	$ 761,377
With the Public		
Accrued Funded Payroll and Leave	9,656	20,808
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	54,215	55,539
Advances From Others	51,600	61,466
Foreign Currency Trust Fund	211,589	205,582
Other Liabilities	106,459	83,344
Total Liabilities With the Public	$ 433,519	$ 426,739
Total Other Liabilities	$ 1,185,112	$ 1,188,116

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

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2018 and 2017 are indicated in the table below *(in thousands)*:

Unfunded Workers' Compensation Benefits	2018	2017
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 23,469	$ 26,938
Accrued Unfunded FECA Liability	5,164	8,205
Total Unfunded Workers' Compensation Benefits	$ 28,633	$ 35,143

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 U.S. 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 2018, USAID's total FECA liability was $28.6 million, comprised of unpaid FECA billings for $5.2 million and estimated future FECA costs of $23.5 million.

The actuarial estimate for the FECA unfunded liability is determined by the DOL using a method which uses 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, 2018 one out of two cases open was dismissed for lack of Jurisdiction, with one case ("first case" below) pending with no change in status between FY 2017 fourth quarter ending September 30, 2017 and FY 2018 fourth quarter ending September 30, 2018. There were two new cases added to the pending case as of September 30, 2018 and another one opened on November 7, 2018. The following are the details regarding the four pending cases:

- The first case is an employment discrimination, non-selection and retaliations claim. USAID is involved in settlement negotiations at this time. An estimate of the amount or range of potential loss is $1 million. The possibility of an unfavorable outcome is reasonably possible.
- The second case is an assessed fine on private security companies for exceeding employment quota, "pattern of assignments" claim. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is $1 million. The possibility of an unfavorable outcome is reasonably possible.
- The third case is a complaint to obtain class certification to challenge the USAID/State Department Policies and Practices regarding medical clearances in the hiring of Foreign Service Limited/Term Foreign Service position. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is $4 million. The possibility of an unfavorable outcome is reasonably possible.

(continued on next page)

- The fourth case is a Contract Disputes Act claim for additional amounts allegedly owed for performance of two USAID contracts. USAID will contest the case vigorously. An estimate of the amount or range of potential loss is $0 to $8.8 million. The possibility of an unfavorable outcome is reasonably possible.

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 Program Categories and Responsibility Segments, as of September 30, 2018. These categories are consistent with the new State-USAID Standardized Program Structure and Definition (SPSD).

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 Program Categories, Responsibility Segments, and Program Areas are defined in Note 16.

Intragovernmental Costs and Earned Revenue sources relate to transactions between USAID and other Federal entities. Public costs and earned revenues on the other hand relate to transactions between USAID and non-Federal entities. Program Costs and Earned Revenue by Responsibility Segment for the years ended September 30, 2018 and 2017 are indicated in the table on the following pages *(in thousands)*:

Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
DR–Democracy, Human Rights and Governance												
Intragovernmental Costs	$ 8,418	$ 6,845	$ 1,633	$ 15,731	$ 11,580	$ –	$ 13	$ 21,002	$ 7,041	$ 17,552	$ 89,815	$ 68,448
Public Costs	196,651	108,906	20,045	51,787	167,903	–	326	331,170	162,443	572,448	1,611,679	1,286,931
Total Program Costs	205,069	115,751	21,678	67,518	179,483	–	339	352,172	169,484	590,000	1,701,494	1,355,379
Intragovernmental Earned Revenue	(623)	(562)	(128)	(1,204)	(921)	–	(1)	(1,618)	(527)	(1,292)	(6,876)	(5,320)
Public Earned Revenue	(25)	(22)	(5)	(48)	(37)	–	–	(65)	(218)	(52)	(472)	(4,690)
Total Earned Revenue	(648)	(584)	(133)	(1,252)	(958)	–	(1)	(1,683)	(745)	(1,344)	(7,348)	(10,010)
Net Program Costs	**204,421**	**115,167**	**21,545**	**66,266**	**178,525**	**–**	**338**	**350,489**	**168,739**	**588,656**	**1,694,146**	**1,345,369**
EG–Economic Growth												
Intragovernmental Costs	56,050	28,503	36	37,243	11,737	–	45,282	29,431	48,813	26,419	283,514	349,064
Public Costs	708,111	340,862	885	636,863	116,908	–	167,660	223,654	828,168	281,433	3,304,544	4,122,061
Total Program Costs	764,161	369,365	921	674,106	128,645	–	212,942	253,085	876,981	307,852	3,588,058	4,471,125
Intragovernmental Earned Revenue	(2,304)	(1,871)	(3)	(136,584)	(669)	–	(3,659)	(1,163)	(3,744)	(1,159)	(151,156)	(644,320)
Public Earned Revenue	(89)	(75)	–	(1,925)	(27)	–	(146)	(46)	(149)	(46)	(2,503)	(45,032)
Total Earned Revenue	(2,393)	(1,946)	(3)	(138,509)	(696)	–	(3,805)	(1,209)	(3,893)	(1,205)	(153,659)	(689,352)
Net Program Costs	**761,768**	**367,419**	**918**	**535,597**	**127,949**	**–**	**209,137**	**251,876**	**873,088**	**306,647**	**3,434,399**	**3,781,773**
ES–Education and Social Services												
Intragovernmental Costs	15,284	7,123	1,290	5,292	528	40	360	7,098	26,143	7,599	70,757	52,838
Public Costs	370,572	103,767	41,636	86,197	6,492	90	7,799	120,749	216,181	162,390	1,115,873	1,282,510
Total Program Costs	385,856	110,890	42,926	91,489	7,020	130	8,159	127,847	242,324	169,989	1,186,630	1,335,348
Intragovernmental Earned Revenue	(1,201)	(558)	(106)	(3,660)	(49)	(3)	(30)	(574)	(801)	(624)	(7,606)	(6,897)
Public Earned Revenue	(48)	(22)	(4)	(17)	(2)	–	(1)	(23)	(32)	(25)	(174)	(577)
Total Earned Revenue	(1,249)	(580)	(110)	(3,677)	(51)	(3)	(31)	(597)	(833)	(649)	(7,780)	(7,474)
Net Program Costs	**384,607**	**110,310**	**42,816**	**87,812**	**6,969**	**127**	**8,128**	**127,250**	**241,491**	**169,340**	**1,178,850**	**1,327,874**
HA–Humanitarian Assistance												
Intragovernmental Costs	–	1,203	131,099	–	26	2	–	784	1,677	209	135,000	132,714
Public Costs	–	9,831	3,601,803	–	216	911	–	15,074	43,083	2,304	3,673,222	2,890,629
Total Program Costs	–	11,034	3,732,902	–	242	913	–	15,858	44,760	2,513	3,808,222	3,023,343
Intragovernmental Earned Revenue	–	(65)	(7,266)	–	(2)	–	–	(64)	(138)	(17)	(7,552)	(1,875)
Public Earned Revenue	–	(3)	(290)	–	–	–	–	(3)	(5)	(1)	(302)	(18,086)
Total Earned Revenue	–	(68)	(7,556)	–	(2)	–	–	(67)	(143)	(18)	(7,854)	(19,961)
Net Program Costs	**–**	**10,966**	**3,725,346**	**–**	**240**	**913**	**–**	**15,791**	**44,617**	**2,495**	**3,800,368**	**3,003,382**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
HL–Health												
Intragovernmental Costs	109,106	25,368	72	4,369	1,759	72,394	–	7,433	7,571	6,569	234,641	243,550
Public Costs	383,140	72,548	4,307	23,959	4,809	838,250	–	44,429	159,502	110,396	1,641,340	1,746,442
Total Program Costs	492,246	97,916	4,379	28,328	6,568	910,644	–	51,862	167,073	116,965	1,875,981	1,989,992
Intragovernmental Earned Revenue	(8,891)	(1,976)	(6)	(360)	(144)	(608,952)	–	(610)	(540)	(521)	(622,000)	(14,168)
Public Earned Revenue	(355)	(79)	–	(15)	(6)	(2,699)	–	(24)	(22)	(27)	(3,227)	(32,691)
Total Earned Revenue	(9,246)	(2,055)	(6)	(375)	(150)	(611,651)	–	(634)	(562)	(548)	(625,227)	(46,859)
Net Program Costs	**483,000**	**95,861**	**4,373**	**27,953**	**6,418**	**298,993**	**–**	**51,228**	**166,511**	**116,417**	**1,250,754**	**1,943,133**
PO–Program Development and Oversight												
Intragovernmental Costs	36,855	12,429	38,521	90,366	6,102	–	8,405	13,002	8,762	45,683	260,125	212,315
Public Costs	157,875	58,685	135,702	198,911	25,322	–	27,065	79,953	53,259	82,011	818,783	847,413
Total Program Costs	194,730	71,114	174,223	289,277	31,424	–	35,470	92,955	62,021	127,694	1,078,908	1,059,728
Intragovernmental Earned Revenue	(858)	(492)	(323)	(4,825)	(162)	–	(103)	(476)	(194)	(356)	(7,789)	(6,894)
Public Earned Revenue	(34)	(20)	(13)	(192)	(6)	–	(4)	(19)	(8)	(14)	(310)	(1,614)
Total Earned Revenue	(892)	(512)	(336)	(5,017)	(168)	–	(107)	(495)	(202)	(370)	(8,099)	(8,508)
Net Program Costs	**193,838**	**70,602**	**173,887**	**284,260**	**31,256**	**–**	**35,363**	**92,460**	**61,819**	**127,324**	**1,070,809**	**1,051,220**
PS–Peace and Security												
Intragovernmental Costs	3,012	1,413	3,518	–	4,703	–		7,698	4,266	4,655	29,265	29,682
Public Costs	72,041	23,431	161,226	–	83,923	–		102,966	55,414	64,305	563,306	578,792
Total Program Costs	75,053	24,844	164,744	–	88,626	–	–	110,664	59,680	68,960	592,571	608,474
Intragovernmental Earned Revenue	(229)	(116)	(289)	–	(390)	–		(554)	(135)	(286)	(1,999)	(1,862)
Public Earned Revenue	(9)	(5)	(12)	–	(16)	–		(22)	(5)	(11)	(80)	(867)
Total Earned Revenue	(238)	(121)	(301)	–	(406)	–	–	(576)	(140)	(297)	(2,079)	(2,729)
Net Program Costs	**74,815**	**24,723**	**164,443**	**–**	**88,220**	**–**	**–**	**110,088**	**59,540**	**68,663**	**590,492**	**605,745**
Net Cost of Operations	**$2,102,449**	**$ 795,048**	**$ 4,133,328**	**$1,001,888**	**$ 439,577**	**$ 300,033**	**$ 252,966**	**$ 999,182**	**$ 1,615,805**	**$1,379,542**	**$ 13,019,818**	**$ 13,058,496**

NOTE 16. SCHEDULE OF COST BY STANDARDIZED PROGRAM STRUCTURE AND DEFINITION (SPSD)

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by Program Categories, Program Areas, which is consistent with the new State-USAID SPSD, 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 (on the pages following) meet the criteria for responsibility segments. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to Program Areas to reflect total costs.

In the FY 2018 Consolidated Statement of Net Cost, major responsibility segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The six Geographic Bureaus are: Africa; Asia; Europe and Eurasia; Latin America and the Caribbean; the Middle East; and the Office of Afghanistan and Pakistan Affairs (OAPA). The four Technical Bureaus are: Democracy, Conflict and Humanitarian Assistance (DCHA); Economic Growth, Education and the Environment (E3); Global Health; and Innovation and Development Alliances (IDEA) & U.S. Global Development Lab (LAB). Note that receiving organizations IDEA and LAB have been merged as IDEA & LAB for Statement of Net Cost reporting purposes.

Schedule of Costs by SPSD for the years ended September 30, 2018 and 2017 are indicated in the table on the following pages *(in thousands)*:

Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
DR–Democracy, Human Rights and Governance												
DR.1–Rule of Law (ROL)												
Gross Costs	$ 18,653	$ 26,497	$ 2,666	$ 7,317	$ 25,685	$ –	$ 265	$ 87,976	$ 21,936	$ 9,905	$ 200,900	$ 208,268
Less: Earned Revenue	(59)	(141)	(28)	–	(142)	–	(1)	(431)	(73)	(38)	(913)	(984)
Net Program Costs	**18,594**	**26,356**	**2,638**	**7,317**	**25,543**	**–**	**264**	**87,545**	**21,863**	**9,867**	**199,987**	**207,284**
DR.2–Good Governance												
Gross Costs	74,664	40,604	9,692	51,241	66,989	–	–	194,499	90,508	530,508	1,058,705	693,134
Less: Earned Revenue	(218)	(199)	(9)	(1,252)	(365)	–	–	(925)	(287)	(1,100)	(4,355)	(7,042)
Net Program Costs	**74,446**	**40,405**	**9,683**	**49,989**	**66,624**	**–**	**–**	**193,574**	**90,221**	**529,408**	**1,054,350**	**686,092**
DR.3–Political Competition and Consensus-Building												
Gross Costs	56,583	11,410	4,194	49	18,684	–	–	8,281	13,963	23,150	136,314	145,751
Less: Earned Revenue	(193)	(54)	(51)	–	(107)	–	–	(34)	(163)	(82)	(684)	(713)
Net Program Costs	**56,390**	**11,356**	**4,143**	**49**	**18,577**	**–**	**–**	**8,247**	**13,800**	**23,068**	**135,630**	**145,038**
DR.4–Civil Society												
Gross Costs	49,173	30,347	4,034	6,876	53,321	–	–	35,017	39,426	23,683	241,877	249,982
Less: Earned Revenue	(160)	(156)	(36)	–	(277)	–	–	(169)	(208)	(114)	(1,120)	(996)
Net Program Costs	**49,013**	**30,191**	**3,998**	**6,876**	**53,044**	**–**	**–**	**34,848**	**39,218**	**23,569**	**240,757**	**248,986**
DR.5–Independent Media and Free Flow of Information												
Gross Costs	131	1,715	–	–	8,811	–	–	1,904	–	–	12,561	326
Less: Earned Revenue	–	(4)	–	–	(32)	–	–	(6)	–	–	(42)	(1)
Net Program Costs	**131**	**1,711**	**–**	**–**	**8,779**	**–**	**–**	**1,898**	**–**	**–**	**12,519**	**325**
DR.6–Human Rights												
Gross Costs	5,864	5,178	1,092	2,035	5,993	–	74	24,496	3,651	2,754	51,137	57,918
Less: Earned Revenue	(17)	(30)	(9)	–	(35)	–	–	(119)	(14)	(10)	(234)	(274)
Net Program Costs	**5,847**	**5,148**	**1,083**	**2,035**	**5,958**	**–**	**74**	**24,377**	**3,637**	**2,744**	**50,903**	**57,644**
Total Democracy, Human Rights and Governance	**204,421**	**115,167**	**21,545**	**66,266**	**178,525**	**–**	**338**	**350,489**	**168,739**	**588,656**	**1,694,146**	**1,345,369**
EG–Economic Growth												
EG.1–Macroeconomic Foundation for Growth												
Gross Costs	2,452	3,366	–	149,424	1,302	–	–	8,714	609,813	3,548	778,619	1,150,671
Less: Earned Revenue	–	(4)	–	(55,551)	–	–	–	(31)	(3,069)	(23)	(58,678)	(87,219)
Net Program Costs	**2,452**	**3,362**	**–**	**93,873**	**1,302**	**–**	**–**	**8,683**	**606,744**	**3,525**	**719,941**	**1,063,452**
EG.2–Trade and Investment												
Gross Costs	39,620	13,320	–	24,087	6,640	–	–	10,922	2,034	13,510	110,133	170,725
Less: Earned Revenue	(124)	(68)	–	(466)	(31)	–	–	(54)	(6)	(61)	(810)	(1,151)
Net Program Costs	**39,496**	**13,252**	**–**	**23,621**	**6,609**	**–**	**–**	**10,868**	**2,028**	**13,449**	**109,323**	**169,574**
EG.3–Agriculture												
Gross Costs	402,217	103,866	–	260,121	1,274	–	–	60,230	9,763	87,661	925,132	1,106,522
Less: Earned Revenue	(1,299)	(511)	–	(257)	(8)	–	–	(313)	(32)	(331)	(2,751)	(13,994)
Net Program Costs	**400,918**	**103,355**	**–**	**259,864**	**1,266**	**–**	**–**	**59,917**	**9,731**	**87,330**	**922,381**	**1,092,528**
EG.4–Financial Sector												
Gross Costs	732	3,967	–	96,770	9,383	–	–	1,620	107,858	9,567	229,897	144,487
Less: Earned Revenue	(1)	(23)	–	(80,003)	(51)	–	–	(10)	(315)	(22)	(80,425)	(82,652)
Net Program Costs	**731**	**3,944**	**–**	**16,767**	**9,332**	**–**	**–**	**1,610**	**107,543**	**9,545**	**149,472**	**61,835**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
EG.5–Private Sector Productivity												
Gross Costs	20,397	40,199	176	8,171	69,104	–	209,954	39,323	104,209	33,300	524,833	576,946
Less: Earned Revenue	(56)	(211)	–	(5)	(382)	–	(3,799)	(164)	(333)	(140)	(5,090)	(355,419)
Net Program Costs	**20,341**	**39,988**	**176**	**8,166**	**68,722**	**–**	**206,155**	**39,159**	**103,876**	**33,160**	**519,743**	**221,527**
EG.6–Workforce Development												
Gross Costs	3,325	9,069	–	369	13,491	–	2,554	8,918	17,369	7,603	62,698	76,330
Less: Earned Revenue	(8)	(46)	–	(5)	(77)	–	(6)	(37)	(56)	(31)	(266)	(104,842)
Net Program Costs	**3,317**	**9,023**	**–**	**364**	**13,414**	**–**	**2,548**	**8,881**	**17,313**	**7,572**	**62,432**	**(28,512)**
EG.7–Modern Energy Services												
Gross Costs	80,667	12,131	–	2,498	13,483	–	282	7,036	14,147	98,216	228,460	281,370
Less: Earned Revenue	(247)	(42)	–	(54)	(68)	–	–	(38)	(46)	(385)	(880)	(11,149)
Net Program Costs	**80,420**	**12,089**	**–**	**2,444**	**13,415**	**–**	**282**	**6,998**	**14,101**	**97,831**	**227,580**	**270,221**
EG.8–Information and Communications Technology Services												
Gross Costs	1,416	84	–	41	210	–	5	129	261	1,815	3,961	5,199
Less: Earned Revenue	(4)	–	–	(1)	(1)	–	–	(1)	(1)	(7)	(15)	(206)
Net Program Costs	**1,412**	**84**	**–**	**40**	**209**	**–**	**5**	**128**	**260**	**1,808**	**3,946**	**4,993**
EG.9–Transport Services												
Gross Costs	39,901	2,377	–	1,216	5,918	–	147	3,649	7,368	51,152	111,728	146,543
Less: Earned Revenue	(126)	(13)	–	(28)	(32)	–	–	(20)	(24)	(200)	(443)	(5,807)
Net Program Costs	**39,775**	**2,364**	**–**	**1,188**	**5,886**	**–**	**147**	**3,629**	**7,344**	**50,952**	**111,285**	**140,736**
EG.10–Environment												
Gross Costs	171,312	176,425	745	126,264	7,840	–	–	110,146	4,160	1,481	598,373	812,332
Less: Earned Revenue	(525)	(1,017)	(3)	(2,138)	(46)	–	–	(533)	(12)	(6)	(4,280)	(26,913)
Net Program Costs	**170,787**	**175,408**	**742**	**124,126**	**7,794**	**–**	**–**	**109,613**	**4,148**	**1,475**	**594,093**	**785,419**
EG.11-Climate Change - Adaptation												
Gross Costs	–	–	–	492	–	–	–	430	–	–	922	–
Less: Earned Revenue	–	–	–		–	–	–	(1)	–	–	(1)	–
Net Program Costs	**–**	**–**	**–**	**492**	**–**	**–**	**–**	**429**	**–**	**–**	**921**	**–**
EG.12-Climate Change - Clean Energy												
Gross Costs	–	–	–	127	–	–	–	590	–	–	717	–
Less: Earned Revenue	–	–	–		–	–	–	(2)	–	–	(2)	–
Net Program Costs	**–**	**–**	**–**	**127**	**–**	**–**	**–**	**588**	**–**	**–**	**715**	**–**
EG.13-Climate Change - Sustainable Landscapes												
Gross Costs	2,122	4,562	–	4,525	–	–	–	1,376	–	–	12,585	–
Less: Earned Revenue	(3)	(12)	–		–	–	–	(3)	–	–	(18)	–
Net Program Costs	**2,119**	**4,550**	**–**	**4,525**	**–**	**–**	**–**	**1,373**	**–**	**–**	**12,567**	**–**
Total Economic Growth	**761,768**	**367,419**	**918**	**535,597**	**127,949**	**–**	**209,137**	**251,876**	**873,088**	**306,647**	**3,434,399**	**3,781,773**
ES–Education and Social Services												
ES.1–Basic Education												
Gross Costs	381,286	95,016	8,769	91,375	4,922	–	5,419	77,752	198,729	162,356	1,025,624	1,082,805
Less: Earned Revenue	(1,246)	(500)	(14)	(3,677)	(38)	–	(25)	(366)	(687)	(615)	(7,168)	(3,550)
Net Program Costs	**380,040**	**94,516**	**8,755**	**87,698**	**4,884**	**–**	**5,394**	**77,386**	**198,042**	**161,741**	**1,018,456**	**1,079,255**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
ES.2–Higher Education												
Gross Costs	3,398	2,492	–	114	409		2,740	124	135	–	9,412	44
Less: Earned Revenue	(4)	(5)	–	–	(1)		(6)	–	(1)	–	(17)	–
Net Program Costs	**3,394**	**2,487**	**–**	**114**	**408**	**–**	**2,734**	**124**	**134**	**–**	**9,395**	**44**
ES.3–Social Policies, Regulations, and Systems												
Gross Costs	112	1,153	2,696	–	149	12	–	4,633	4,058	726	13,539	24,022
Less: Earned Revenue	–	(7)	(8)	–	(1)	–	–	(22)	(14)	(3)	(55)	(373)
Net Program Costs	**112**	**1,146**	**2,688**	**–**	**148**	**12**	**–**	**4,611**	**4,044**	**723**	**13,484**	**23,649**
ES.4–Social Services												
Gross Costs	372	5,111	14,812	–	619	43	–	16,728	14,339	2,422	54,446	80,119
Less: Earned Revenue	–	(25)	(37)	–	(4)	(1)	–	(75)	(47)	(11)	(200)	(1,247)
Net Program Costs	**372**	**5,086**	**14,775**	**–**	**615**	**42**	**–**	**16,653**	**14,292**	**2,411**	**54,246**	**78,872**
ES.5–Social Assistance												
Gross Costs	689	7,118	16,649	–	920	75	–	28,610	25,063	4,485	83,609	148,358
Less: Earned Revenue	–	(43)	(51)	–	(6)	(2)	–	(134)	(84)	(20)	(340)	(2,304)
Net Program Costs	**689**	**7,075**	**16,598**	**–**	**914**	**73**	**–**	**28,476**	**24,979**	**4,465**	**83,269**	**146,054**
Total Education and Social Service	**384,607**	**110,310**	**42,816**	**87,812**	**6,969**	**127**	**8,128**	**127,250**	**241,491**	**169,340**	**1,178,850**	**1,327,874**
HA–Humanitarian Assistance												
HA.1–Protection, Assistance and Solutions												
Gross Costs	–	8,813	3,713,393	–	242	913	–	15,531	44,760	1,280	3,784,932	3,001,768
Less: Earned Revenue	–	(58)	(7,259)	–	(2)	–	–	(65)	(143)	(10)	(7,537)	(19,497)
Net Program Costs	**–**	**8,755**	**3,706,134**	**–**	**240**	**913**	**–**	**15,466**	**44,617**	**1,270**	**3,777,395**	**2,982,271**
HA.2–Disaster Readiness												
Gross Costs	–	2,221	19,509	–	–	–	–	218	–	1,234	23,182	21,575
Less: Earned Revenue	–	(10)	(297)	–	–	–	–	(1)	–	(9)	(317)	(464)
Net Program Costs	**–**	**2,211**	**19,212**	**–**	**–**	**–**	**–**	**217**	**–**	**1,225**	**22,865**	**21,111**
HA.3–Migration Management												
Gross Costs	–	–	–	–	–	–	–	108	–	–	108	–
Less: Earned Revenue	–	–	–	–	–	–	–	–	–	–	–	–
Net Program Costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**108**	**–**	**–**	**108**	**–**
Total Humanitarian Assistance	**–**	**10,966**	**3,725,346**	**–**	**240**	**913**	**–**	**15,791**	**44,617**	**2,495**	**3,800,368**	**3,003,382**
HL–Health												
HL.1–HIV/AIDS												
Gross Costs	250,463	45,155	2,146	12,296	4,461	800,174	–	26,343	78,897	57,694	1,277,629	1,141,562
Less: Earned Revenue	(4,962)	(937)	(4)	(185)	(108)	(610,839)	–	(334)	(268)	(272)	(617,909)	(23,162)
Net Program Costs	**245,501**	**44,218**	**2,142**	**12,111**	**4,353**	**189,335**	**–**	**26,009**	**78,629**	**57,422**	**659,720**	**1,118,400**
HL.2–Tuberculosis												
Gross Costs	3,216	3,550	16	93	278	969	–	179	594	435	9,330	6,220
Less: Earned Revenue	(72)	(91)	–	(1)	(7)	(10)	–	(2)	(2)	(2)	(187)	(174)
Net Program Costs	**3,144**	**3,459**	**16**	**92**	**271**	**959**	**–**	**177**	**592**	**433**	**9,143**	**6,046**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
HL.3–Malaria												
Gross Costs	32,813	2,090	77	444	65	3,535	–	1,014	2,848	2,083	44,969	29,811
Less: Earned Revenue	(801)	(46)	–	(7)	(1)	(20)	–	(14)	(10)	(10)	(909)	(833)
Net Program Costs	**32,012**	**2,044**	**77**	**437**	**64**	**3,515**	**–**	**1,000**	**2,838**	**2,073**	**44,060**	**28,978**
HL.4–Pandemic Influenza and Other Emerging Threats (PIOET)												
Gross Costs	9,470	2,213	113	645	94	6,016	–	1,249	4,142	3,029	26,971	43,377
Less: Earned Revenue	(164)	(45)	–	(10)	(2)	(51)	–	(14)	(14)	(14)	(314)	(1,212)
Net Program Costs	**9,306**	**2,168**	**113**	**635**	**92**	**5,965**	**–**	**1,235**	**4,128**	**3,015**	**26,657**	**42,165**
HL.5–Other Public Health Threats												
Gross Costs	13,981	3,631	194	953	139	7,934	–	1,844	6,839	4,471	39,986	64,037
Less: Earned Revenue	(242)	(67)	–	(14)	(3)	(51)	–	(21)	(22)	(21)	(441)	(1,788)
Net Program Costs	**13,739**	**3,564**	**194**	**939**	**136**	**7,883**	**–**	**1,823**	**6,817**	**4,450**	**39,545**	**62,249**
HL.6–Maternal and Child Health												
Gross Costs	55,267	14,015	589	3,375	493	38,914	–	6,704	22,578	15,837	157,772	226,673
Less: Earned Revenue	(1,009)	(299)	(1)	(51)	(10)	(463)	–	(78)	(76)	(74)	(2,061)	(6,330)
Net Program Costs	**54,258**	**13,716**	**588**	**3,324**	**483**	**38,451**	**–**	**6,626**	**22,502**	**15,763**	**155,711**	**220,343**
HL.7–Family Planning and Reproductive Health												
Gross Costs	26,814	6,979	264	1,511	221	12,341	–	3,305	10,629	7,089	69,153	101,469
Less: Earned Revenue	(506)	(152)	–	(23)	(4)	(74)	–	(43)	(35)	(33)	(870)	(2,835)
Net Program Costs	**26,308**	**6,827**	**264**	**1,488**	**217**	**12,267**	**–**	**3,262**	**10,594**	**7,056**	**68,283**	**98,634**
HL.8–Water Supply and Sanitation												
Gross Costs	95,553	18,570	944	8,805	789	39,204	–	10,680	39,222	25,362	239,129	363,006
Less: Earned Revenue	(1,394)	(377)	(1)	(81)	(16)	(136)	–	(119)	(128)	(119)	(2,371)	(10,139)
Net Program Costs	**94,159**	**18,193**	**943**	**8,724**	**773**	**39,068**	**–**	**10,561**	**39,094**	**25,243**	**236,758**	**352,867**
HL.9–Nutrition												
Gross Costs	4,668	1,713	36	206	30	1,557	–	543	1,322	967	11,042	13,837
Less: Earned Revenue	(95)	(41)	–	(3)	(1)	(7)	–	(8)	(5)	(5)	(165)	(386)
Net Program Costs	**4,573**	**1,672**	**36**	**203**	**29**	**1,550**	**–**	**535**	**1,317**	**962**	**10,877**	**13,451**
Total Health	**483,000**	**95,861**	**4,373**	**27,953**	**6,418**	**298,993**	**–**	**51,228**	**166,511**	**116,417**	**1,250,754**	**1,943,133**
PO–Program Development and Oversight												
PO.1–Program Design and Learning												
Gross Costs	83,908	14,322	22,753	230,573	6,409	–	6,774	32,911	24,420	34,324	456,394	390,225
Less: Earned Revenue	(331)	(122)	(49)	(4,943)	(34)	–	(20)	(175)	(80)	(129)	(5,883)	(3,906)
Net Program Costs	**83,577**	**14,200**	**22,704**	**225,630**	**6,375**	**–**	**6,754**	**32,736**	**24,340**	**34,195**	**450,511**	**386,319**
PO.2–Administration and Oversight												
Gross Costs	110,061	55,892	150,885	58,429	24,157	–	28,609	59,329	36,805	93,370	617,537	668,835
Less: Earned Revenue	(560)	(387)	(286)	(74)	(131)	–	(88)	(318)	(119)	(241)	(2,204)	(4,600)
Net Program Costs	**109,501**	**55,505**	**150,599**	**58,355**	**24,026**	**–**	**28,521**	**59,011**	**36,686**	**93,129**	**615,333**	**664,235**
PO.3–Evaluation												
Gross Costs	761	900	585	275	858	–	88	715	795	–	4,977	668
Less: Earned Revenue	(1)	(3)	(1)	–	(3)	–	–	(2)	(2)	–	(12)	(2)
Net Program Costs	**760**	**897**	**584**	**275**	**855**	**–**	**88**	**713**	**793**	**–**	**4,965**	**666**
Total Program Development and Oversight	**193,838**	**70,602**	**173,887**	**284,260**	**31,256**	**–**	**35,363**	**92,460**	**61,819**	**127,324**	**1,070,809**	**1,051,220**

