



March 2024

CENTRAL AMERICA

USAID Should Strengthen Staffing and Fraud Risk Management for Initiative Addressing Migration to the U.S.

GAO Highlights

Highlights of [GAO-24-106232](#), a report to the Chairman, Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

Hundreds of thousands of Salvadoran, Guatemalan, and Honduran nationals are encountered at the southwest U.S. land border each year. In July 2021, the White House launched the Root Causes Strategy to address economic, governance, and security factors driving migration to the U.S. from Central America. In November 2021, USAID announced CL, a 5-year, \$300 million initiative. Through CL, USAID seeks to empower local organizations in El Salvador, Guatemala, and Honduras to address root causes of migration by, among other things, advancing economic growth, improving governance, and strengthening security.

GAO was asked to review USAID's implementation of CL. Although the initiative is too new for an evaluation of its effectiveness, this report examines, among other things, the extent to which USAID (1) integrated elements of the Root Causes Strategy and consulted local stakeholders in developing CL; (2) assessed and adjusted its staffing levels for grant management and program oversight; and (3) identified risks to CL, including fraud risks. GAO reviewed USAID documents, analyzed USAID data, and interviewed USAID officials in Central America and Washington, D.C. GAO also interviewed local stakeholders in El Salvador, Guatemala, and Honduras.

What GAO Recommends

GAO is making three recommendations to USAID to address staffing shortages at the selected missions and help improve USAID's fraud risk assessments and training. The agency concurred with these recommendations.

View [GAO-24-106232](#). For more information, contact Latesha Love-Grayer at (202) 512-4409 or lovegrayerl@gao.gov.

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USAID Should Strengthen Staffing and Fraud Risk Management for Initiative Addressing Migration to the U.S.

What GAO Found

In November 2021, the U.S. Agency for International Development (USAID) announced Centroamérica Local (CL), an initiative to empower local organizations in El Salvador, Guatemala, and Honduras to implement programs addressing root causes of migration to the U.S. GAO's review of all 18 CL grants and other awards from August 2021 through June 2023 found each included elements aligning with at least one of five pillars of the *U.S. Strategy for Addressing the Root Causes of Migration in Central America* (Root Causes Strategy). GAO also found USAID consulted with local stakeholders, including implementing partners and mission staff, in developing CL. Stakeholders told GAO that USAID's CL project development process—"co-creation"—is more collaborative than prior localization efforts and better addresses local needs.

U.S. Agency for International Development (USAID) Application and Co-Creation Process



Sources: GAO summary of USAID information (data); GAO (icons). | GAO-24-106232

The El Salvador, Guatemala, and Honduras missions assessed staffing levels and requested additional positions to support localization. However, their staffing to oversee CL and other localization efforts has gaps resulting from resource constraints, such as space limitations. For example, in Guatemala, the new embassy compound is too small to accommodate all USAID mission staff. USAID has taken short-term measures, such as allowing one mission to hire short-term contractors. However, mission officials said they will need to hire additional staff to oversee the growing number of smaller awards for CL. Identifying long-term solutions to the missions' staffing shortages would help ensure adequate oversight of CL.

The El Salvador, Guatemala, and Honduras missions have taken steps to identify and mitigate risks, including fiduciary, programmatic, reputational, and fraud risks that could affect CL. However, the missions have not followed GAO's leading practices for assessing fraud risk. The missions considered and documented some fraud risk through annual risk management processes but have not examined program-specific fraud risks. Also, missions and implementing partners have access to fraud awareness training, but attendance is not mandated or tracked because USAID does not require it agencywide. As a result, USAID lacks assurance that its missions and partners know how to identify and mitigate key fraud risks to CL-related programs.

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Abbreviations

CBP	U.S. Customs and Border Protection
CL	Centroamérica Local
ERM	enterprise risk management
FMFIA	Federal Managers' Financial Integrity Act
FSN	Foreign Service national
FSO	Foreign Service officer
GSA	General Services Administration
MCRIC	Management Council on Risk and Internal Control
NSDD	National Security Decision Directive
NUPAS	Non-U.S. Organization Pre-Award Survey
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
URICA	Uniform Risk and Internal Control Assessment
USAID	U.S. Agency for International Development
USPSC	U.S. personal services contractor

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March 14, 2024

The Honorable Michael McCaul
Chairman
Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

Each year, hundreds of thousands of Salvadoran, Guatemalan, and Honduran nationals are encountered at the southwest U.S. land border, according to U.S. Customs and Border Protection (CBP) data.¹ In July 2021, the White House issued the *U.S. Strategy for Addressing the Root Causes of Migration in Central America* (known as the Root Causes Strategy) to address economic, governance, and security conditions driving migration to the United States from Central America.

In November 2021, the U.S. Agency for International Development (USAID) announced that it planned to provide \$300 million over 5 years for a new program, Centroamérica Local (CL), focused on the localization of development efforts in Central America.² According to USAID, CL is intended to empower local organizations in El Salvador, Guatemala, and Honduras to implement programs that will, among other things, advance economic growth, improve governance, and strengthen citizen security. USAID has a long-standing goal of enhancing its work with local partners

¹CBP's U.S. Border Patrol apprehends people between ports of entry, and CBP's Office of Field Operations encounters people who arrive at ports of entry. The Office of Field Operations reports encounters (versus apprehensions) because individuals do not enter the United States at ports of entry until Office of Field Operations officers have processed them.

²U.S. Agency for International Development, "USAID Announces Centroamérica Local Initiative to Empower Local Partners in El Salvador, Guatemala, and Honduras," press release, Nov. 4, 2021, accessed Mar. 9 2023, <https://www.usaid.gov/news-information/press-releases/nov-4-2021-usaid-announces-centroamerica-local-initiative-empower-local-partners-el-salvador-guatemala-and-honduras>. In September 2022, the USAID Administrator stated that Centroamérica Local is a model for a localization initiative in Africa. Samantha Power, "Administrator Samantha Power at a Roundtable Event on Doing Aid Better: Actions to Support Local Leadership In Policy, Funding, and Practice," Sept. 19, 2022, International Peace Institute, New York, accessed Nov. 14, 2023, <https://www.usaid.gov/news-information/speeches/09-19-2022-administrator-samantha-power-roundtable-event-doing-aid-better>.

to better target the causes of migration and create more sustainable solutions.³

However, as the USAID Administrator has noted, working with local partners is more difficult, time-consuming, and riskier when the partners do not have needed expertise or resources.⁴ *USAID's Anti-Corruption Policy* describes the agency's commitment to protect the integrity of foreign assistance, to properly steward taxpayer funds, and to manage the risks of fraud and corruption in the use of these funds.⁵

You asked us to review USAID's implementation of CL. Although the initiative is too nascent for an evaluation of its effectiveness, this report examines

1. the extent to which USAID integrated elements of the Root Causes Strategy and consulted with local stakeholders in developing CL;
2. USAID's identification and application of lessons learned from prior locally led development initiatives in developing CL;
3. the extent to which USAID assessed and, as necessary, adjusted its staffing levels for grant management and program oversight to reflect the resources required to oversee local partners under CL; and
4. the extent to which USAID has taken steps to identify and manage risks to CL, including fraud risk.