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Categories	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA & LAB	Latin America & Caribbean	Middle East	OAPA	2018 Consolidated Total	2017 Consolidated Total
PS–Peace and Security												
PS.1–Counterterrorism												
Gross Costs	23,083	5,571	20,974	–	122	–	–	–	3,647	–	53,397	41,280
Less: Earned Revenue	(79)	(17)	(34)	–	–	–	–	–	(11)	–	(141)	(126)
Net Program Costs	**23,004**	**5,554**	**20,940**	**–**	**122**	**–**	**–**	**–**	**3,636**	**–**	**53,256**	**41,154**
PS.2–Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	–	–	75,471	–	–	–	–	–	75,471	23,136
Less: Earned Revenue	–	–	–	–	(336)	–	–	–	–	–	(336)	(101)
Net Program Costs	**–**	**–**	**–**	**–**	**75,135**	**–**	**–**	**–**	**–**	**–**	**75,135**	**23,035**
PS.3–Counternarcotics												
Gross Costs	–	–	–	–	–	–	–	87,051	–	16,299	103,350	137,643
Less: Earned Revenue	–	–	–	–	–	–	–	(455)	–	(64)	(519)	(611)
Net Program Costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**86,596**	**–**	**16,235**	**102,831**	**137,032**
PS.4-Transnational Threats and Crime												
Gross Costs	–	–	–	–	1,011	–	–	–	–	–	1,011	–
Less: Earned Revenue	–	–	–	–	(2)	–	–	–	–	–	(2)	–
Net Program Costs	**–**	**–**	**–**	**–**	**1,009**	**–**	**–**	**–**	**–**	**–**	**1,009**	**–**
PS.5–Trafficking in Persons												
Gross Costs	293	17,095	658	–	2,068	–	–	2,967	–	3,509	26,590	16,817
Less: Earned Revenue	(1)	(100)	(1)	–	(12)	–	–	(12)	–	(17)	(143)	(64)
Net Program Costs	**292**	**16,995**	**657**	**–**	**2,056**	**–**	**–**	**2,955**	**–**	**3,492**	**26,447**	**16,753**
PS.6–Conflict Mitigation and Stabilization												
Gross Costs	51,678	2,178	143,112	–	9,393	–	–	20,148	56,033	49,153	331,695	384,346
Less: Earned Revenue	(159)	(4)	(266)	–	(52)	–	–	(108)	(129)	(217)	(935)	(1,803)
Net Program Costs	**51,519**	**2,174**	**142,846**	**–**	**9,341**	**–**	**–**	**20,040**	**55,904**	**48,936**	**330,760**	**382,543**
PS.7–Conventional Weapons Security and Explosive Remnants of War (ERW)												
Gross Costs	–	–	–	–	146	–	–	52	–	–	198	1,374
Less: Earned Revenue	–	–	–	–	(1)	–	–	–	–	–	(1)	(6)
Net Program Costs	**–**	**–**	**–**	**–**	**145**	**–**	**–**	**52**	**–**	**–**	**197**	**1,368**
PS.8–Strengthening Military Partnerships and Capabilities												
Gross Costs	–	–	–	–	92	–	–	32	–	–	124	861
Less: Earned Revenue	–	–	–	–	–	–	–	–	–	–	–	(4)
Net Program Costs	**–**	**–**	**–**	**–**	**92**	**–**	**–**	**32**	**–**	**–**	**124**	**857**
PS.9–Citizen Security and Law Enforcement												
Gross Costs	–	–	–	–	321	–	–	414	–	–	735	3,017
Less: Earned Revenue	–	–	–	–	(1)	–	–	(1)	–	–	(2)	(14)
Net Program Costs	**–**	**–**	**–**	**–**	**320**	**–**	**–**	**413**	**–**	**–**	**733**	**3,003**
Total Peace and Security	**74,815**	**24,723**	**164,443**	**–**	**88,220**	**–**	**–**	**110,088**	**59,540**	**68,663**	**590,492**	**605,745**
Net Cost of Operations	**$2,102,449**	**$795,048**	**$4,133,328**	**$1,001,888**	**$ 439,577**	**$300,033**	**$252,966**	**$ 999,182**	**$ 1,615,805**	**$1,379,542**	**$ 13,019,818**	**$ 13,058,496**

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, 2018 and 2017. USAID's total budgetary resources were $30.7 billion and $29.5 billion as of September 30, 2018 and 2017, respectively.

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

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

	2018	2017
Category A, Direct	$ 1,538,392	$ 1,507,128
Category B, Direct	13,490,282	12,885,091
Category A, Reimbursable	52,107	51,703
Category B, Reimbursable	703,270	551,068
Total	$ 15,784,051	$ 14,994,990

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

The Agency had $40 thousand and $0 in borrowing authority in FY 2018 and FY 2017, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, Pub. L. No. 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 2018, there is $3.6 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. No. 112-74 provides to 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. UNDELIVERED ORDERS AT THE END OF THE YEAR:

Budgetary Resources obligated for Undelivered Orders as of September 30, 2018 and 2017, were $19 billion and $18.5 billion, respectively.

	2018	2017
Federal		
Obligations Paid	$ 27,700	$ 92,996
Obligations Unpaid	824,059	789,833
Total Federal	851,759	882,829
Non-Federal		
Obligations Paid	800,663	567,709
Obligations Unpaid	17,362,979	17,061,256
Total Non-Federal	18,163,642	17,628,965
Total Undelivered Orders at End of Year	$ 19,015,401	$ 18,511,794

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, 2017 because submission of the Budget for FY 2019, which presents the execution of the FY 2018 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 2019.

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 $9.7 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.

2017	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 29,463,075	$ 14,994,990	$ (240,024)	$ 12,377,002
Funds Reported in SBR, Not Attributed to USAID in the President's Budget	(9,741,000)	(4,817,000)	–	(5,850,000)
Other Differences	(2,053,075)	73,010	240,024	532,998
Budget of the U.S. Government	$ 17,669,000	$ 10,251,000	$ –	$ 7,060,000

G. SCHEDULE OF CHANGE IN UNOBLIGATED BALANCE BROUGHT FORWARD, BEGINNING OF YEAR 2018 *(in thousands)*:

Unobligated balances at end of Fiscal Year should equal Unobligated balances brought forward to beginning of the following Fiscal Year, October 1. In FY 2018, OMB Circular A-136 streamlined the reporting of the SBR to reflect requirements of FASAB standards. Due to this, there is a difference of $675 million between Unobligated Balance, End of Year 2017 and Unobligated Balance Brought Forward, October 1.

Schedule of Change in Unobligated Balance Brought Forward, Beginning of Year 2018	Budgetary	Non- Budgetary Credit Reform
Unobligated Balance, Beginning of Year 2018	$ 11,654,602.00	$ 3,489,262.00
Change in Unobligated Balance, Beginning of Year 2018:		
Actual Repayment of Debt, Prior Year Balances	–	(57.00)
Actual Capital Transfers to the General Fund of the U.S. Government, Prior-Year Balances	(8,408.00)	–
Transfers – Prior-Year Balances	(108,136.00)	–
Balance Transfers – Extension of Avail Other Than Reappropriation	(15,602.00)	–
Cancelled Authority	(138,110.00)	–
Downward Adjustments of Prior-Year Unpaid Undelivered Orders – Obligations, Recoveries	818,087.00	722.00
Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries	8,972.00	–
Downward Adjustments of Prior-Year Paid Expended Authority Refunds	118,311.00	–
Total Change in Unobligated Balance, Beginning of Year	675,114.00	665.00
Unobligated Balance, End of Year 2017	$ 10,979,488.00	$ 3,488,597.00

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, 2018 and 2017 are indicated in the table below *(in thousands)*:

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 15,784,051	$ 14,994,990
Spending Authority From Offsetting Collections	(1,639,683)	(1,094,099)
Downward Adjustments of Obligations	(827,781)	(673,444)
Offsetting Receipts	(396,088)	(240,024)
Net Obligations	12,920,499	12,987,423
Other Resources		
Imputed Financing	36,541	31,361
Resources Used to Finance Activities	12,957,040	13,018,784
Resources Used to Finance Items Not Part of Net Cost of Operations	371,123	324,888
Total Resources Used to Finance Net Cost of Operations	13,328,163	13,343,672
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(83,173)	(66,317)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(225,172)	(218,859)
Net Cost of Operations (Notes 15 and 16)	$ 13,019,818	$ 13,058,496

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

(Preceding page) **USAID provides expertise on domestic resource mobilization to more than 15 countries, so they can strengthen their tax systems to pay for programs and services for their citizens. In Georgia, Darejan Berdzenishvili started her dried fruit business with a grant from a Georgian Government economic development program.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

(Above) **In Luxor, Egypt, osteologist Afaf Wahba works on centuries-old mummies found in a tomb, one of several that USAID grantee American Research Center in Egypt helped restore for tourism. Through this support, USAID provides employment and training to Egyptians while safeguarding Egypt's cultural heritage and contributing to its tourism industry.**

PHOTO: THOMAS CRISTOFOLETTI FOR USAID

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2018

(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 the Independent States of the former Soviet Union	Global Health and Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	1000	**0305**	**0306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources:													
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 345,200	$ 1,929	$ 602,804	$ 3,577	$ 3,243,729	$ 1,489,240	$ 4,259,226	$ 5,671	$ 38,430	$ 3,489,262	$ 624,815	$1,039,981	$ 15,143,864
Appropriations (Discretionary and Mandatory)	1,347,676	–	750,334	–	2,976,234	4,285,312	3,968,853	–	–	4	590,538	–	13,918,951
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	40	–	–	40
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	49,827	–	(2,804)	–	919	3,525	(14,013)	–	–	559,833	1,012,693	29,703	1,639,683
Total Budgetary Resources	**$ 1,742,703**	**$ 1,929**	**$1,350,334**	**$ 3,577**	**$ 6,220,882**	**$ 5,778,077**	**$ 8,214,066**	**$ 5,671**	**$ 38,430**	**$4,049,139**	**$2,228,046**	**$1,069,684**	**$ 30,702,538**
Status of Budgetary Resources:													
New Obligations and Upward Adjustments (Total):	1,510,171	590	585,227	(31)	3,099,021	3,698,709	4,098,602	(573)	453	282,592	1,504,124	1,005,166	$15,784,051
Unobligated Balance, End of Year:													
Apportioned, Unexpired Accounts	91,480	1,360	748,149	3,608	392,519	2,072,404	2,283,020	6,032	32,192	262,199	253,584	18,764	6,165,311
Exempt from Apportionment, Unexpired Accounts	–	–	–	–	(3)	–	(1)	–	–	–	–	–	(4)
Unapportioned, Unexpired Accounts	21,174	(21)	10,013	–	2,703,496	46	1,803,451	1	5,785	3,504,348	448,983	3,868	8,501,144
Unexpired Unobligated Balance, End of Year	**112,654**	**1,339**	**758,162**	**3,608**	**3,096,012**	**2,072,450**	**4,086,470**	**6,033**	**37,977**	**3,766,547**	**702,567**	**22,632**	**14,666,451**
Expired Unobligated Balance, End of Year	119,878	–	6,945	–	25,849	6,918	28,994	211	–	–	21,355	41,886	252,036
Total Unobligated Balance, End of Year	**232,532**	**1,339**	**765,107**	**3,608**	**3,121,861**	**2,079,368**	**4,115,464**	**6,244**	**37,977**	**3,766,547**	**723,922**	**64,518**	**14,918,487**
Total Budgetary Resources	**$ 1,742,703**	**$ 1,929**	**$1,350,334**	**$ 3,577**	**$ 6,220,882**	**$ 5,778,077**	**$ 8,214,066**	**$ 5,671**	**$ 38,430**	**$4,049,139**	**$2,228,046**	**$1,069,684**	**$ 30,702,538**
Outlays, Net:													
Outlays, Net (Total) (Discretionary and Mandatory)	1,216,301	889	332,611	260	2,454,029	3,466,986	3,846,002	628	(452)	(279,039)	705,633	680,974	12,424,822
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	(396,088)	–	(396,088)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,216,301**	**$ 889**	**$ 332,611**	**$ 260**	**$ 2,454,029**	**$ 3,466,986**	**$ 3,846,002**	**$ 628**	**$ (452)**	**$ (279,039)**	**$ 309,545**	**$ 680,974**	**$12,028,734**

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 Independent States 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
4493 Loan Guarantees to Middle East Northern Africa (MENA) – Financing Account

CREDIT PROGRAM FUNDS

0301 Israel Program Fund
0304 Egypt Program Fund
0400 MSED Program Fund
0401 UE Program Fund
0402 Ukraine Program Fund
0409 Loan Guarantees to Middle East Northern Africa (MENA) – Program Account
1264 DCA Program Fund
5318 Israel Program Fund – Administrative Expense

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
1007 Operating Expenses of USAID Inspector General
1036 Foreign Service Retirement and Disability Fund
1099 Fines, Penalties and Forfeitures – Not Otherwise Classified
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 Planning and 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 Independent States 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) **In San Martin, Peru, Juanita Linares Sánches watched for years as violence from the coca trade tore her community apart, so she joined a group working to help her neighbors transition to growing legal crops like cacao. USAID's Development Credit Authority loan guarantees help get local capital into the hands of creditworthy farmers to expand on these efforts.**

PHOTO: BOBBY NEPTUNE FOR USAID

(Above) **Like millions of Colombians, Eloisa and her son Enrique were forced to flee their land during the country's 50-year civil war. USAID supports the Colombian Government in helping resolve land issues like property rights. With a land title in hand, Eloisa and Enrique returned to their farm and are helping build a more prosperous future for Colombia.**

PHOTO: DAVE COOPER FOR USAID

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

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

- Managing Risks Inherent to Providing Humanitarian and Stabilization Assistance;
- Strengthening Local Capacity and Improving Planning and Monitoring to Promote Sustainability of U.S.-Funded Development;
- Reconciling Interagency Priorities and Functions to More Efficiently and Effectively Advance U.S. Foreign Assistance;
- Addressing Vulnerabilities in Financial and Information Management.

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

The following pages addressing top management challenges for USAID are from the entire Top Management Challenges Fiscal Year 2019 report, which is available on the OIG USAID website (oig.usaid.gov) at *https://oig.usaid.gov/our-work/major-management-challenges*.

Message From the Inspector General

Ann Calvaresi Barr
Inspector General

USAID's foreign assistance programs provide humanitarian aid to people in countries recovering from natural disaster and periods of armed conflict, as well as assistance in combating the spread of disease and addressing food insecurity, child and maternal mortality, illiteracy, and gender inequality. USAID manages nearly $30 billion in budgetary resources annually to expand economic growth, create markets and trade partners for the United States, and promote stable and free societies. In addition to promoting good will abroad, these investments help advance U.S. national security interests.

To help ensure the U.S. Government achieves maximum return on these investments, OIG provides independent oversight of USAID.1 As part of this oversight, the Reports Consolidation Act of 2000 (Public Law 106–531) requires USAID to include in its performance and accountability report a statement by the Inspector General summarizing the most daunting challenges and the progress made in managing them.

Based on our recent audits and investigations, we identified four top management challenges for USAID for fiscal year 2019:

- ***Managing Risks Inherent to Providing Humanitarian and Stabilization Assistance.*** Managing fraud and other risks in foreign assistance programs is difficult, particularly in environments beset by conflict or natural disaster. Our work continues to expose weaknesses in USAID's planning and monitoring that reduce the timeliness and impact of assistance particularly in the nonpermissive environments USAID frequently works in. This demonstrates the need for improved risk assessment, identification, and mitigation plans to counter com-

1 OIG also provides oversight of the Millennium Challenge Corporation, the U.S. African Development Foundation, the Inter-American Foundation, the Overseas Private Investment Corporation, and overseas contingency operations as part of lead inspector general initiatives (described in section 8L of the Inspector General Act, as amended).

plex corruption schemes, and effective monitoring and evaluation to mitigate the growing threat of diversions to terrorists.