To examine the extent to which USAID integrated the Root Causes Strategy and consulted with local stakeholders in developing CL, we obtained documentation and conducted a content analysis of the 18 awards for CL activities that the USAID missions in El Salvador, Guatemala, and Honduras issued from August 2021 through June 2023. We also conducted interviews with USAID officials and local stakeholders

³According to USAID guidance, *program* refers to a mission's entire portfolio, or an entire technical sector portfolio, under a country's development cooperation strategy. For Washington operating units and other operating units that do not have a country development cooperation strategy, *program* generally refers to a set of projects or activities that support a higher-level objective or goal. For the purposes of this report, *program* refers to a set of projects or activities operated by a mission or bureau that support a higher-level objective or goal in a given country.

⁴Samantha Power, "Administrator Samantha Power on a New Vision for Global Development," Georgetown University, Washington, D.C., Nov. 4, 2021, accessed May 4, 2023, <https://www.usaid.gov/news-information/speeches/nov-04-2021-administrator-samantha-power-new-vision-global-development>.

⁵U.S. Agency for International Development, *Anti-Corruption Policy* (December 2022).

during visits to the three countries in March 2023. To examine USAID's identification and application of lessons learned from prior locally led development initiatives, we reviewed USAID reports and work plans and interviewed USAID officials, local stakeholders, and implementing partners in the three countries.

To examine the extent to which USAID assessed and adjusted staffing levels, we reviewed staffing data, documentation of staffing vacancies, and position requests for the agency's missions in the three countries. We evaluated USAID's approach to adjusting staffing levels by comparing it with guidance in the U.S. Office of Personnel Management's *Workforce Planning Guide*—specifically, guidance indicating that federal agencies should align staffing capacity with program plans, including long-term strategic direction.⁶ We assessed the data's reliability by reviewing information from the missions and comparing the data with other USAID sources and by interviewing knowledgeable officials about how the agency collects, maintains, and reviews the data for accuracy. We determined that the data were sufficiently reliable for reporting the number of positions and vacancies at the missions in the selected countries. We also interviewed mission and headquarters staff about their approach to assessing staffing needs.

To examine the extent to which USAID has taken steps to identify and manage risks, including fraud risk, we obtained USAID policy guidance as well as documents that the missions developed to assess fraud risk.⁷ We also interviewed officials at the three missions about their efforts to assess risk, including fraud risk. Additionally, we interviewed USAID Office of Inspector General (OIG) officials located at the El Salvador mission, asking them about OIG's oversight, and obtained data from OIG in Washington, D.C. about the provision of fraud awareness training in all three countries. According to OIG officials, the data were subject to OIG's internal quality control measures. We determined that the data were sufficiently reliable for reporting the number of OIG-provided fraud awareness trainings conducted at missions and implementing partners and the number of participants in the trainings. We evaluated USAID's steps to identify and manage risks by comparing them with U.S. Office of

⁶Office of Personnel Management, *Workforce Planning Guide* (November 2022).

⁷Independently determining whether fraud occurred was not within the scope of our review.

Management and Budget guidance,⁸ which calls for managers to adhere to the leading practices identified in our Fraud Risk Framework.⁹ For more information about our scope and methodology, see appendix I.

We conducted this performance audit from June 2022 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

El Salvador, Guatemala, and Honduras face various socioeconomic challenges, which the United States seeks to help them address through its assistance efforts.¹⁰ As we reported in September 2021, the three countries have struggled with high levels of poverty and unemployment, weak governance, and widespread violence as well as political instability in the region.¹¹ Figure 1 shows the locations of the three countries in Central America.

⁸Office of Management and Budget, *OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control"* (July 15, 2016).

⁹GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

¹⁰In fiscal year 2022, USAID's and the Department of State's combined bilateral assistance to the three countries totaled \$98.7 million for El Salvador, \$137.4 million for Guatemala, and \$117.9 million for Honduras. The countries also receive U.S. assistance through regional programs, such as the Central America Regional Security Initiative.

¹¹GAO, *Northern Triangle of Central America: The 2019 Suspension and Reprogramming of U.S. Funding Adversely Affected Assistance Projects*, [GAO-21-104366](#) (Washington, D.C.: Sept. 24, 2021).

Figure 1: Locations of El Salvador, Guatemala, and Honduras in Central America



Sources: GAO (data); Map Resources (map). | GAO-24-106232

As a result of these challenges, significant numbers of people, including unaccompanied minors, have attempted to migrate to the United States in recent years.¹² For example, U.S. Customs and Border Protection (CBP) data show 1,844,715 encounters, including apprehensions, of Salvadoran, Guatemalan, and Honduran nationals at the southwest U.S. land border in fiscal years 2020 through 2023 (see table 1).

¹²GAO, *Central America: USAID Assists Migrants Returning to Their Home Countries, but Effectiveness of Reintegration Efforts Remains to Be Determined*, [GAO-19-62](#) (Washington, D.C.: Nov. 8, 2018).

Table 1: Encounters of Salvadoran, Guatemalan, and Honduran Nationals at the Southwest U.S. Land Border, Fiscal Years 2020–2023

Fiscal year	Total encounters ^a
2020	106,762
2021	701,049
2022	541,618
2023	495,286
Total	1,844,715

Source: U.S. Customs and Border Protection Southwest Land Border Encounters. | GAO-24-106232

Notes: Data shown are as of Oct. 10, 2023, and include individuals processed under Title 8 and Title 42.

^aU.S. Customs and Border Protection’s U.S. Border Patrol apprehends people between ports of entry, and the Office of Field Operations encounters people who arrive at ports of entry. The Office of Field Operations reports encounters (versus apprehensions) because individuals do not enter the United States at ports of entry until the Office of Field Operations officers have processed them.

Root Causes Strategy

In July 2021, the White House published the Root Causes Strategy to help address the underlying causes of migration from Central America to the United States. According to the strategy, it focuses on the most commonly cited factors driving migration from Central America, particularly those related to economic opportunity, governance and transparency, and crime and insecurity.

The text box shows the strategy’s main focus areas, or “pillars.”

Pillars of Root Causes Strategy

Pillar I: Addressing economic insecurity and inequality

Pillar II: Combating corruption, strengthening democratic governance, and advancing the rule of law

Pillar III: Promoting respect for human rights, labor rights, and a free press

Pillar IV: Countering and preventing violence, extortion, and other crimes perpetrated by criminal gangs, trafficking networks, and other organized criminal organizations

Pillar V: Combating sexual, gender-based, and domestic violence

Source: U.S. Strategy for Addressing the Root Causes of Migration in Central America (2021). | GAO-24-106232

According to a 2022 progress report, USAID and other U.S. agencies, such as the Departments of Labor and Commerce, have taken actions

under the Root Causes Strategy.¹³ For example, the Department of Labor carried out vocational training in Central America to address economic insecurity and inequality, the strategy’s first pillar.

USAID Funding for CL

USAID announced in November 2021 that it intended to invest up to \$300 million in the CL initiative over 5 years to empower local organizations in El Salvador, Honduras, and Guatemala to address factors driving migration to the United States.¹⁴ This amount includes

- \$230.5 million for direct awards to local entities;
- \$24.5 million for enabling activities, including (a) local entity funding via locally led subawards through nonlocal direct awardees and (b) investments in local capacity strengthening, according to March 2023 guidance from USAID’s Bureau for Latin America and the Caribbean; and
- \$45 million for administrative and oversight expenses.

The funding that USAID committed for CL represents a significant portion of the El Salvador, Honduras, and Guatemala missions’ combined budgets. For example, in fiscal years 2021 and 2022, the three missions’ combined approved budgets totaled \$313 million and \$424.5 million, respectively.¹⁵

Prior USAID Localization Efforts

USAID conducted a variety of agency-wide localization efforts before initiating CL in 2021. These efforts included USAID Forward, begun in 2010, and Local Solutions, begun in 2013, both of which ended in 2017.¹⁶ Ongoing USAID localization efforts include Local Works, begun in 2015,

¹³Department of State, *Report to Congress on Progress Made in the Strategy to Advance Economic Prosperity, Combat Corruption, Strengthen Democratic Governance, and Improve Civilian Security in El Salvador, Guatemala, and Honduras Section 352(f) of The United States—Northern Triangle Enhanced Engagement Act (Div. FF, P.L. 116-260)*.

¹⁴U.S. Agency for International Development, “USAID Announces Centroamérica Local Initiative to Empower Local Partners in El Salvador, Guatemala, and Honduras.”

¹⁵The missions’ budgets for fiscal year 2022 included a total of \$43 million for the USAID Central America Regional Office.

¹⁶USAID Forward was an agency-wide reform effort to shift program funding to partner governments and local partners. Local Solutions was part of USAID Forward and focused on strengthening local capacity to carry out USAID funding and on increasing the sustainability of USAID’s efforts.

and the New Partnerships Initiative, begun in 2019.¹⁷ To measure progress toward its agencywide localization objectives in addition to its CL objectives, USAID uses two high-level targets: (1) funding through direct local awards (25 percent of overall program funding by 2025) and (2) local leadership of USAID programs (50 percent of programs by 2030).¹⁸

USAID defines localization as “the set of internal reforms, actions, and behavior changes that we are undertaking to ensure our work puts local actors in the lead, strengthens local systems, and is responsive to local communities.” According to USAID, localization fosters locally led development or the “process in which local actors—encompassing individuals, communities, networks, organizations, private entities, and governments—set their own agendas, develop solutions, and bring the capacity, leadership, and resources to make those solutions a reality.” Additionally, according to USAID, locally led development enables development work to be sustainable and informed by each country’s unique conditions.

Many local organizations are smaller or less established than traditional development organizations, such as large U.S. or international organizations, and may not have the capacity to implement a large amount of funding. As a result, USAID’s partnerships with local organizations may require USAID staff to provide more support, such as translating documents, and oversee a greater number of smaller awards, according to agency officials. In addition, new and local organizations may have little experience with implementing financial controls or reporting requirements. This may increase potential risks, including the

¹⁷Local Works was established to provide funding and technical support to increase locally led development. Local Works provides, through selected missions, flexible 5-year discretionary funding and unsolicited funding opportunities to local partners. The New Partnerships Initiative was established to support missions’ efforts to offer funding opportunities for new, nontraditional, and local partners.

¹⁸We are not examining the extent to which CL contributes to USAID’s meeting these agencywide targets for localization. See appendix I for more information about our objectives, scope, and methodology.

risk of fraud or noncompliance with USAID’s requirements. Such risks may also be greater in countries with high levels of corruption.¹⁹

Federal and USAID Fraud Risk Management Guidance

Federal requirements for managing fraud risk. The Payment Integrity Information Act of 2019 requires the Office of Management and Budget (OMB) to maintain guidelines for agencies to establish financial and administrative controls to identify and assess fraud risks, incorporating leading practices detailed in our Fraud Risk Framework.²⁰ The Fraud Risk Framework encompasses control activities to prevent, detect, and respond to fraud. The framework emphasizes prevention and environmental factors that help managers achieve their objective to mitigate fraud risks. OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, states that agencies should adhere to the Fraud Risk Framework’s leading practices as part of their efforts to effectively design, implement, and operate an internal control system that addresses financial and nonfinancial fraud risks.

USAID guidance. The following describes selected USAID guidance related to managing risk, including fraud risk.

- **Risk Appetite Statement.** USAID released its Risk Appetite Statement in 2018 and updated it in 2022.²¹ The statement provides guidance—based on an evaluation of opportunities and threats—regarding the levels and types of risk the agency is willing to accept to

¹⁹Transparency International’s Corruption Perceptions Index for 2022 shows El Salvador with a score of 33 of 100; Guatemala, 24 of 100; and Honduras, 23 of 100. According to Transparency International’s website, a country’s score is the perceived level of public sector corruption on a scale of 0 to 100, where 0 means highly corrupt and 100 means very clean. The website states that each country’s score is a combination of at least three data sources drawn from 13 different corruption surveys and assessments and collected by a variety of reputable institutions, including the World Bank and the World Economic Forum. See Transparency International, “Corruption Perceptions Index,” accessed Dec. 11, 2023, <https://www.transparency.org/en/cpi/2022/index/gtm>.