- ***Strengthening Local Capacity and Improving Planning and Monitoring To Promote Sustainability of U.S.-Funded Development.*** Promoting sustainability in countries that receive U.S. funding for development is central to USAID's goal to end the need for foreign assistance. However, our work points to the need for more rigorous upfront assessments of country capacity to build local skills and ensure public- or private-sector participation and financial backing to continue development activities and services after U.S. involvement ends. For example, USAID provided funding for a $20 million irrigation system in Pakistan without reaching an agreement with stakeholders on who would maintain the system after the project ends, and the Haitian Government stalled on planned reforms considered key to the success of a USAID-funded project to expand electricity generation.

- ***Reconciling Interagency Priorities and Functions To More Efficiently and Effectively Advance U.S. Foreign Assistance.*** Foreign assistance that involves multiple U.S. Government agencies presents significant challenges in managing short- and long-term U.S. objectives. Gaps in USAID-Department of State coordination over basic restructuring plans underscored these challenges. Our oversight of USAID activities related to the Ebola response in West Africa, sustainable energy in Haiti, and other foreign assistance efforts in fragile states worldwide continues to show that competing priorities, differing policies and procedures, and additional layers of review complicate and impede multiagency response and development activities.

- ***Addressing Vulnerabilities in Financial and Information Management.*** Effective and reliable financial and information systems are vital to the stewardship of U.S. Government resources. However, meeting strict Federal financial and information management requirements for promoting transparency and accountability remains a challenge for USAID, despite noteworthy actions to better ensure compliance.

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

OIG remains committed to conducting thorough and timely audits and investigations of USAID programs and management and, when appropriate, recommending actions to help address the challenges we identify.

If you would like to discuss or have any questions about USAID's top management challenges for fiscal year 2019, please contact me at 202-712-1150.

Displaced people fleeing from Boko Haram attend a World Food Programme (WFP) and USAID food distribution at the Asanga refugee camp near Diffa, Niger, following attacks by Nigeria-based Boko Haram fighters. Photo: Issouf Sanogo / AFP (June 16, 2016)

Chapter 1.

Managing Risks Inherent to Providing Humanitarian and Stabilization Assistance

In June 2017, the United Nations estimated that $23.5 billion would be needed to assist 141 million people in 37 countries affected by natural disasters and conflict. Devastating public health crises—such as the Ebola outbreak—and the continued operation of extremist groups like the Islamic State of Iraq and Syria (ISIS) further exacerbate the need for humanitarian and stabilization assistance worldwide. USAID is a global leader in responding to crises, and reports expending an average of approximately $2.6 billion on humanitarian and stabilization assistance annually.[1]

The risks of fraud, waste, and abuse in these humanitarian and stabilization settings are acute. The environments are typically characterized by political, economic, and environmental volatility, and USAID must often work with nongovernmental organizations (NGO), contractors, and public international organizations (PIO) to procure and distribute food, healthcare, shelter, water and sanitation, and other relief

1 For fiscal years 2013 through 2017 as reported in USAID's agency financial reports.

supplies.[2] At the same time, USAID frequently must coordinate with multiple U.S. Government agencies and international donors, while ensuring that its assistance does not adversely affect local markets or fall prey to corruption—risks that have intensified with the growing scale and duration of humanitarian relief operations. While speed and flexibility are crucial to saving lives and providing relief, strategic planning and risk mitigation underpin an effective response.

Managing the risks inherent to responding to crises has been a longstanding challenge for USAID—especially when short-term humanitarian responses evolve into a protracted presence, as in Syria, Iraq, and Somalia. USAID evaluates operational context, implementer capacity, and beneficiary need when making funding decisions to determine whether the risk of inaction outweighs the risk of providing assistance. USAID's actions can and do include a variety of award-specific restrictions to address particular risks for implementers and programs. However, our investigations and audits continue to expose weaknesses in USAID planning and monitoring that reduce the timeliness and impact of assistance and create opportunities for bad actors to exploit vulnerabilities:

PIO Oversight. USAID relies on PIOs to help coordinate and implement responses to crises in nonpermissive environments.[3] While USAID has influence over PIOs through its awards and U.S. participation on some PIO executive boards, USAID has been challenged in overseeing PIOs, which are subject to fewer Federal restrictions than other types of implementers. As we reported in our September 2018 audit report, USAID had not taken sufficient steps to manage PIOs, such as aligning its PIO policies and processes with Federal internal control standards; establishing and documenting clear authorities, roles, responsibilities, and standards for properly vetting, managing, and overseeing PIOs; and conducting thorough and timely assessments of past PIO performance. In addition, while USAID cited discrete risks in some awards, USAID lacks a comprehensive or effective policy to adequately identify, assess, and manage risks with PIOs, or set time or funding thresholds that would trigger a more formalized risk management process. Instead, USAID relies heavily on PIOs to assess and manage their own risks. USAID awards to PIOs working in Syria and Iraq now span more than 6 years and total $2.6 billion without a formal process for identifying and assessing risk. These awards are particularly vulnerable to risks of fraud, waste, and abuse because USAID had not designed the awards with the internal control standards appropriate for the context.

Responding to Public Health Crises of International Concern. The 2014 Ebola epidemic in West Africa was one of the deadliest infectious disease outbreaks in modern history. The United States was the largest international donor in the response, appropriating around $5.4 billion, with USAID operating as the lead Federal agency. USAID's strategy provided needed flexibility to adapt to changing circumstances, including evolution of the disease. However, several factors complicated the response, including a lack of policies for whole-of-Government coordination and delays obtaining emergency funding. In addition, USAID's needs assessments were insufficient to inform decisions, and frequent staff turnover coupled with weak handover procedures for rotating response teams further diminished the Agency's efforts. One official said staff operated with too few people to follow the money and determine whether support was reaching intended beneficiaries. Ultimately, USAID procured $4.6 million in excess medical supplies, and most USAID-funded treatment centers and care units opened after the majority of Ebola cases had already been confirmed; as a result, some centers and units never saw patients.

2 PIOs are organizations made up of multiple governments, such as U.N. organizations—the World Food Programme, the United Nations Children's Fund, and the World Health Organization—or international finance organizations.

3 USAID provided a reported $2.6 billion to PIOs for Iraq and Syria between January 2012 and March 2018.

Identifying and Curbing Fraud and Corruption in Nonpermissive Environments. Nonpermissive environments like Iraq and Syria are particularly vulnerable to individuals who are intent on stealing U.S. funds and goods and depriving beneficiaries of assistance. For example:

- In July 2017, the United States pledged $150 million to an Iraq stabilization project aimed at helping Iraqis return to communities freed from ISIS occupation. However, the pledge was placed on hold due to fraud allegations. Following a joint investigation, USAID and the United Nations Development Programme agreed to additional requirements for funding that required strengthening internal controls, expanding monitoring of stabilization activities, controlling information sharing on contract details, enhancing fraud prevention training, and establishing a full-time Iraq-focused investigator. We are also reviewing USAID's activities in Iraq as part of an ongoing audit.

- USAID's cross-border relief programs for internally displaced Syrians have been vulnerable to complex fraud schemes. For example, an individual with close ties to host-country officials abused his position to control and manipulate tenders to companies he was affiliated with for personal profit. These actions reduced the quality of humanitarian assistance delivered to refugee camps on the Jordan-Syria border. In another example, a USAID implementer manipulated procurements in favor of vendors that offered bribes and kickbacks, shortchanged deliveries, and was caught substituting products in USAID-funded supply kits with items of lesser quality. A separate incident exposed a ring of Turkish vendors who colluded with corrupt staff from four USAID implementers. USAID has taken action to improve award management, program oversight, internal processes, and fraud prevention efforts; however, we continue to receive and substantiate allegations of fraud and mismanagement and to uncover similar issues in ongoing investigations. An ongoing audit is looking at USAID's oversight of selected implementers delivering humanitarian assistance in response to the Syrian crisis.

Preventing Support to Terrorists. USAID and its implementers must take steps to ensure that U.S. foreign assistance does not support groups designated as foreign terrorist organizations.[4] This includes implementing monitoring and oversight procedures to ensure assistance is not diverted from intended beneficiaries. However, the risks inherent to providing assistance in nonpermissive environments can be exacerbated in states with weak democratic systems and accountability where these groups operate, often with great influence over the local communities that USAID is working to assist. For example:

- Under the threat of Hay'at Tahrir al-Sham (HTS)—a designated terrorist group operating in northern Syria—an NGO's employees knowingly diverted thousands of USAID-funded food kits worth millions of dollars to ineligible beneficiaries (including HTS fighters) and submitted falsified beneficiary lists. A USAID third-party monitor reported the diversion, and our investigation resulted in USAID suspending the program and the NGO terminating dozens of employees. This example illustrates the risk USAID takes when operating in these high-stakes circumstances.

- In northwest Syria, an OIG investigation found that staff of a USAID-funded implementer were affiliated with or sympathetic to known terrorist groups. The NGO ultimately suspended portions of its program to reverify the identities of all of its beneficiaries, adapted its program to the changing risk environment, and terminated or asked for the resignation of a number of employees.

- Years of conflict and escalating violence perpetuated by Boko Haram and ISIS in West Africa have displaced an estimated 2.5 million people in the countries surrounding the Lake Chad Basin. We are currently auditing USAID's response to the crisis in part to assess its actions to prevent terrorist organizations from obtaining USAID humanitarian funds.

4 Designated as such by Executive Order 13224, the Specially Designated Nationals and Blocked Persons List published by the Office of Foreign Assets Control, or the Department of State's State Sponsors of Terrorism List.

While USAID takes steps to ensure the integrity of its implementers—by requiring applicants of assistance awards to disclose any prior material support provided to terrorist entities and verifying that contractors are not blocked from receiving USAID funds—we have identified vulnerabilities with its process. For example, OIG investigations with the U.S. Attorney's Office for the Southern District of New York have revealed multiple instances when USAID implementers falsely certified that they had not previously provided material support to blocked entities. Such false certifications deprive USAID of reviewing accurate information, which could materially influence its decision to fund an implementer. Further, USAID's requirement to disclose past material support to terrorist organizations concerns only implementers applying for assistance awards, not contracts. We notified USAID of these vulnerabilities—which particularly affect high-risk programs in nonpermissive environments such as Afghanistan, Iraq, and Syria where terrorist groups operate—and understand the Agency is working on corrective action.

Detecting and Reporting Sexual Exploitation and Abuse (SEA). Unstable and crisis environments leave vulnerable groups particularly at risk for SEA. In February 2018, it came to light that an international NGO covered up claims of SEA violations in Haiti in the wake of the January 2010 earthquake. In March 2018, we sent a memorandum to the USAID Administrator highlighting vulnerabilities in USAID's SEA-related reporting requirements for implementers. We noted that under the Agency's policy for awardees and subawardees, the standard for disclosing to the Agency and OIG allegations of SEA committed by their employees was limited to complaints of human trafficking or procurement of commercial sex. Other forms of sexual misconduct were not required to be reported. In addition, the policy afforded implementers the discretion to report only allegations they deemed credible—a threshold that may delay reporting and keep the Agency and OIG from independently and promptly assessing and responding to allegations of sex trafficking and prostitution. For example, OIG received delayed notice of SEA allegations in crisis areas—in one case several years after it became known to the implementer.

USAID has recognized the need for changes to its traditional approach to humanitarian response and stabilization efforts to address the increased complexity and longer duration of associated crises as they have evolved. Notably, USAID has taken several actions, including the following:

- In response to OMB Circular A-123,[5] USAID developed and approved in July 2017 an Agency-wide risk profile—based on security, legal, fiduciary, and other risks often found in nonpermissive environments—to help inform its programming decisions. USAID issued internal guidance that assigns roles and responsibilities, and provides an overarching framework for assessing, treating, and monitoring risks across USAID and at individual missions.[6]

- In August 2018, after receiving the draft of our PIO audit report, USAID revised its policy for agreements with PIOs. According to USAID, the new Senior Obligation Alignment Review and revised ADS Chapter 308 empower USAID to safeguard taxpayer funds and encourage accountability among PIOs and other implementers. USAID clarified roles and responsibilities for staff involved in the oversight and management of agreements with PIOs, and offered training to staff on request. USAID also said it has taken steps to codify a risk management plan and is designing a new unit for assessing and addressing the performance of PIOs and leading policy coordination with the Agency. However, key areas remain in progress, including access to information, monitoring, and cooperation with OIG. Further, USAID still needs to revise its enterprise risk management process to address risks specific to PIOs.

5 OMB Circular A-123, as updated in 2016, mandated that Federal agencies institute a comprehensive enterprise risk management system.

6 "Governance Charter for Enterprise Risk Management and Internal Control at USAID: A Mandatory Reference for Automated Directives System (ADS) Chapter 596," August 2017; "Enterprise Risk Management Risk Profile Implementation Guidance," updated May 2018; "Risk Management Discussion Note," updated June 2018; and "Risk-Appetite Statement," June 2018.

- USAID has suspended funding for certain programs and activities, suspended and debarred companies and individuals, and included special conditions and modified language in some awards to help address specific risks of working in nonpermissive environments.

- USAID agreed to take steps to improve its response to future public health crises of international concern. This includes developing policies for identifying health response triggers; building a stronger cadre of cross-sectoral teams; establishing guidelines for reprogramming funds and transferring resources; and researching opportunities to build flexibility into existing awards to respond more quickly to emerging crises.

- To eliminate duplication at headquarters and in the field, USAID submitted to Congress a reorganization proposal to merge its Offices of U.S. Foreign Disaster Assistance and Food for Peace into one bureau, the Bureau of Humanitarian Assistance. USAID anticipates that the proposed bureau will elevate USAID's humanitarian influence and strengthen the impact of its work to respond to humanitarian crises.

- In February 2018, the USAID Administrator reaffirmed the Agency's zero tolerance for sexual misconduct, exploitation, or abuse of any kind among Agency staff or implementers. This message was reinforced at the Administrator's "Forum on Preventing Sexual Misconduct," which was joined by the Inspector General and representatives from key implementers and U.N. agencies. In March 2018, the Administrator established the Action Alliance for Preventing Sexual Misconduct, joined by a liaison from OIG, in order to address sexual misconduct of all forms in the aid community. The Action Alliance worked with OIG in updating standard award provisions and establishing additional guidance clarifying that all forms of sexual misconduct which affect beneficiaries should be reported to USAID and OIG, not just those involving trafficking or commercial sex.

Related OIG Products

- "Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk" (8-000-18-003-P), September 25, 2018.

- "Lessons from USAID's Ebola Response Highlight the Need for a Public Health Emergency Policy Framework" (9-000-18-001-P), January 24, 2018.

- "Assessment and Oversight Gaps Hindered OFDA's Decision Making About Medical Funding During the Ebola Response" (9-000-18-002-P), January 24, 2018.

- "Oversight in Challenging Environments: Lessons Learned From the Syria Response," Feature Report, November 9, 2017.

Man inspects apricots grown in an orchard established by the Satpara Development Project near the town of Skardu in Gilgit-Baltistan Province. Photo: USAID/Pakistan (February 9, 2015)

Chapter 2.
Strengthening Local Capacity and Improving Planning and Monitoring To Promote Sustainability of U.S.-Funded Development

USAID strives to end the need for foreign assistance and support partner countries on their journey to self-reliance. To achieve its goal, USAID has to ensure that U.S.-funded development is sustainable—that it endures after U.S. involvement ends. USAID therefore calls for investing in communities that have a stake in continuing activities and services, building the skills of local stakeholders, and promoting planning for sustainability, which could include public- or private-sector participation and financial backing.