²⁰Pub. L. No. 116-117, § 2(a), 134 Stat. 113, 131-132 (2020), amending the United States Code to add 31 U.S.C. § 3357. The Fraud Risk Framework is set forth at [GAO-15-593SP](#).

²¹U.S. Agency for International Development, ADS 596mad, *USAID Risk Appetite Statement: A Mandatory Reference for ADS Chapter 596* (Aug. 22, 2022).

achieve its mission and objectives.²² The Risk Appetite Statement defines risk as the effect of uncertainty on the agency's objectives, noting that this definition recognizes that risk can present potential opportunities as well as potential negative outcomes.

- **Anti-Fraud Plan.** USAID's Anti-Fraud Plan, released in February 2021, outlines a strategic approach to protect the agency's operations and programs against fraud.²³ According to the plan, its objective is the implementation of an enterprise-wide strategy that includes awareness, prevention, detection, monitoring, early-response reporting, and evaluation of fraud. The plan states that it integrates anti-fraud processes with its existing internal controls and risk-management process and tools.
- **Anti-Fraud Field Guide.** USAID's Anti-Fraud Field Guide, revised in December 2022, provides guidance to operationalize and implement the Anti-Fraud Plan.²⁴ The guide also highlights how existing USAID tools and processes can be tailored to implement anti-fraud activities at the mission and program-specific level. In addition, the guide provides recommendations for applying fraud risk guidance and the tools available for conducting fraud risk assessments.

²²The Risk Appetite Statement identifies eight categories of risk—programmatic/development, fiduciary, reputational, legal, security, human capital, information technology, and operational—and ranks them as low, medium, or high with regard to USAID's appetite for risk (i.e., the amount of risk it is willing to accept) in each category. Fraud is not one of the eight categories, although it can affect the other types of risk.

²³U.S. Agency for International Development, *U.S. Agency for International Development Anti-Fraud Plan* (February 2021).

²⁴U.S. Agency for International Development, *Anti-Fraud Field Guide: Implementing the USAID Anti-Fraud Plan. An Additional Help for ADS 596* (Dec.13, 2022).

USAID Integrated Elements of the Root Causes Strategy and Consulted with Local Stakeholders in Developing CL

All CL Awards Align with at Least One Pillar of the Root Causes Strategy

Our analysis found that all CL awards issued by the USAID missions in El Salvador, Guatemala, and Honduras from August 2021, after the Root Causes Strategy was announced,²⁵ through June 2023 align with one to three pillars of the strategy (see table 2).²⁶ The strategy identifies the key ways in which the U.S. government will address the root causes of migration. According to USAID officials, the Root Causes Strategy is a priority for USAID’s work in Central America. Of the 18 CL awards we reviewed, 10 awards align with one pillar, five awards align with two pillars, and three awards align with three pillars. Awards most commonly align with pillar I (“Addressing economic insecurity and inequality”); 10 of the 18 awards align with this pillar.

Table 2: Extent to Which USAID Centroamérica Local (CL) Awards Align with Root Causes Strategy

Purpose of award, by country ^a	Does the activity description align with strategy’s pillars? ^b					Does the award agreement refer to migration?
	Pillar I: Addressing economic insecurity and inequality	Pillar II: Combatting corruption, strengthening democratic governance, and advancing the rule of law	Pillar III: Promoting respect for human rights, labor rights, and a free press	Pillar IV: Countering and preventing violence, extortion, and other crimes ^c	Pillar V: Combatting sexual, gender-based, and domestic violence	
El Salvador						
Migration research	Yes	No	No	No	No	Yes
Youth safety	No	No	No	Yes	Yes	Yes

²⁵The White House released the Root Causes Strategy on July 29, 2021.

²⁶We analyzed CL awards that the missions issued from August 2021 through June 2023 and that they funded through obligations made before fiscal year 2021. Our analysis of CL awards’ alignment with the Root Causes Strategy excluded CL awards funded through obligations in fiscal years 2021 through 2025 as well as any CL awards issued after June 2023, when we concluded the analysis. Our analysis also excluded four CL awards that USAID’s Guatemala mission issued to local partners before the strategy’s publication. See appendix I for more information about our scope and methodology.

Purpose of award, by country ^a	Does the activity description align with strategy's pillars? ^b					Does the award agreement refer to migration?
	Pillar I: Addressing economic insecurity and inequality	Pillar II: Combatting corruption, strengthening democratic governance, and advancing the rule of law	Pillar III: Promoting respect for human rights, labor rights, and a free press	Pillar IV: Countering and preventing violence, extortion, and other crimes ^c	Pillar V: Combatting sexual, gender-based, and domestic violence	
Water management	Yes	Yes	No	No	Yes	Yes
Civic engagement	No	Yes	Yes	No	Yes	Yes
Gender-based violence prevention	No	No	No	No	Yes	Yes
Anti-migration campaign	Yes	No	No	No	No	Yes
Youth job training	Yes	No	No	Yes	No	Yes
Crime prevention	No	Yes	No	Yes	Yes	Yes
Student retention	Yes	No	No	No	No	Yes
Agribusiness development	Yes	No	No	No	No	Yes
Support for farmers	Yes	No	No	No	No	Yes
Guatemala						
Strengthen community organizations	No	Yes	Yes	No	No	No
Trafficked and migrant children reentry	No	No	No	Yes	Yes	Yes
Youth leadership	Yes	No	No	No	No	Yes
Honduras						
Waste management	Yes	No	No	No	No	Yes
Waste management	Yes	No	No	No	No	Yes
Anticorruption	No	Yes	Yes	No	No	Yes
Human rights advocacy	No	No	Yes	No	No	Yes
Total yes^b	10	5	4	4	6	17

Source: GAO analysis of U.S. Agency for International Development (USAID) award agreements. | GAO-24-106232

Note: The White House published the *U.S. Strategy for Addressing the Root Causes of Migration in Central America*, known as the Root Causes Strategy, on July 29, 2021. We analyzed CL awards issued from August 2021 through June 2023. Our analysis excludes four CL awards that USAID's Guatemala mission issued to local partners before the strategy's publication. These awards support U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the award agreements do not refer to the strategy.

^aThe agreements were signed after July 2021.

^b“Yes” indicates that a goal of the award activity aligns with the goals of the pillar. “No” indicates that an award activity goal does not align with the pillar’s goals.

^cPillar IV focuses on countering and preventing violence, extortion, and other crimes perpetrated by criminal gangs, trafficking networks, and other organized criminal networks.

Our review of documentation for the 18 awards found that 17 of the award agreements stated that some aspect of the activities would aim to address migration. The only award whose agreement did not include such a statement contained wording that aligned with Pillar II (“Combating corruption, strengthening democratic governance, and advancing the rule of law”) and Pillar III (“Promoting respect for human rights, labor rights, and a free press”).

Addressing the Root Causes Strategy fits within the missions’ overarching goals, such as those stated in their country development cooperation strategies, according to mission officials. USAID officials stated that localization strategies, such as the CL initiative, can implement the Root Causes Strategy more effectively than traditional development strategies because locally led development is more sustainable.

USAID Consultation with Local Stakeholders Informed Development of CL

In developing CL, USAID officials consulted with local stakeholders, including implementing partners and mission staff who were nationals of the country in which they worked. Officials at the missions stated that the relationships established and knowledge gleaned by mission staff in the course of their work contributed to the development of CL. USAID mission staff regularly communicate with local stakeholders. For example, mission staff make site visits to implementing partners; conduct workshops involving award applicants; and schedule other events, such as a presentation to announce funding opportunities, that draw local stakeholders. Most consultation with local stakeholders to inform the development of CL took place in Guatemala and included local leaders and community organizations, according to USAID officials.

Additionally, consultation with local stakeholders contributed to the missions’ implementation of localization efforts, including CL, according to USAID officials. For example, the Guatemala mission created a localization working group in response to USAID’s greater emphasis on localization before it announced CL. The working group, which consisted of mission staff volunteers—including a number of Guatemalan staff members—conducted focus groups with many stakeholders and developed a localization framework. According to mission officials, this period of learning and information gathering helped the mission prepare

to implement localization efforts, such as through a new USAID funding opportunity for local organizations. Two missions also participated in the USAID New Partnerships Initiative to conduct a “partner landscape” analysis. According to officials, these analyses gathered information on local organizations, such as the number of such organizations, their areas of focus, and their capacity to work with USAID.

Local Partners and Mission Officials Described Project Development for CL as More Collaborative Than for Prior Localization Efforts

To design awards for CL projects, the El Salvador, Guatemala, and Honduras missions use a process, known as co-creation, that missions and officials described as more collaborative than the processes used for previous USAID localization efforts. Mission officials stated that USAID regularly uses co-creation to develop CL projects. Co-creation is a collaborative process in which mission staff and representatives of one or more potential implementing partners and other stakeholders spend several days workshopping a potential activity before the partner or partners submit a full application for funding (see fig. 2).

Figure 2: U.S. Agency for International Development (USAID) Application and Co-Creation Process



Sources: GAO summary of USAID information (data); GAO (icons). | GAO-24-106232

Mission staff and local implementing partner representatives described co-creation as more collaborative than award design processes they had experienced previously. During our visits to the three countries, we interviewed representatives of 16 local implementing partners. Representatives of several of these partners said they felt they were conversing or working hand-in-hand with USAID staff during the co-creation process. In contrast, they said that during previous USAID award design processes, USAID had instructed them in how to design a project. Local partner representatives also said they felt the co-creation workshop

had improved their projects by generating dialogue with USAID staff and by involving additional stakeholders, such as community members, whom USAID staff invited.

During co-creation, USAID and local implementing partners may negotiate changes to improve the efficiency or effectiveness of planned projects. For example:

- At USAID's request, to avoid duplication, a local partner removed a scholarship program that another USAID project was already addressing, according to representatives of the partner.
- USAID asked a local partner to align a project more closely with the Root Causes Strategy, according to agency officials. As a result, beneficiaries of the project included returned child migrants in addition to trafficked children.

Beneficiaries we spoke with expressed satisfaction with USAID-funded projects developed through co-creation. For example, Honduran coffee farmers told us they had learned new techniques from a USAID-funded program that enabled them to grow higher yields and hire more farmworkers, resulting in the farmers' choosing not to migrate (see fig. 3).

Figure 3: Farmer Demonstrating Coffee-Bean Processing Supported by U.S. Agency for International Development’s Centroamérica Local Initiative



Source: GAO (photo). | GAO-24-106232

Lessons Learned from Prior Localization Initiatives Informed USAID’s Development of CL

USAID Integrated Lessons Learned into CL, Including Strategies to Minimize Barriers for Local Stakeholders

In developing CL, USAID integrated lessons it had learned from prior localization initiatives, including strategies aimed at helping local stakeholders and USAID to work more effectively together. Our review of reports and memos found that USAID officials identified these lessons particularly through interviews with mission staff and local stakeholders regarding past localization efforts. Table 3 shows the lessons that USAID identified and integrated into CL.

Table 3: Lessons USAID Learned from Prior Localization Initiatives and Integrated into Centroamérica Local (CL), with Selected Examples of Implementation