Since 2005, international best practices for supporting sustained development—incorporating principles from the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008), and the Busan Partnership for Effective Development Co-operation (2011)—have encouraged increased use of local systems to implement donor-funded programs as a strategy to improve sustainability. USAID's initiatives have embraced these principles, and in 2016 USAID updated its development program cycle policy with an emphasis on promoting sustainability through local ownership.[1] However, USAID faces challenges working with local partners and host-country governments that have underdeveloped capacity, financial

1 USAID's Local Solutions initiative evolved from USAID Forward, an Agency-wide reform that aimed in part to shift program funding directly to partner governments and local organizations, while strengthening partner capacity. By fiscal year 2015, USAID estimated that it had obligated $2.6 billion to Local Solutions activities. The Agency retired USAID Forward in 2017.

systems, and internal controls. We are finalizing an assessment that looks back at USAID's efforts to strengthen local capacity, enhance and promote country ownership, increase sustainability, and implement risk mitigation procedures.

Successful and sustainable foreign assistance programs also rely on a cycle of rigorous planning, learning, monitoring, and evaluation. If carried out effectively, planning helps ensure programs are logically designed, complement larger strategies, and have the resources needed to achieve objectives. Monitoring and evaluation promote accountability, help assess and adapt programs before they get off track, and inform decisions about current and future programming.

While USAID has improved program planning, monitoring, and evaluation, challenges remain. We continue to find issues in these areas that affect implementation and ultimately the sustainability of USAID's programs. For example:

- USAID's HIV/AIDS project in Cambodia, launched in November 2012, piloted innovations in HIV/AIDS prevention and treatment. While the project was designed to strengthen local organizations to minimize the need for future external funding after the project was implemented, continued support from other donors was a key assumption for project success. However, an early and abrupt decrease in funding from the Global Fund to Fight AIDS, Tuberculosis, and Malaria required the project to substantially reduce the number of local centers for excellence it had planned for. At the same time, the project lacked performance indicators to quantify progress in implementing planned innovations and to measure the impact of the project's efforts to build local capacity. Without reliable performance data, USAID cannot ensure that innovations are cost-effective or that they reliably inform decisions to expand or scale up innovations to reach larger populations.

- USAID/West Bank and Gaza's Conflict Mitigation and Management Program had not undergone an evaluation—even though the program had been ongoing since 2004 and made over 100 grants to local and international organizations. Without one, USAID lacked a tool for determining long-term impact and improving the effectiveness of future grants. The mission recently initiated an evaluation that is expected to be completed in May 2019.

- Sustaining a USAID-funded project to expand electricity generation in Haiti has also been problematic. Under the U.S. Government's plans for Haiti post-earthquake reconstruction, USAID/Haiti was tasked with managing the construction, operation, and maintenance of a new power plant that offered modern electricity services to its customers—including a new multidonor industrial park that is expected to create jobs and grow Haiti's economy—and for progressively expanding the plant's capacity and service area. The Haitian Government, however, stalled on planned reforms that the project's design considered key to its success and sustainability. Weaknesses in USAID oversight further challenged project implementation. Staffing shortages resulted in mission staff spending less time on planning and performance monitoring than needed, limiting the mission's ability to anticipate challenges and gauge actual progress and financial health.

As we reported in prior years, USAID has been challenged to implement sustainable development programs in Pakistan, including large and highly visible infrastructure projects. We continue to identify challenges in Pakistan, which remains a recipient of significant U.S. Government funding in the region. For example:

- USAID provided funding to Pakistan's Satpara Development Project without adequate planning for sustainability. Specifically, the mission did not reach an agreement with stakeholders on who would operate and maintain the $20.9 million agricultural productivity project—intended to improve the supply of irrigation water and construct irrigation systems—after USAID/Pakistan's involvement ends, scheduled for December 2018. The project's plan assumed Pakistan's Public Works Department (PWD) would manage the irrigation system because the Satpara region does not have a provincial irrigation department, which typically manages irrigation systems. However, PWD had no prior experience managing irrigation systems and did not plan to take over responsibility. As a result, maintenance has not been done on completed canals, and the irrigation system has already shown signs of deterioration. In addition, the mission did not resolve downstream water access concerns, and water scarcity prompted water rights holders to halt the flow from the Satpara Dam to the irrigation system.

- USAID's investment in the Gomal Zam Multipurpose Dam project aimed to provide Pakistanis with consistent generation of additional electricity. The project was designed to add 17.4 megawatts of generation capacity to the national electric grid, provide drinking water, and help with flood control. However, after the Gomal Zam Multipurpose Dam was completed in June 2013 and handed over to the Pakistani Government, Pakistani officials reported that the operation of the hydroelectric component was sporadic. In October 2016, system failures and damages shut down electricity generation altogether, which has yet to be fully restored. While the system failures occurred after project completion, USAID had not worked with Pakistan's Water and Power Development Authority to develop and implement a plan to restore electricity generation and identify safeguards to prevent similar damage in the future.

In 2018, USAID began a strategic transition focused on building country self-reliance—defined as the ability of a country's government, civil society, and private sector to plan, finance, and implement solutions to solve its development challenges. USAID has developed high-level metrics to identify strengths and weaknesses, help inform strategic decisions, and ultimately determine a country's level of commitment and capacity to be self-reliant.

USAID has taken steps to build local capacity. For example, it has established external partnerships with the International Organization for Supreme Audit Institutions and signed a memorandum of understanding with the Government Accountability Office (GAO) in April 2016 to enhance the oversight capabilities of audit organizations in developing countries. However, the success of these partnerships will depend on how USAID leverages them.

USAID has also stepped up efforts to improve planning and monitoring—longstanding challenges cited in our past Top Management Challenges reports. Notably, the Agency updated and added rigor to its policy for program design and management in September 2016. Recognizing the need to build the Agency's capacity to fully implement the policy, USAID's Bureau for Policy, Planning and Learning has developed new training, tools, and technical assistance to support USAID missions in doing appropriate program planning and monitoring as part of the program cycle. As of August 2018, the Agency had trained more than 3,000 staff in performance monitoring and evaluation, and approximately 900 staff had completed courses in project design. These actions, if implemented fully and well, should help address the Agency's planning and monitoring challenges but will require sustained management focus to ensure programs and projects are effectively designed and meet performance expectations.

USAID'S first Agency Risk Profile,[2] approved by the Administrator in July 2017, includes sustainability. The Executive Management Council on Risk and Internal Control, comprising USAID assistant administrators and chaired by the Deputy Administrator, recognized the significance of sustainability as a risk and developed a risk mitigation plan in response. Agency leadership recognizes that even with these mitigation

2 The risk profile was developed in response to OMB Circular A-123, which mandates that Federal agencies institute a comprehensive enterprise risk management system.

efforts in place, this is a critical risk and may require additional remediation through the enterprise risk management (ERM) process, which provides for regular monitoring of the risk and its mitigation plan. The Agency also included risks related to planning and monitoring in the risk profile and will continue to monitor and manage these risks through its ERM process.

While the Agency continues to take action to promote sustainability, assess and mitigate risk, and build accountability, significant risk remains, and we will continue to monitor USAID's efforts to strengthen capacity and promote sustainability. Our ongoing audits will examine issues related to sustainability in USAID's programs for democracy and governance, and global health supply chain management.

Related OIG Products

- "Misjudged Demand, Stalled Reforms, and Deficient Oversight Impeded USAID/Haiti's Sustainable Electricity Goals" (9-521-19-001-P), November 13, 2018.
- "Sustainability of Improvements Under USAID/Pakistan's Satpara Development Project Is at Risk" (5-391-18-003-P), September 26, 2018.
- "Incomplete Evaluations and Cut in Funding From Another Donor Could Impede USAID/Cambodia HIV/AIDS Efforts" (5-442-18-002-P), April 6, 2018.
- "Pakistan's Gomal Zam Dam Has Not Generated the Electricity Anticipated Despite Millions in USAID Investments" (5-391-18-001-P), February 12, 2018.

Worker dons personal protective equipment in preparation for a new patient at the Monrovia Medical Unit, created by USAID as part of an interagency response to Ebola. Photo: USAID/Neil Brandvold (January 31, 2015)

Chapter 3.
Reconciling Interagency Priorities and Functions To More Efficiently and Effectively Advance U.S. Foreign Assistance

Implementing foreign assistance programs, projects, and operations that involve multiple U.S. Government agencies has presented significant challenges for USAID in achieving its core mission. In particular, coordination with the Department of State—which makes policy and funding decisions for operations related to political and security crises—has complicated USAID's project planning and execution. Despite broad interagency guidance on the Department of State's role in politically sensitive environments, USAID employees are sometimes unclear how best to manage additional layers of review, nimbly respond to changing priorities, address both U.S. diplomatic and development goals, and balance short- and long-term priorities.

The joint USAID-Department of State reform effort conducted in 2017 demonstrated the complexity in aligning complementary yet distinct missions and underscored USAID's persistent challenge in implementing programs, projects, and operations that involve other U.S. Government agencies.[1] Our point-in-time review of the joint reform effort highlighted uncertainty about its direction and end goals, and noted that disagreement and limited transparency on decisions related to the consolidation of functions and services led to questions about what the reform effort had achieved. USAID staff also voiced concerns related to the Agency's separate reform plan, including a lack of transparency and inclusivity in its development. Since then—amid leadership turnover at the State Department and ambiguity on the future of joint redesign efforts—USAID forged ahead with its independent transformation initiative, considered "one of the most significant restructuring efforts in the institution's history."[2] In August 2018, USAID outlined its proposed plans to Congress through nine congressional notifications.

The Ebola response and efforts to rebuild Haiti after its 2010 earthquake also show the difficulty of managing and safeguarding international development and humanitarian assistance funds while helping advance U.S. foreign policy priorities:

- Response to the 2014 Ebola virus outbreak in West Africa called for a level of U.S. and international coordination that was unprecedented for USAID. While USAID effectively managed several aspects of its response to the outbreak, coordination challenges internally and with key stakeholders affected operational effectiveness. Notably, differing approaches and delayed coordination between USAID and the U.S. Centers for Disease Control and Prevention (CDC) complicated the U.S. response. Despite its experience with public health crises of international concern, the Agency has relied on incomplete guidance for managing response efforts, leaving responders to re-create processes for controlling new public health emergencies. Our audit of USAID's Ebola response concluded that a response policy framework would better position USAID to quickly launch a coordinated response and get ahead of a disease's epidemiological curve.

- State Department commitments to the Haitian Government for postearthquake reconstruction fell heavily on USAID/Haiti to implement, including a project to provide sustainable electricity services. The mission lacked the staff needed to plan for and monitor efforts to meet both the State Department's priority for generating reliable electricity for the industrial park and USAID's broader development goal of expanding modern electricity service to Haitians. Moreover, the State Department's assumptions about the Haitian Government's appetite for energy sector reform and commercial demand for electricity did not materialize, requiring USAID/Haiti to shift its long-term strategy for the power plant from government to private management and reduce its expansion goals. Mission staff told us pressure from leadership to show results led to an accelerated rollout that outpaced the project's ability to modernize metering, billing, and customer outreach, and remove illegal connections. Ultimately, USAID's project did not meet its goals for modernization and expansion and will continue to rely on U.S. Government support until USAID/Haiti can transfer the power plant to a private sector operator or otherwise conclude the project.

USAID has been responsive to our recommendations to improve coordination. For example, USAID reports that it has taken steps to work with other U.S. agencies to clearly identify and regularly test roles, capabilities, and responsibilities for use in future public health emergencies of international concern. USAID also agreed to direct the implementation of a communication and coordination strategy for how the Agency will work with other responders, and USAID's Office of U.S. Foreign Disaster Assistance

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1 Seven weeks after freezing Federal hiring, the President issued Executive Order 13781 on March 13, 2017, "intended to improve the efficiency, effectiveness, and accountability of the executive branch." A month later, OMB followed up with Memorandum M-17-22, requiring executive branch agencies including USAID and the Department of State to submit reform plans and workforce plans to OMB by September 2017.

2 Michael Igoe, "USAID chief unveils major organizational shakeup," Devex News, April 9, 2018.

committed to incorporating handover procedures for members of rotating response teams into its Response Management System. Furthermore, the heads of USAID and CDC issued a joint statement to their staff encouraging productive working relationships to deepen teamwork and consideration of how the agencies can strengthen collaboration. With regard to Haiti, USAID agreed to formalize its plan to conclude the power plant project and to address staffing concerns that undercut project monitoring and implementation. We continue to monitor USAID's efforts to improve interagency coordination with our ongoing work on USAID's Power Africa initiative.

USAID recognizes the challenges in reconciling interagency stabilization and humanitarian assistance priorities, particularly in politically sensitive environments, and is committed to improving its coordination with others. In May 2018, the State Department and USAID finalized and launched the Stabilization Assistance Review (SAR), which provides guidelines and best practices to optimize U.S. foreign assistance and advance stabilization efforts in conflict-affected areas. At the direction of the National Security Council, USAID and the Departments of State and Defense are working together to implement SAR recommendations and apply SAR in priority countries. The agencies emphasized their commitment in the SAR to institutionalize learning, evaluation, and accountability, noting that they "cannot continue to take the same approach and expect different results." However, closer coordination is new and will require shifts in policies, process, and culture. Notably, a September 2018 report by GAO on stabilization efforts determined that U.S. agencies still need to formally document their agreement, roles, and responsibilities to enhance coordination and reduce the potential for duplication, overlap, and fragmentation.[3]

According to USAID officials, the Agency and the State Department are also cooperating on research and training. They are leading an interagency policy research initiative to inform U.S. assistance to fragile countries—in particular, to improve efforts to prevent violent conflict, including mass atrocity and violent extremism. Recommendations coming out of the initiative will help coordinate assistance to advance prevention goals. Further, USAID encouraged staff to apply for the Department of State's "National Security Executive Leadership Seminar" and the midlevel equivalent, "Navigating the Interagency." Both courses build collaboration and knowledge across the interagency foreign affairs community, focusing on national security. In August 2018, USAID announced an in-house training called "Building Interagency Capacity and Skills: Working with Partners to Increase Development Impact" to teach staff techniques and best practices for interagency communication, policy development, and decision making.

USAID is also advancing its transformation initiative with proposed structural changes announced in nine congressional notifications. Among these, USAID proposed a Bureau for Policy, Resources, and Performance that includes (1) an Office of Development Policy to advance USAID's development policy leadership and coherence and (2) an Office of Bilateral and Multilateral Engagement to set Agency policy and standards, identify best practices, support Agency engagement with donors, and identify and create needed functions for Agency-wide coordination and oversight of multilateral organizations.

USAID's actions have the potential to improve interagency coordination. However, doing so will be an ongoing challenge for USAID, particularly in areas where the Agency does not have full authority to act.

Related OIG Products

- "Misjudged Demand, Stalled Reforms, and Deficient Oversight Impeded USAID/Haiti's Sustainable Electricity Goals" (9-521-19-001-P), November 13, 2018.

3 "U.S. Agencies Have Coordinated Stabilization Efforts but Need to Document Their Agreement" (GAO-18-654), September 27, 2018.

- "USAID Redesign Efforts Have Shifted Over Time" (9-000-18-003-P), March 8, 2018.
- "Lessons From USAID's Ebola Response Highlight the Need for a Public Health Emergency Policy Framework" (9-000-18-001-P), January 24, 2018.
- "Assessment and Oversight Gaps Hindered OFDA's Decision Making About Medical Funding During the Ebola Response" (9-000-18-002-P), January 24, 2018.