Lesson	Selected example of implementation
1 Build local stakeholders’ capacity to work successfully with USAID.	CL includes an enabling fund of \$24.5 million for local capacity building and subawards to local partners.
2 Take action to reduce the burden for local stakeholders to work with USAID, including potential risks.	Local stakeholders can partner with USAID as subawardees—for example, through the \$24.5 million enabling fund, which shields such partners from financial and reputational risks that direct partners may face.
3 Increase USAID staffing capacity to carry out localization, including by addressing space constraints in missions and increasing number of staff.	USAID’s El Salvador, Guatemala, and Honduras missions requested additional staff to meet needs for localization.
4 Initiate flexible funding approaches.	Honduras mission officials stated that the mission has shifted to using more fixed amount awards because they offer flexibilities, such as providing funds to implementing partners when the partners reach milestones.
5 Use local languages to improve local stakeholders’ access to USAID funding.	Guatemala mission officials stated that the mission accepts initial applications for funding, called “concept notes,” orally or written in English, Spanish, or indigenous languages.
6 Use flexible award design approaches, such as co-creation.	El Salvador mission officials stated that co-creation has become common practice and more collaborative than in previous years.
7 Set appropriate targets to promote long-term change, including through tailoring performance metrics to each activity and to partner capacity.	El Salvador mission officials stated that during co-creation, the mission and local partners discuss how to measure success in the local partners’ terms.
8 Use subawards to promote locally led development, because they are more accessible for local stakeholders, enable learning and capacity building for subawardees, and may prepare subawardees to receive a direct award.	USAID officials stated that the agency uses transition awards to promote locally led development. Transition awards include a requirement that the implementing partner build the capacity of a local stakeholder to become a USAID direct awardee.
9 Ensure USAID regulations accurately reflect legislation.	USAID updated the Automated Directives System 303 to reflect legislation regarding the circumstances under which USAID can restrict award eligibility to local stakeholders.
10 Update USAID’s risk posture in order to clarify guidance for staff and increase local stakeholders’ access to USAID funding.	USAID updated its risk posture with the publication of its 2022 Risk Appetite Statement.
11 Improve communication between headquarters and the field environment by establishing a focal point for effective coordination, such as a small team dedicated to supporting implementation of reforms.	USAID established the Northern Triangle Task Force in 2021 to coordinate between the missions and headquarters on topics including CL.

Source: GAO analysis of USAID documents and interviews. | GAO-24-106232

Local Implementing Partners Reported Some Remaining Challenges USAID is Working to Address

Although USAID implemented certain lessons learned to help local stakeholders work more effectively with USAID, stakeholders we interviewed told us that challenges remain. For example, they noted that USAID reporting requirements take significant time to address and can be difficult to navigate. Representatives of local partners with experience in applying for USAID awards described difficulties related to their limited ability to navigate or understand USAID's structure, resources, and organizational language. Local partner representatives also described difficulty in applying U.S. government requirements that all partners must adhere to, such as registering at SAM.gov and annually renewing the registration.²⁷

According to USAID mission staff, partners sometimes prepare for 6 to 8 months, gathering information and documents, before registering at SAM.gov and wait an additional 2 months for their registration to be processed. To facilitate the process, USAID mission staff provide support to local partners attempting to register at SAM.gov, and USAID published step-by-step guides, among other resources, according to USAID officials. USAID officials stated that USAID also communicated with GSA, including providing local partner feedback, to address complications that local partners face. USAID officials stated, that as a result, GSA took steps such as implementing additional changes in its guidance, providing videos translated into local languages, and changing the way its federal service help desk responded to USAID's non-U.S. entities.

Additionally, some local partner representatives reported language-related difficulties in working with USAID. Many local partners communicate with USAID in English, such as when writing applications for funding and fulfilling reporting requirements to USAID. Representatives of one local partner told us that speaking English is a necessity to work successfully with USAID, and representatives of other local partners said they preferred to communicate with USAID in English because they were more familiar with USAID's vernacular in English than in Spanish. However, some local partner representatives told us that although they speak English, they found USAID documents, such as the Automated Directives System (ADS), difficult to understand. USAID officials stated that USAID has translated sections of the ADS into

²⁷ Organizations must officially register on SAM.gov, a U.S. government website operated by the General Services Administration, to apply for federal grants or loans or to bid on government contracts.

Spanish and plans to translate additional sections to facilitate partnering with local entities.

Staffing Levels Are Insufficient for Oversight of Expected Increase in CL Awards

Missions Assessed Staffing Needs and Received Approval for Additional Positions to Support Localization

In response to a request from USAID headquarters in 2021, all three Central American missions assessed their needs, and received approval, for additional staff to manage and oversee the greater number of smaller awards to local implementing partners under localization initiatives, including CL, and to perform other USAID work. Although the missions' assessments varied in complexity, the majority of the assessments identified needs for additional positions on the basis of existing staff numbers and expected budgets. After submitting their initial staffing assessments in December 2021, all three missions requested additional Foreign Service officer (FSO), Foreign Service national (FSN),²⁸ U.S. personal services contractor (USPC), and other staff positions from USAID headquarters in fiscal years 2022 and 2023.²⁹

The chief of mission at an embassy, generally the ambassador, determines the number of authorized positions at each mission.³⁰ To add or eliminate FSO and USPC positions at a mission, USAID submits a request to the chief of mission. The chief of mission also generally processes requests for additional FSN positions at the post. If the chief of

²⁸Although some FSNs are direct hires, the vast majority of FSNs are personal services contractors (also known as locally employed staff). The term *cooperating country nationals personal services contractors* is also used in USAID staffing request memos; for the purposes of this report, we refer to these staff as FSNs.

²⁹Other positions that missions requested to support localization efforts included positions for eligible family members.

³⁰National Security Decision Directive 38 (NSDD-38) provides authority for the chief of mission to determine the size, composition, or mandate of direct-hire, full-time, permanent positions staffed by U.S. citizens and foreign nationals at the mission. Although the NSDD-38 process does not apply to non-direct-hire, non-full-time, nonpermanent positions, chiefs of mission may establish a similar process to review these positions. 6 FAH-5 H-351.2.

mission does not approve the agency's request, USAID cannot add new positions at the mission even if USAID headquarters has approved them.

All additional positions that the three missions requested for CL and other efforts in fiscal years 2022 and 2023 were approved by the chief of mission, although the approval of the Guatemala mission's request was conditioned on FSNs' and USPSCs' teleworking.

- The El Salvador mission requested 17 additional FSO, FSN, and USPSC positions, among others, which the chief of mission approved.
- The Guatemala mission requested 14 additional FSO, FSN, and USPSC positions, which the chief of mission approved with certain conditions. The primary condition was that most of the new FSN and USPSC staff could be required to telework once the mission moved into a new embassy compound, where space is limited. Mission officials told us in November 2023 that the new staff had not yet been required to telework.
- The Honduras mission requested 22 additional FSO and FSN positions, which the chief of mission approved.

Resource Constraints Have Led to Staffing Levels That Are Insufficient for Oversight of Expected Increase in CL Awards

Resource constraints have led to gaps in staffing needed to oversee the expected increase in awards for localization efforts, including CL, and to perform other USAID work. As of June 2023, each mission had gaps between the number of authorized and staffed positions, particularly FSN positions, which mission officials indicated are important for managing initiatives such as CL.³¹ According to mission officials, FSNs are the backbone of a mission because of their knowledge of local languages and ability to engage directly with implementing partners. In addition, FSNs are an important source of institutional knowledge, providing continuity when FSOs rotate to their next assignment, according to the USAID Administrator.³² FSOs generally rotate every 2 to 4 years, depending on the designated length of their tour.