First-year female students at Dakahlia STEM (Science, Technology, Engineering, and Math) School in Egypt perform lab experiments. Photo: OIG (April 13, 2016)

Chapter 4.
Addressing Vulnerabilities in Financial and Information Management

The Federal Government has established strict financial and information management requirements to make sure agencies are effective stewards of Government resources. We continue to identify USAID's challenges in meeting these requirements.

Financial Management

Reconciling Intragovernmental Transactions. To provide accountability and transparency in intragovernmental transactions, Federal agencies, referred to as "trading partners," must reconcile any accounting differences. These differences can occur if trading partners use different accounting periods or methodologies for classifying and reporting transactions. The Department of Treasury reported that as of September 30, 2017, USAID had $488 million in unreconciled transactions with its trading partners. Treasury uses scorecards to track unreconciled differences and rank each agency by its contribution to Government-wide differences. According to the scorecard at the end of the third quarter of fiscal year 2018, USAID was the 19th largest contributor (out of 140 agencies), with differences of $377 million. USAID's ongoing efforts to improve its reconciliation process and eliminate differences are likely to resolve timing differences. However, other differences, such as those caused by accounting errors, require additional effort by USAID and its trading partners to resolve. We are following this in our ongoing audit of USAID's financial statements, which we conduct annually.[1]

Reconciling the Fund Balance With Treasury Account. A material weakness related to the Agency's Fund Balance With Treasury (FBWT) reconciliations in USAID's financial statements for fiscal years 2017 and 2016 indicates that material misstatements of the Agency's financial statements may not be prevented, or detected and corrected, on a timely basis. In the past, USAID did not reconcile the FBWT account with Treasury's fund balance each month, or research and resolve any identified differences in a timely manner. Instead, USAID adjusted its FBWT account to agree with Treasury's fund balance. While USAID has made progress in reconciling its fund balance with Treasury's and has reduced the unreconciled amount, large unreconciled differences remain. As of September 30, 2017, the net difference between USAID's general ledger and the amount in Treasury's records was approximately $214 million, of which $83 million was due to outstanding unreconciled items and $131 million was unexplained. This difference accumulated because of ongoing problems with a legacy system and data migration, and the continued lack of an integrated system to control reconciliations performed by USAID missions around the world. USAID management is still working to resolve this issue. Reconciliation will remain a challenge until a remediation plan is approved and actions are fully implemented and assessed.

Improving Award Management. Full and open competition is required when awarding U.S. Government contracts, except in unusual and compellingly urgent circumstances or when other qualified sources are lacking; for grants and cooperative agreements, USAID encourages competition to identify and fund the programs that best achieve Agency objectives. Under certain circumstances, eligibility to bid may be restricted to a particular type of organization or other limitation, typically for sole-source awards, as long as a justification for using sole-source awards is fully documented and approved by appropriate authorities. For example, we found that a USAID contractor operating in Syria had not adequately documented justification for 36 of 41 sole-source subawards it made—leading us to question $5.6 million in costs. USAID's Office of Acquisition and Assistance agreed that documentation was lacking and that the Agency should have held the contractor accountable for complying with Agency policy. Still, although the Agency determined the questioned costs were not allowable, it did not plan to collect them from the contractor because USAID had approved the awards. The Agency cited factors—primarily violence in the region—that prevented exploring other options for competition.

Given USAID's reliance on awards to implement its programs around the world—approximately $17.6 billion annually—effective awards management is key to ensuring that implementers achieve program objectives. However, this is a challenge for the Agency. For example, over the past decade, we have made a total of 3,365 recommendations in more than 400 performance and financial audit reports that address implementer underperformance, inadequate awards management, and documentation. We are currently conducting an audit to assess the Agency's acquisition and assistance processes. Specifically, we are assessing how the Agency manages its awards to implementers, and its use of common management tools. In addition, we will be assessing USAID's stewardship of expired and canceled awards.

Information Management

Federal Information Technology Acquisition Reform Act (FITARA). FITARA was enacted in December 2014 to reform and streamline the U.S. Government's information technology acquisitions, including strengthening chief information officers' accountability for their agencies' IT costs, schedules, performance, and security. We identified several areas in which USAID did not comply with FITARA requirements, such as not having the chief information officer (CIO) report directly to the Agency head

1 An audit of USAID's annual financial statements is required by the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994 (Title IV of the Government Management Reform Act of 1994, P.L. 103-356).

and not providing the CIO with adequate oversight and decision authority over all budget execution activities related to the use of IT resources. Until these issues are addressed, USAID faces a challenge with achieving the aims of FITARA.

Related OIG Products

- "USAID Has Gaps in Conforming With the Federal Information Technology Acquisition Reform Act" (A-000-19-004-C), November 9, 2018.

- "Closeout Audit of Costs Incurred by Chemonics To Pursue a Peaceful Transition to a Democratic and Stable Syria, Under Award AID-OAA-TO-13-00003, January 7, 2013, to October 6, 2016" (3-000-18-008-N), February 20, 2018.

- "Audit of USAID's Financial Statements for Fiscal Years 2017 and 2016" (0-000-18-001-C), November 15, 2017.

Appendix

Fiscal Year 2019 and Prior-Year Top Management Challenges for USAID

Fiscal Year 2019 Challenges	Prior-Year Challenges
• Managing risks inherent to providing humanitarian and stabilization assistance	• This challenge was not reported as a discrete challenge last year. However, elements of it were included in the challenge related to improving program planning and monitoring.
• Strengthening local capacity and improving planning and monitoring to promote sustainability of U.S.-funded development	• Strengthening country ownership and local capacity to promote sustainability of U.S.-funded development • Improving program planning and monitoring
• Reconciling interagency priorities and functions to more efficiently and effectively advance U.S. foreign assistance	• Reconciling interagency priorities and functions to more efficiently and effectively advance international development.
• Addressing vulnerabilities in financial and information management	• Meeting Governmentwide financial and information management and security requirements

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The Office of Management and Budget (OMB) requires all agencies to prepare Table 1 (Summary of Financial Statement Audit) and Table 2 (Summary of Management Assurances). Table 1 shows that the Independent Auditor gave the Agency an unmodified opinion on the financial statements with one material weakness. Table 2 indicates that the Agency has a modified Federal Managers' Financial Integrity Act (FMFIA) Assurance Statement with one material weakness. These tables correspond with the information presented in the Management's Discussion and Analysis (MD&A) Section of the report.

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
USAID does not reconcile its Fund Balance with Treasury Account with the U.S. Department of the Treasury, and resolve unreconciled items in a timely manner	1	0	0	0	1
Total Material Weaknesses	1	0	0	0	1

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES

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

Statement of Assurance: Modified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
USAID did not reconcile its Fund Balance with Treasury account with the U.S. Department of the Treasury, and resolve unreconciled items in a timely manner	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

(continued on next page)

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

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Federal systems conform to financial management system requirements						
Non-Compliances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Accounting for reimbursable agreements	1	0	1	0	0	0
Total Non-Compliances	**1**	**0**	**1**	**0**	**0**	**0**

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No Lack of Compliance Noted	No Lack of Compliance Noted
2. Applicable Federal Accounting Standards	No Lack of Compliance Noted	Lack of Compliance Noted
3. USSGL at Transaction Level	No Lack of Compliance Noted	Lack of Compliance Noted

DEFINITION OF TERMS

Beginning Balance: The beginning balance must agree with the ending balance from the prior year.

New: The total number of material weaknesses/non-conformances identified during the current year.

Resolved: The total number of material weaknesses/non-conformances that 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 that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading).

Ending Balance: The year-end balance that will be the beginning balance next year.

PAYMENT INTEGRITY

The Improper Payments Information Act (IPIA) of 2002, (Public Law [P.L.] 107-300), as amended, requires Federal Departments and Agencies to review their programs annually to identify those susceptible to significant improper payments, as well as to conduct payment-recapture programs. On July 22, 2010, President Obama signed the Improper Payments Elimination and Recovery Act (IPERA, P.L. 111-204), which amended the IPIA and repealed the Recovery Auditing Act (Section 831 of the 2002 Defense Authorization Act, P.L. 107-107). In January 2013, the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (P.L. 112-248), further amended the IPIA. All remaining references in this disclosure to the term "IPIA" will mean the IPIA as amended by the IPERA and IPERIA. Most significantly, IPERIA expanded the term "payment" to refer to all payments except intragovernmental transactions. It also codified the Office of Management and Budget's (OMB) ongoing efforts to develop and enhance the U.S. Government's Do Not Pay Initiative (DNP), which included the creation of a centralized DNP list for Departments and Agencies to check prior to disbursing payments. USAID defines its programs and activities in alignment with the manner of funding received through appropriations, as further subdivided into funding for global operations. See Appendix B in this document for a list of USAID's program areas.

USAID is dedicated to reducing fraud, waste, and abuse by reviewing and reporting programs susceptible to improper payments under the IPIA and OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*. USAID has taken significant steps to reduce or eliminate the Agency's improper payments through comprehensive annual internal control reviews and substantive testing of payments. Each year, USAID delivers basic and advanced voucher-examiner training courses to staff. These courses include sessions about the characteristics of improper payments and process controls to preclude them. As a result, staff exercise the highest degree of quality-control in the payment process, and the Agency holds them accountable for improper payments.

Appendix C requires all Federal Departments and Agencies to determine if the risk of improper payments is significant, and to provide statistically valid annual estimates of improper payments if the amount in any program exceeds thresholds established by OMB. 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 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 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).

I. ASSESSING RISK

USAID assessed the risk of improper payments in all 75 program areas in FY 2018. See Appendix B in this document for the list of programs assessed for improper payments. During this reporting period, the risk assessment and program review for improper payments did not identify any programs susceptible to significant improper payments; therefore, no further estimation or reporting related to these programs is required. Risk factors included in the analysis were the following: (1) whether a program or activity was new to the Agency; (2) the complexity of the program; (3) the volume of payments made annually; (4) recent major changes in funding; (5) the level, experience, and quality of training for personnel responsible for examining and certifying payments; and (6) significant deficiencies in audit reports. USAID made eligibility determinations, and therefore were not part of the analysis.

USAID PAYMENT INTEGRITY MANAGEMENT FRAMEWORK

Each year USAID responds to a data call from OMB on improper payments. Further detail about improper payments is available at *https://paymentaccuracy.gov/*. USAID's data on improper payment for FY 2003 and after are available at *https://www.usaid.gov/results-and-data/progress-data/agency-financial-report*.

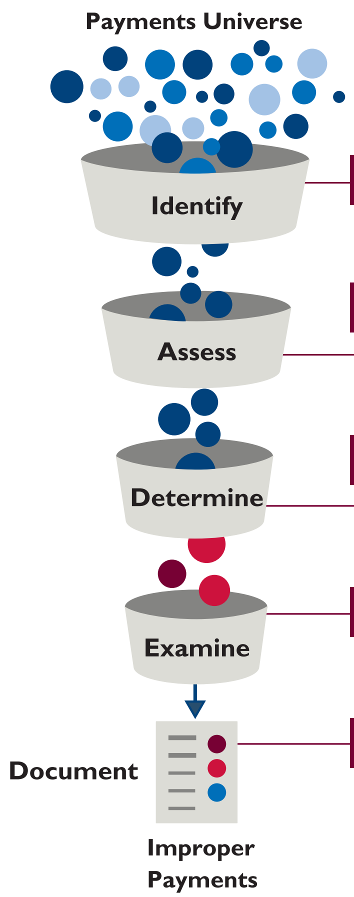
II. USAID MANAGEMENT FRAMEWORK FOR PAYMENT INTEGRITY

USAID conducts operations in over 100 countries, and maintains an accounting and payment system that allows for payments in both U.S. dollars and foreign currencies. Trained, authorized officers certify all the Agency's payments, whether processed by USAID or the U.S. Department of State on behalf of USAID. USAID minimizes improper payments by integrating its internal control system with the payment business process as shown in the above graphic on USAID's management framework for payment-integrity. The Agency's management of improper payments builds upon the concepts of prevention, detection, and response. The framework is a continually improving process of addressing internal control components to ensure efficient and effective payment operations; reliable reporting on payments; and legal compliance with payment terms, laws, and regulations, with the ultimate goal of safeguarding U.S. Government assets during the payment process.

The graphic below demonstrates the key high-level elements in USAID's payment-integrity process, the goal of which is to identify potential areas of susceptibility to improper payments, and the direct resources for testing and analysis to those areas to achieve maximum effectiveness and enhance internal controls.

USAID has a rigorous payment process supported by extensive core financial system and procedural controls. USAID's policy requires a pre-payment review of work performed, whenever feasible, and a post-payment review for all other payments. For example, in Washington, D.C., and at overseas Missions, staff reviews invoices first for potential duplicate submissions. They then record proper invoices in a secure online document-storage and imaging system to establish an approval workflow that ensures review, approval, and routing in the financial system. Controls built into the routing process enable contracting representatives to disallow all or part of a payment, as appropriate. Administratively approved invoices flow automatically to a voucher examiner for review. In accordance with USAID's policy, examiners determine whether a valid obligation exists, verify the payee's details, confirm the mathematical accuracy of the vendor invoice, and confirm that the payment is in accordance with applicable laws and regulations. Payments approved by the voucher examination section receive a final review by a certifying officer, held personally accountable for the propriety of payments. USAID's extensive pre-payment control processes minimize the likelihood of improper payments, and have reduced improper payments worldwide, both in the number of incidents and in the total dollar amount, relative to other Departments and Agencies. In the 12-month period that ended on June 30, 2018, USAID-funded payments were $ 13.35 billion with $ 27.31 million in improper payments, an improper-payment rate of 0.0020, or 0.20 percent.

Key Elements in the USAID Payment Integrity Assessment Process



1 IDENTIFY goals and resources for eliminating improper payments

The objective of managing improper payments is an efficient and effective payment system that results in a very low level of improper payments. Financial managers commit the resources for ensuring the integrity of payments.

2 ASSESS the likelihood and impact of the risk of improper payments

Agency personnel conduct quantitative and qualitative assessments of the likelihood and impact of the risk of improper payments following the improper-payments risk methodology set out in Appendix C of OMB Circular A-123. Improper payment risks can vary by differences in unit location, programs, capacity, and other factors.

3 DETERMINE the risks of improper payments that affect programs

Agency personnel determine programmatic risk and improper-payment types: incorrect payment amounts; incorrect or ineligible recipients, goods or services; payments for goods and services not received; duplicate payments; payments unsupported by documentation; payments for which applicable discounts were not taken; and payment amounts inappropriately withheld.

4 EXAMINE the suitability of existing internal controls, and prioritize the risks of improper payments

Agency personnel consider the extent to which existing control activities mitigate improper payments, and make recommendations to the CFO for changes.

5 DOCUMENT the improper payments, recover them, and report and apply the lessons learned for continuous improvements in the Agency's accounting system

Effectively minimize improper payment risks by documenting the key findings, initiating recovery actions, and applying lessons learned from the assessment and annual OIG audit, a continuous-improvement process.

III. REPORTING ON THE RECAPTURE OF IMPROPER PAYMENTS

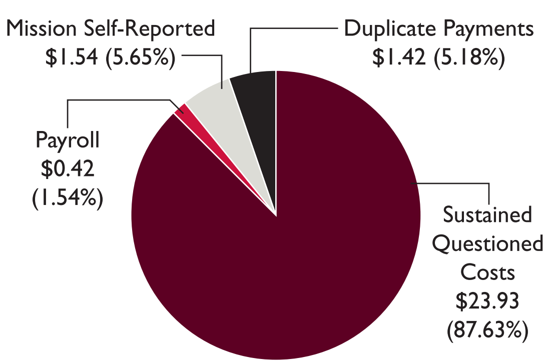
To complement its extensive pre-payment controls, USAID has implemented a series of post-payment activities to satisfy audit requirements for recapturing payments. Although USAID does not consider these efforts a formal payment-recapture audit, the activities supplement testing for improper payments by focusing further scrutiny on grants and contracts, which make up a significant portion of USAID's expenditures.

In FY 2018, USAID conducted semi-annual data calls, in which Washington and 45 accounting field Missions reviewed the payment integrity of a randomly selected sample of payments under contracts, grants, and cooperative agreements. A concurrent self-reported data call also captured improper payments identified outside of the formal transaction-testing process.

In addition, USAID leverages the results of Office of Inspector General audits, audits under OMB Circular A-133, and contract and grant closeouts to identify payment anomalies, and to target areas for improvement. The applicable financial offices promptly initiated corrective actions for duplicate and over-payments caused by administrative errors. In FY 2017, the recapture rate for improper payments at USAID was 31.99 percent. In FY 2018, the Agency recaptured $5.83 million of $27.31 million in improper payments, for a recapture rate of 21.34 percent. For 2019, USAID has set a recapture-target rate of 25 percent.

USAID IMPROPER PAYMENTS FOR THE YEAR ENDING JUNE 30, 2018

($ in Millions)



Total Results: $27.31

Note: The "sustained questioned costs" category includes a di minimis amount of debt incurred by USAID employees.

The categories of improper payments during the current period appears in the chart below. The chart demonstrates that $23.93 million, or 87.63 percent, of improper payments during the current period originated from sustained questioned costs identified through audits and subsequently sustained by USAID management. These amounts fluctuate unpredictably from year to year, depending on audit findings and decisions by USAID's leadership.

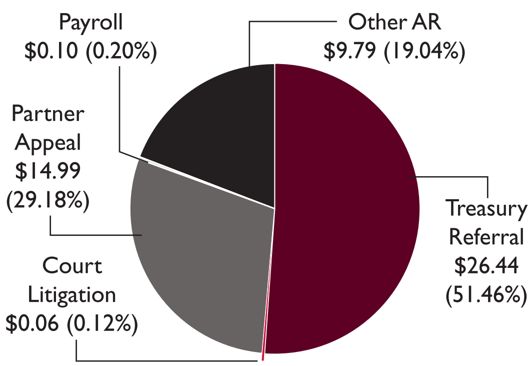
USAID promptly initiated collection actions for unallowable or sustained questioned costs upon notification of the partner debt. USAID records a receivable, and then sends a bill of collection to the implementing partner, contractor, or grantee. If Operating Units are unable to collect funds owed from an implementing partner, contractor, or grantee, the Agency in Washington will refer the collection to the U.S. Department of the Treasury (Treasury). Barring any debt compromise, suspension, termination of collection, closeout or write-off, the recovery process makes full use of all collection tools available, including installment-payment plans, cross-servicing with Treasury, and the claims-litigation process at the U.S. Department of Justice.

USAID co-designs and co-invests with private-sector entities, which promise to leverage or mobilize additional resources or expertise to amplify the impact of the Agency's work. USAID recognizes that sometimes partners will fail to mobilize promised capital or deliver on commitments. Thus, receivables that originate from sustained questioned costs can remain uncollected for multiple years as a result of appeals by implementing partners, contractors, or grantees. The USAID Risk-Appetite Statement accepts a high risk for developing programs with partners for the overall benefit gained, but USAID will continue to pursue the collection of resulting debts vigorously.

As of June 30, 2018, USAID's cumulative outstanding balance of improper payments was $51.38 million, and the Agency referred $26.44 million, or 51.46 percent, to Treasury for further collection actions. See the charts below for further detail on the status of receivables.

USAID OVERPAYMENTS CUMULATIVE AS OF JUNE 30, 2018

($ in Millions)

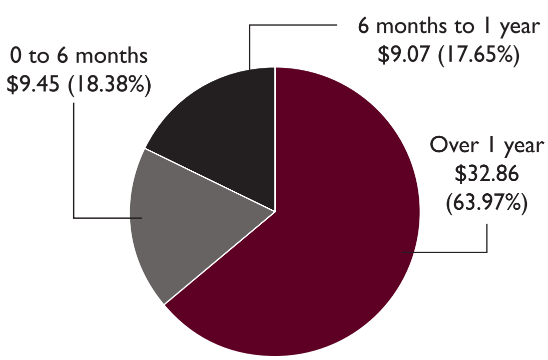


Total Results: $51.38

An aging chart of USAID improper payments is displayed below. Improper payments that originate from sustained questioned costs can remain uncollected for multiple years as a result of referrals to Treasury; litigation; or appeals from implementing partners, contractors, or grantees.

USAID AGED OUTSTANDING OVERPAYMENTS CUMULATIVE AS OF JUNE 30, 2018

($ in Millions)



Total Results: $51.38

USAID applies recaptured payments in accordance with Appendix C of OMB Circular A-123. Thse Agency credits recaptured overpayments from unexpired funds to the account from which its made the overpayments. USAID uses payments recaptured from expired-fund accounts for the original purpose of the funds, or returns them to Treasury as miscellaneous receipts. USAID cancels amounts recaptured for closed accounts in which the budgetary resources, and deposits them in the Treasury as miscellaneous receipts.

USAID continues to identify potential improper payments through prepayment initiatives and post-payment methods. Prepayment initiatives consist of multiple levels of completeness, existence, and accuracy reviews. Post-payment methods include analytical reviews for duplicate payments and payments sent to the wrong implementing partner, contractor, or grantee. In addition, the Agency uses Treasury's DNP portal to assist in the identification of improper payments.

IV. REDUCTION OF IMPROPER PAYMENTS WITH THE "DO NOT PAY" (DNP) INITIATIVE

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

- The Bureau for Management, Office of the Chief Financial Officer (M/CFO) has incorporated searches of the IPERIA-listed DNP databases into the existing processes for tracking improper payments and recapturing them. During FY 2018, Treasury sent a monthly DNP adjudication report that listed possible DNP database matches to M/CFO, which then conducted a manual review of disbursed payments by 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 data in question includes the following:
  - *Payments reviewed for improper payments,* which includes all payments screened by the DwNP Initiative or other USAID internal databases (M/CFO), as appropriate, disbursed by, or on behalf of, USAID;
  - *Payments stopped,* which includes payments intercepted or not disbursed because of the DNP Initiative;
  - *Improper payments reviewed and not stopped,* which includes payments 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. USAID would like to note, however, that the DNP Initiative is an automated portal designed to identify beneficiary matches for entitlements, which the Agency does not disburse.

Since FY 2015, USAID, using the DNP Initiative, has reviewed 186,666 payments that totaled $19.31 billion, with no confirmed improper payments. From October 1, 2017, through July 31, 2018, the DNP Initiative reviewed 54,104 payments by USAID that totaled $5.74 billion, and found no confirmed improper payments. Based upon USAID's experience to date, it is unlikely that the DNP Initiative will provide the Agency with a large frequency of corrections, or identify significant instances of incorrect information.

REDUCING FRAUD

USAID recognizes the complex nature and risk, both fiduciary and non-fiduciary, of transactions that occur in an international environment. As a result, the Agency expends considerable energy and resources on preventing, detecting, and responding to fraud through the employment of Enterprise Risk Management (ERM), strong internal controls, management oversight, and employee awareness and training. A collaborative team of stakeholders at USAID works together to leverage these activities into an effective system that monitors and manages the Agency's fiduciary and non-fiduciary risks, and, in turn, mitigates the risk of fraud.

BACKGROUND

The Fraud Reduction and Data Analytics Act of 2015 (Public Law [P.L.] 114-186) required the Office of Management and Budget (OMB) to establish guidelines for Federal Departments and Agencies to employ the use of the Government Accountability Office's (GAO) Framework for Managing Fraud Risks in Federal Programs (GAO Framework). The GAO Framework's purpose is to implement control activities related to the management of fraud risk.[12] Together, P.L. 114-186 and the GAO Framework provide a mandate and methods to strengthen USAID's efforts to prevent, detect, and respond to fraudulent activities.

The GAO Framework consists of three categories of general control activities: prevention, detection, and response. The Agency's fraud-reduction efforts include conformance with existing regulations, including the revised Standards for Internal Control in the Federal Government [2016] (GAO Green Book), the Improper Payments Information Act of 2002 (IPIA; P.L. 107-300), and updated OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

USAID'S OPERATIONS ARE WORLDWIDE

As described earlier in this report, USAID operates in more than 100 countries, as described more fully at USAID's foreign-assistance data portal (*http://foreignassistance.gov*). USAID plans its spending through Country Development Cooperation Strategies (CDCSs), and invests in specific development objectives and related operating expenses. In support of the Paris Declaration (2005), the Accra Agenda (2008), and the Busan Partnership (2011), USAID has given priority to increasing the Agency's direct investment in partner governments and local organizations. Individual development projects work with governmental and non-governmental organizations (NGOs), including civil-society and private-sector entities, to help countries progress beyond assistance. The Agency is increasing the number of its implementing partners, both primary and sub-recipients, which has necessitated an increased vigilance in preventing, detecting, and responding to fraudulent activities.

MANAGING THE RISK OF FRAUD

USAID is subject to the universe of laws, regulations, and Agency policies that collectively address methods for managing the risk of fraud, as set forth in the Code of Federal Regulations (CFR), the Federal Acquisition Regulation (FAR), USAID's Acquisition Regulation (AIDAR), the Federal Managers Financial Integrity Act (FMFIA), the Federal Information Technology Acquisition Reform Act (FITARA), the Government Management Reform Act of 1994 (GMRA), the Federal Information Security Management Act (FISMA), the Federal Financial Management Improvement Act (FFMIA), and internal operational policies and procedures that

[12] U.S. GAO. "A Framework for Managing Fraud Risks in Federal Programs." U.S. Government Accountability Office (U.S. GAO), July 28, 2015. Web. July 25, 2017. *http://www.gao.gov/products/GAO-15-593SP*.

are codified in USAID's Automated Directives System (ADS). The ADS comprehensively covers the Agency's policy for Organization Management and Authorities, Development Programming, Acquisition and Assistance, Human Resources, Management Services, and Budget and Finance. These regulations and policies, coupled with training for staff, comprise a robust framework for preventing and reducing fraud. Furthermore, the Agency has developed and implemented a multi-layered mechanism to manage the risk of fraud as follows:

PREVENTION

USAID works with various international implementing partners, host governments, NGOs, and other external stakeholders in a diverse environment. As part of its fiduciary duty to U.S. taxpayers and because of USAID's commitment ro zero-tolerance level for fraud, the Agency deploys a number of controls to assess fraud and corruption, as well as transactional supervisory reviews and quality-assurance controls conducted worldwide to detect and prevent fraudulent activities and transactions.

The Public Financial Management Risk Assessment Framework (PFMRAF) is the Agency's risk-based methodology, which works to identify, evaluate, and respond to the fiduciary risk of fraud, waste, and other forms of corruption. The PFMRAF's Stage 2 Risk Assessment specifically addresses fraud through a detailed questionnaire and transactional testing of the public financial management system, which allows system managers in partner governments to remedy discrepancies in recordkeeping and other issues fully and transparently upon discovery. This process is vital to the prevention, detection, and response to the risk of fraud among public financial institutions.

USAID also ensures the conduct of pre-award surveys, reviews, and audits of contracts and grants through a partnership with the Defense Contract Audit Agency (DCAA). In addition, the Agency has a built-in system for preventing, detecting, and responding to allegations of fraud, as well as identifying deficiencies, in its Program Cycle for Design, Monitoring, and Evaluation. Furthermore, all employees receive mandatory ethics and fraud-awareness training.

DETECTION

USAID's approach to ERM appears in the "Management Assurances" section of the Management's Discussion and Analysis in this report, as well as in the Agency's Risk-Appetite Statement, issued publicly in FY 2018. The Risk-Appetite Statement addresses a full spectrum of risks, and manages their combined impact as an interrelated risk portfolio, rather than examining risks in silos, which can sometimes provide distorted or misleading views with respect to their ultimate impact. USAID understands that all aspects of its identified risks and its programs are susceptible to fraud, waste, and abuse. The Agency's goal is not to control or avoid all risks, but rather to take advantage of opportunities, while reducing or mitigating threats of fraud, waste, and abuse to maximize the Agency's overall likelihood of achieving its mission and objectives. Specifically, the Risk-Appetite Statement details seven standard categories of risk, and establishes risk-tolerance levels within each of these categories: *https://www.usaid.gov/policy/risk-appetite-statement*.

Achieving effective ERM is particularly important at USAID. The Agency's core mission and role in support of U.S. foreign-policy and national-security objectives requires that it works in a wide variety of high-threat environments, in which risks range from state failure and armed conflict in the most "fragile" contexts, to corruption, natural disaster, and macroeconomic instability in more "traditional" contexts. As a result, there is rarely a single path to achieving development results, and USAID's staff is called upon every day to make a range of cross-disciplinary, risk-informed decisions about how best to deliver foreign assistance. Despite these inherent risks, USAID rises to this challenge by using a variety of risk management techniques.

The Agency has determined that the risk of inaction, or inadequate action, outweighs the risk of providing worldwide assistance.

USAID effectively prevents, detects, and responds to the potential for fraud while conducting internal control assessments in accordance with OMB Circular A-123. On an annual basis, the Agency conducts assessments under Appendix A (Internal Control Over Financial Reporting), Appendix B (Improving the Management of Government Charge Card Programs), Appendix C (Payment Integrity), and Appendix D (Compliance with FFMIA), and FMFIA. USAID uses the Uniform Risk Internal Control Assessment (URICA) tool to conduct and report internal control self-assessments from each Operating Unit. Fraud-risk assessment is also part of performing transactional reviews for key business processes within the scope for annual reviews and testing. The assessment for fraud is not just limited to financial and transactional reviews, but also non-financial reviews, such as information-technology input controls and compliance requirements in accordance with FISMA. USAID also performs other assessments as required on business processes that are susceptible to fraud, waste, and abuse.

RESPONSE

USAID requires the reporting of any evidence of fraud to the Office of Inspector General (OIG) immediately. The Agency has multiple channels for reporting suspected fraud, including a hotline, website, and email. The OIG's Office of Investigations (IG/I) conducts worldwide investigations into allegations of criminal, civil, and administrative violations. The investigative priority is to prevent fraud, waste, and abuse within USAID's programs and operations, and to foster and encourage the integrity of USAID employees, as well as contractors, grantees, and host country counterparts. The protocol for fraud investigations involves notification, review, consultation, and investigations by the OIG; then investigations by the implementing partners as appropriate, with targeted referrals to the Agency's management, including the Management Bureau's Compliance Division and the Office of Acquisition and Assistance, where USAID Contract and Agreement Officers reside. The IG/I's role includes identifying cases of embezzlement, bribery, kickbacks, false claims, conflicts of interest, and other instances of program abuse. The OIG's Special Agents have full law-enforcement authority, and employ an array of investigative techniques, including interviews, surveillance, electronic monitoring, undercover operations, subpoenas, and the execution of arrest and search warrants.

REDUCE THE FOOTPRINT

USAID, as an entity covered by the Chief Financial Officer (CFO) Act, sets annual targets to reduce the total square footage of domestic office and warehouse inventory compared to the FY 2015 baseline consistent with Section 3 of the Office of Management and Budget (OMB) Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, and OMB Management Procedures Memorandum 2013-02, the "Reduce the Footprint" policy implementing guidance. The OMB guidance also requires that Departments and Agencies develop an annual Real Property Efficiency Plan (RPEP), as well as establish internal policies, processes, and controls to ensure compliance with the Reduce the Footprint mandate.