As table 4 shows, seven to 23 percent of authorized FSO positions and 16 to 37 percent of authorized FSN positions at the three missions were

³¹For the purposes of this report, an authorized position has been approved and may be filled; a staffed position has been filled.

³²Samantha Power, "Administrator Samantha Power on a New Vision for Global Development."

vacant as of June 2023. In each mission, FSN positions generally had the highest percentage of vacancies.

Table 4: Numbers and Percentages of Vacant Foreign Service Officer (FSO) and Foreign Service National (FSN) Positions at USAID Missions in Central America as of June 2023

U.S mission	Total authorized positions	Vacant positions	Percentage vacant
FSO positions			
El Salvador	40	7	18
Guatemala	29	2 ^a	7
Honduras	26	6	23
Total	95	15	16
FSN positions			
El Salvador	101	22	22
Guatemala	92	15	16
Honduras	115	43	37
Total	308	80	26

Source: U.S. Agency for International Development (USAID). | GAO-24-106232

Notes: The data shown reflect staffing at the missions for Centroamérica Local as well as other USAID work. Vacancies may reflect ongoing recruitments, such as backfilling of positions for which current employees had applied and been selected but that they had not yet filled.

^aA Foreign Service officer was expected to fill one of the two vacant positions at the Guatemala post on June 30, 2023, according to mission officials.

USAID officials attributed FSO and FSN vacancies to several factors.

- FSO vacancies are due primarily to the rotation of officers among posts, according to officials. When a new FSO is assigned to a post, required language training and certain administrative processes may delay the FSO’s arrival, according to agency officials. As a result, some time may elapse between the previous FSO’s departure and the new FSO’s arrival.
- FSN vacancies are due primarily funding directives and delays and to space limitations, according to officials. Officials also stated that the time needed to develop position classifications and process security clearance applications contributes to FSN vacancies.

USAID officials described steps they have taken to address the effects of funding directives and delays and of space limitations on filling FSN positions.

Funding directives and delays. Several factors can affect the availability of expected funding for CL activities and, therefore, the hiring of staff to manage and implement them, according to USAID officials. Congress often designates specific programmatic purposes when appropriating funding for assistance in Central America. According to USAID officials, this can limit the funding available to the missions for discretionary spending, such as spending to hire new local staff. Guatemala mission officials noted that almost all funds managed by the mission are congressionally designated. Officials also observed that the mission's Country Development Cooperation Strategy prioritizes projects on the basis of the type of funds available.

In addition, mission officials stated that congressional notification delays have affected the mission's current and planned activities, including the delivery of technical assistance. In some cases, these delays have caused the mission to consider stopping the implementation of program activities. In at least two cases, delays of up to 11 months in receiving appropriated funds for the prior fiscal year have slowed missions' implementation of activities, according to USAID officials. To mitigate the effects of funding uncertainties, USAID officials have advocated for missions' use of CL administrative funds to pay for hiring additional FSNs and USPSCs, according to officials.

Space limitations. In Guatemala, the new embassy compound, where the mission relocated in February 2023, is too small to accommodate additional USAID staff, according to officials. The officials said that the mission's allocated space in the compound, for 114 staff, would require a reduction in force. Similarly, in Honduras, the mission is scheduled to move in May 2024 into a new embassy compound that will not accommodate all existing USAID staff, according to an agency official. To compensate for these space limitations, USAID has taken steps such as the following:

- The Guatemala mission sought funds in fiscal year 2022 to (1) hire short-term staff and (2) continue support for virtual temporary-duty assignments or details and for short-term offsite staff from USAID headquarters. In addition, USAID's Bureau of Overseas Building Operations has proposed condensing cubicles to alleviate some of the space issues at the mission, according to USAID officials.
- The Guatemala mission requested approval for FSNs to telework, which the chief of mission approved. Employees assigned to an overseas post must follow the post's telework policy, generally

established by the chief of mission. Currently, all three missions preclude routine telework for U.S. direct hires and employed family members and have varying telework policies for FSNs.

- USAID headquarters has indicated that it supports the Honduras mission’s maintaining its current leased facilities, which can be renovated to meet individual offices’ staffing needs. The mission is also seeking a waiver of a statutory requirement that all U.S. government employees at any new diplomatic facility abroad be colocated.³³ As of January 2024, the Department of State had not approved the waiver.

In November 2023, USAID officials told us that the missions have sufficient staff to oversee current activities but will need to continue hiring additional staff, including FSNs, to ensure adequate oversight of the increasing number of smaller awards under CL. However, the officials said that lack of certainty about funding negatively affects the hiring process. Moreover, in March 2023, officials at all three missions told us that mission staff were already “stretched thin” with their current workload and that the lack of space at Guatemala and Honduras missions limited their ability to hire additional staff. In November 2021, the USAID Administrator noted that USAID would take steps to provide effective staffing to oversee and manage the planned increase in funding to local partners and would expand the authorization for FSNs to play a larger role in awarding and managing assistance.³⁴

Yet, according to an October 2022 USAID report to Congress, “reliance on a hodge-podge of non-career and term-limited [staffing] mechanisms...puts at risk the institutionalization and oversight of some of

³³The Secure Embassy Construction and Counterterrorism Act of 1999 established a number of security requirements for diplomatic facilities overseas, including a requirement that all U.S. government personnel (except those under the command of an area military commander) at any new U.S. diplomatic facility abroad must be located at the same site. The Secretary of State may waive the colocation requirement if the Secretary, together with the head of each agency employing personnel who would not be located at the site, determines that security considerations permit separate sites and it is in the national interest of the United States. See 22 U.S.C. § 4865(a)(2)(B).