USAID's initiative to consolidate and modernize its headquarters leases is designed to meet the objectives of this mandate, while providing a safe, healthy, and efficient workplace for employees. In 2017, USAID initiated the planning and design work for the next phase of renovations at the Ronald Reagan Building (RRB), obtained Congressional approval for the new consolidated lease, and initiated the procurement of the lease through the General Services Administration (GSA). Overall, this effort is helping USAID achieve higher utilization rates, while creating a more modern work environment and supporting the goals of Reduce the Footprint.

USAID maintains six occupancy agreements with GSA, and one direct lease, as of December 31, 2017. These occupancy agreements include general office space, swing space for renovations, warehouse space, and a stand-alone training center. All GSA-owned space appears in the baseline measurements, as is the space leased directly by USAID. USAID is committed to implementing the goals outlined in its annual RPEP, which establishes a target reduction in total square footage through the consolidation of leases and the renovations in the RRB. Initial reductions in footprint will occur as the Agency consolidates its leases. Additional reductions in the footprint are contingent on progress with renovations in the RRB.

The tables below contain the comparison of the FY 2015 baseline under Reduce the Footprint to net changes in square footage through FY 2017, and the data on operations and maintenance costs for direct leases. These figures do not include overseas properties, which the Reduce the Footprint policy excludes. The data on direct lease are current as of December 31, 2017, the latest reporting period for the Federal Real Property Profile. The data on GSA occupancy agreements are current as of September 30, 2017, as provided by GSA.

REDUCE THE FOOTPRINT BASELINE COMPARISON
(Square Footage in Millions)

	FY 2015 Baseline	FY 2017 (CY-1)	Change (FY 2015 Baseline - FY 2017)
Office Totals	0.895017	0.895017	0.0
Warehouse Totals	0.13984	0.13984	0.0
Total	0.909001	0.909001	0.0

REPORTING OF OPERATION AND MAINTENANCE COSTS
(Dollars in Millions)

	FY 2015 Reported Cost	FY 2017 (CY-1)	Change (FY 2015 Baseline - FY 2017)
Owned and Direct Lease Buildings	$0.152	$0.064	$0.088

GRANTS OVERSIGHT AND NEW EFFICIENCY (GONE) ACT REPORTING OF UNCLOSED GRANT AND COOPERATIVE AGREEMENT AWARDS

The Grants Oversight and New Efficiency Act (GONE Act; Public Law 114-117) enacted on January 28, 2016, requires heads of Federal Departments an Agencies to submit to Congress, in coordination with the Secretary of the U.S. Department of Health and Human Services (HHS), a report on Federal grants and cooperative agreements not yet closed out, and for which the period of performance, including any extensions, elapsed more than two years ago. The GONE Act also sets forth follow-on reporting and analysis requirements by various entities. Only Federal grant awards (meaning grants and cooperative agreements as defined in Sections 200.51 and 200.24 of Part 2 of the CFR, or any successor thereto) are subject to the GONE Act.

The goal of the GONE Act is to promote the effective and efficient management of these grant award funds, because improving the timely closeout of Federal grant awards will improve accountability and oversight.

Pursuant to the Office of Management and Budget (OMB) Uniform Guidance in Section 200.343(b) of Part 2 of the CFR, recipients of grants and cooperative agreements must liquidate all obligations incurred under their awards within 90 days after the end of the period of performance, unless the Federal awarding Department or Agency authorizes an extension, or program-specific statutes specify a different liquidation period.

Challenges that cause delays in closeout include the following:

- Submission by grant recipients of Federal Financial Reports (SF-425) with unadjusted balances, which complicates reconciliation;
- Delays by grantees in making adjustments in the HHS payments-management system that interfaces with Phoenix, USAID's financial system;
- Missing and delayed final SF-425s;
- Problems with legacy data prior to migration to new systems;
- Reconciliation problems with manual reports;
- Grantees that have gone out of business;
- Delays in the resolution of audits by foreign grant recipients;
- Delays by grantees in returning funds from questioned costs or unspent advances;
- Delays by grantees in posting refunds in the payments-management system;
- Interface issues between USAID's systems and grantees' payments-management system.

The table reflects that, as of September 2018, USAID had a total of 758 grants/cooperative agreements with an undisbursed balance of $66,721,634 for which the period of performance elapsed more than two years ago. This is a decrease of 228 awards from the 986 grants/cooperative awards, and a reduction of $14,733,870 from the $81,455,505, reported in the Agency's GONE Act for 2017. The decrease includes eight of the 30 oldest grant and cooperative awards. The remaining 22 oldest grants/cooperative awards have an undisbursed amount of $46,245. The Agency is still reviewing unclosed awards, and monitoring them for appropriate deobligation and/or closeout action. The Agency's responsible officers continue to be proactive in ensuring that grantees comply with provisions of their grant/cooperative agreements, and are communicating with grantees to ensure the better management of Federal funds.

Category	Period of Performance Lapse without Closeout		
	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	156	276	326
Total Amount of Undisbursed Balances	$27,704,755	$21,159,190	$17,857,689

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APPENDICES

***(Preceding page)* Many cacao farmers in Vietnam were trained by USAID, including HBim B'Krong, a cacao tree grower. She received cacao seedlings, fertilizer, and technical training on cacao growing. Now cacao is her main source of income. She gives back to her community by training fellow farmers on cacao techniques.**

PHOTO: SAROSH HUSSAIN FOR USAID

***(Above)* In Bukuuku, Uganda, Betty Komuhendo is eight months pregnant with her third child, and is pictured with her healthy 3-year-old Praise Joel. Because of USAID's Saving Mothers, Giving Life partnership, Betty will deliver her baby in a nearby health facility.**

PHOTO: AMY FOWLER FOR USAID

APPENDIX A.
PROGRAMS ASSESSED FOR IMPROPER PAYMENTS FOR FY 2018

USAID PROGRAM STRUCTURE – PRE-FY 2017

A01	Counterterrorism
A02	Combating Weapons of Mass Destruction (WMD)
A03	Stabilization Operations and Security Sector Reform
A04	Counternarcotics
A05	Transnational Crime
A06	Conflict Mitigation and Reconciliation
A07	Rule of Law and Human Rights
A08	Good Governance
A09	Political Competition and Consensus-Building
A10	Civil Society
A11	Health
A12	Education
A13	Social and Economic Services and Protection for Vulnerable Populations
A14	Macroeconomic Foundation for Growth
A15	Trade and Investment
A16	Financial Sector
A17	Infrastructure
A18	Agriculture
A19	Private Sector Competitiveness
A20	Economic Opportunity
A21	Environment
A22	Protection, Assistance and Solutions
A23	Disaster Readiness
A24	Migration Management
A25	Crosscutting Management and Staffing
A26	Program Design and Learning
A27	Administration and Oversight

STANDARDIZED PROGRAM STRUCTURE AND DEFINITION (SPSD) – STARTING IN FY 2017

DR.1	Rule of Law (ROL)
DR.2	Good Governance
DR.3	Political Competition and Consensus-Building
DR.4	Civil Society
DR.5	Independent Media and Free Flow of Information
DR.6	Human Rights
EG.1	Macroeconomic Foundation for Growth
EG.2	Trade and Investment
EG.3	Agriculture
EG.4	Financial Sector
EG.5	Private Sector Productivity
EG.6	Workforce Development
EG.7	Modern Energy Services
EG.8	Information and Communications Technology Services
EG.9	Transport Services
EG.10	Environment
EG.11	Climate Change – Adaptation
EG.12	Climate Change – Clean Energy
EG.13	Climate Change – Sustainable Landscapes
ES.1	Basic Education
ES.2	Higher Education
ES.3	Social Policies, Regulations, and Systems
ES.4	Social Services
ES.5	Social Assistance
HA.1	Protection, Assistance and Solutions
HA.2	Disaster Readiness
HA.3	Migration Management
HL.1	HIV/AIDS
HL.2	Tuberculosis
HL.3	Malaria
HL.4	Pandemic Influenza and Other Emerging Threats (PIOET)
HL.5	Other Public Health Threats
HL.6	Maternal and Child Health
HL.7	Family Planning and Reproductive Health
HL.8	Water Supply and Sanitation
HL.9	Nutrition
PO.1	Program Design and Learning
PO.2	Administration and Oversight
PO.3	Evaluation
PS.1	Counterterrorism
PS.2	Combating Weapons of Mass Destruction (WMD)
PS.3	Counternarcotics
PS.4	Transnational Threats and Crime
PS.5	Trafficking in Persons
PS.6	Conflict Mitigation and Stabilization
PS.7	Conventional Weapons Security and Explosive Remnants of War (ERW)
PS.8	Strengthening Military Partnerships and Capabilities
PS.9	Citizen Security and Law Enforcement

Note: Prior to FY 2017, USAID programs were designated as A01 through A27. Beginning in FY 2017, USAID aligned its program structure with the U.S. Department of State and USAID SPSD that consists of 48 programs. In FY 2018, USAID assessed the risk of improper payments in the SPSD programs and continued to assess the risk of improper payments in programs A01 through A27, as payments in those programs will continue into the future.

APPENDIX B.
ABBREVIATIONS AND ACRONYMS

A

A&A	Acquisition and Assistance
AAPSM	Action Alliance for Preventing Sexual Misconduct
ACI	Andean Counterdrug Initiative
ADP	Automatic Data Processing
ADS	Automated Directives System
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
AIDAR	USAID Acquisition Regulation
APG	Agency Priority Goal
APP	Annual Performance Plan
APR	Annual Performance Report
ART	Antiretroviral Therapy
ATDA	Accountability of Tax Dollars Act

B

BFS	Bureau for Food Security
BIC	Best in Class
BRM	Office of Budget and Resource Management
BUILD Act	Better Utilization of Investments Leading to Development Act

C

CAVE	Campaign against Violent Extremism
CDC	U.S. Centers for Disease Control and Prevention
CDCS	Country Development Cooperation Strategy
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIF	Capital Investment Fund
CIO	Chief Information Officer
CLA	Collaborate, Learn, Adapt
CM	Category-Management
COTS	Commercial-Off-The-Shelf
CVE	Countering Violent Extremism
CY	Current Year

D

D2R	Dollars to Results
DATA Act	Digital Accountability and Transparency Act
DCA	Development Credit Authority
DCAA	Defense Contract Audit Agency
DCHA	Democracy, Conflict, and Humanitarian Assistance Bureau
DDL	Development Data Library
DE	Diplomatic Engagement
DEC	Development Experience Clearinghouse
DH	Direct-Hire
DHS	U.S. Department of Homeland Security
DIS	Development Information Solution
DMARC	Domain-based Message Authentication, Reporting and Conformance
DMF	Death Master File
DNP	Do Not Pay
DOL	U.S. Department of Labor
DQA	Data Quality Assessment
DR	Democracy, Human Rights and Governance

E

E.O.	Executive Order
E3	Economic Growth, Education, and Environment Bureau
EG	Economic Growth
EMCRIC	Executive Management Council on Risk and Internal Control
ERM	Enterprise Risk Management
ERW	Explosive Remnants of War
ES	Education and Social Services
ESF	Economic Support Fund

F

F	Office of U.S. Foreign Assistance Resources
FA	Foreign Assistance Bureau
FAR	Federal Acquisition Regulation
FARA	Federal Acquisition Reform Act
FASAB	Federal Accounting Standards Advisory Board
FATAA	Foreign Aid Transparency and Accountability Act
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act
FECA	Federal Employees' Compensation Act
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FITARA	Federal Information Technology Reform Act
FMFIA	Federal Managers' Financial Integrity Act
FPDS – NG	Federal Procurement Data System – Next Generation
FRPP	Federal Real Property Profile
FTIF	Fiscal Transparency Innovation Fund
FY	Fiscal Year

G

G2P	Getting to Post
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GBV	Gender-Based Violence
GH	Global Health Bureau
GLAAS	Global Acquisition and Assistance System
GMRA	Government Management Reform Act
GONE	Grants Oversight and New Efficiency Act
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Act Modernization Act
GSA	General Services Administration

H

HA	Humanitarian Assistance
HCTM	Office of Human Capital and Talent Management
HHS	U.S. Department of Health and Human Services
HIV/AIDS	Human Immune Deficiency Virus/ Acquired Immune Deficiency Syndrome
HL	Health
HOGR	House Committee on Oversight and Government Reform
HR	Human Resources
HTS	Hay'at Tahrir al-Sham

I

IATI	International Aid Transparency Initiative
IDEA	Office of Innovation and Development Alliances
IG/I	OIG's Office of Investigations
IO	Independent Office
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IPP	Invoice Processing Platform
ISIS	Islamic State of Iraq and Syria
IT	Information Technology
ITN	Insecticide Treated Nets

J

JSP	Joint Strategic Plan

L

LAB	U.S. Global Development Lab
LEED	Leadership in Energy and Environmental Design
LoC	Letter of Credit
LPA	Legislative and Public Affairs Bureau

M

M	Bureau for Management
M/AA	Assistant Administrator
M/CFO	Office of the Chief Financial Officer
MCC	Millennium Challenge Corporation
mCPR	Modern Contraceptive Prevalence Rate
MD&A	Management's Discussion and Analysis
MENA	Middle East Northern Africa
MOV	Maintenance of Value
MSED	Micro and Small Enterprise Development
MW	Megawatts

N

N/A	Not Applicable
NGO	Non-Governmental Organization
NICE	National Initiative for Cybersecurity Education
NSS	National Security Strategy

O

OAPA	Office of Afghanistan and Pakistan Affairs
OBO	Overseas Building Operations Bureau (State)
OE	Operating Expense
OFDA	Office of U.S. Foreign Disaster Assistance
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMS	Office of Management Services
OPM	Office of Personnel Management
OTI	Office of Transition Initiatives
OU	Operating Unit

P

P.L.	Public Law
PaaS	Platform as a Service
PALT	Procurement Action Lead Time
PAR	Performance and Accountability Report
PB	Performance Budgeting

PCAS	Project Cost Accounting System
PEPFAR	President's Emergency Plan for AIDS Relief
PFMRAF	Public Financial Management Risk Assessment Framework
PIO	Public International Organization
PIOET	Pandemic Influenza and Other Emerging Threats
PIRS	Performance Indicator Reference Sheet
PMI	U.S. President's Malaria Initiative
PMP	Performance Management Plan
PO	Program Development and Oversight
PP&E	Property, Plant and Equipment
PPIRS	Past Performance Information Retrieval System
PPL	Policy, Planning, and Learning Bureau
PPR	Performance Plan and Report
PS	Peace and Security
Pub. L.	Public Law
PWD	Public Works Department

R

RMC	Risk Management Council
ROL	Rule of Law
RPEP	Real Property Efficiency Plan
RRB	Ronald Reagan Building

S

SaaS	Software as a Service
SAM	System for Award Management
SAR	Stabilization Assistance Review
SAT	Senior Assessment Team
SBG	Sovereign Bond Guarantee
SBR	Statement of Budgetary Resources
SEA	Sexual Exploitation and Abuse
SES	Senior Executive Service
SF-425	Federal Financial Report
SIGAR	Special Inspector General for Afghanistan Reconstruction
SOAR	Senior Obligation Alignment Review
SPSD	Standardized Program Structure and Definition
State	U.S. Department of State
STEM	Science, Technology, Engineering, and Math

T

TBM	Technology Business Management
Treasury	U.S. Department of the Treasury

U

U.S.	United States
U.S.C.	United States Code
U5MR	Under-Five Mortality Rate
UE	Urban and Environmental
URICA	Uniform Risk and Internal Control Assessment
USAID	U.S. Agency for International Development
USD	U.S. Dollar
USDA	U.S. Department of Agriculture
USSGL	U.S. Standard General Ledger

V

VMMC	Voluntary Medical Male Circumcision

W

WFP	World Food Programme
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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