³⁴Samantha Power, “Administrator Samantha Power on a New Vision for Global Development.”

the Agency's highest-priority initiatives."³⁵ USAID's Interim Strategic Workforce Plan, published in February 2020, states:

Over the years, fluctuations in the appropriations of [operating expenses] funds, hiring freezes for the civil service and foreign service, and complex and urgent staff needs have resulted in the development of multiple mechanisms for non-career, at-will hiring at USAID. While these flexible hiring mechanisms have been useful, they have not provided sufficient agility to meet our current and future mission needs. Moreover, the numerous hiring mechanisms have resulted in heavy management burdens, inefficient workforce-planning, and a lack of equitable benefits for staff.³⁶

In the absence of more certainty about funding as well as flexibility for using it to hire additional staff, addressing other barriers to hiring staff to oversee CL and other localization efforts is essential. The U.S. Office of Personnel Management's (OPM) *Workforce Planning Guide* indicates the need to align staffing capacity with program plans, including long-term strategic direction.³⁷ In addition, the guide calls for agencies to, among other things, develop strategies to close gaps and develop plans to implement the strategies.

In May 2022, USAID's Office of Inspector General (OIG) recommended that USAID take several actions agencywide, including finalizing strategic workforce planning guidance, to address factors limiting its ability to identify and address its workforce needs, such as by defining and

³⁵U.S. Agency for International Development, *Transforming the Workforce Report to Congress* (Oct. 5, 2022), accessed Aug. 25, 2023, <https://www.usaid.gov/rports/transforming-workforce/fy-2022>. In addition, in May 2022, USAID OIG reported that USAID's ability to identify and address workforce needs was hindered by several factors, and it recommended actions USAID should take to address them. USAID concurred with the recommendations. USAID Office of Inspector General, *Strategic Workforce Planning: Challenges Impair USAID's Ability to Establish a Comprehensive Human Capital Approach*, Audit Report 9-000-22-001-P (May 25, 2022).

³⁶U.S. Agency for International Development, *USAID Interim Strategic Workforce Plan, Fiscal Years 2020–2022* (Feb. 20, 2020).

³⁷Office of Personnel Management, *Workforce Planning Guide* (Nov. 2022). The guide is intended to help agencies comply with an OPM requirement, set forth at 5 C.F.R. § 250.204(a)(2), that human capital policies and programs be based on comprehensive workforce planning and analysis. In March 2006, OPM released a Human Capital Assessment and Accountability Framework that expands on and integrates previous guidance on workforce planning, such as the five-step model, and other human capital elements of the President's Management Agenda.

addressing skills gaps. USAID concurred with the recommendations.³⁸ As of November 2023 these recommendations remained open, according to OIG.

Until USAID takes corrective actions to address OIG's recommendations, identifying long-term human capital solutions to address the ongoing staffing shortages, particularly among FSNs, at the El Salvador, Guatemala, and Honduras missions would help USAID management ensure adequate oversight of CL.

³⁸USAID OIG recommended, among other things, that USAID create an agency-specific definition of skill gaps to address both competency and staffing skill gaps across its hiring mechanisms. OIG also recommended that USAID finalize strategic workforce planning guidance, to include its updated Strategic Workforce Plan, the ADS chapter on workforce planning, and materials to assist agency operating units in identifying and addressing skill gaps. USAID Office of Inspector General, *Strategic Workforce Planning: Challenges Impair USAID's Ability to Establish a Comprehensive Human Capital Approach*, Audit Report 9-000-22-001-P (May 25, 2022).

USAID Has Not Followed Leading Practices for Assessing Fraud Risk

Missions Take Steps to Identify and Mitigate Risks That Could Affect CL

USAID's El Salvador, Guatemala, and Honduras missions use various agencywide tools to identify and mitigate fiduciary, programmatic, and reputational risks, among others, that may affect their activities, including CL activities (see text box).³⁹ The missions also take some steps to identify and mitigate fraud risks, including those that may affect CL.⁴⁰

³⁹To examine USAID's risk identification and mitigation processes, we focused our review on one low-, one medium-, and one high-ranked risk among the eight categories of risk identified in USAID's Risk Appetite categories (i.e., programmatic/development, fiduciary, reputational, legal, security, human capital, information technology, and operational). The statement ranks these categories as low, medium, or high with regard to USAID's appetite for risk (i.e., the amount of risk it is willing to accept) in each category. The Risk Appetite Statement also notes that these categories may be interrelated. See U.S. Agency for International Development, *USAID Risk Appetite Statement: A Mandatory Reference for ADS Chapter 596* (Aug. 22, 2022).

⁴⁰According to USAID's Risk Appetite Statement, the eight categories of risk listed in the statement may be affected by other risks that are not listed.

Selected USAID Risk Management Tools

- **Enterprise risk management (ERM).** USAID defines ERM as a holistic approach to agencywide risk management that emphasizes addressing the full spectrum of risks and managing their combined impact as an interrelated risk portfolio. Under an ERM approach, the goal is not to control or avoid all risk but rather to take advantage of opportunities while reducing or mitigating threats to maximize the agency's overall likelihood of achieving its mission and objectives.
- **Federal Managers Financial Integrity Act (FMFIA) certification process.** FMFIA requires the head of each executive agency to submit an annual statement to the President and Congress on the status of the agency's system of management controls. This statement must, among other things, confirm that the agency's system of management controls conforms with GAO's *Standards for Internal Control in the Federal Government*. Missions' FMFIA certification process consists of five steps: (1) assess risks and internal control activities, (2) conduct reviews and make final deficiency determinations, (3) prepare corrective action plans, (4) generate and submit FMFIA certification, and (5) submit supporting documentation.
- **Management Council on Risk and Internal Control (MCRIC).** MCRICs provide management and oversight for ERM and internal control at the USAID mission, bureau, or office level. Each mission MCRIC's duties include managing risks and internal control deficiencies that the mission faces. Mission MCRICs must also prepare and submit FMFIA certifications and risk profiles to USAID's Risk Management Council or Senior Assessment Team.
- **Non-U.S. Organization Pre-award Survey (NUPAS).** The NUPAS provides information that USAID needs to evaluate an award applicant's ability to adequately fulfill the award's terms. It also serves as a selection tool to determine the potential partner's responsibility and whether the final award document should contain special award conditions.
- **Partner government risk assessment.** USAID's partner government risk assessments assist missions in assessing partner governments' systems—specifically, any risks the systems present to achieving USAID development objectives—before the missions make awards for government-to-government assistance.
- **Risk profile.** Missions uses risk profiles to identify, analyze, and manage risks in relation to achievement of strategic objectives. USAID's risk management implementation guidance requires missions to prepare and submit an annual risk profile as a mechanism to share information with leadership about the major risks the missions face. Missions typically track several risks at any given time but generally elevate only five to seven risks for consideration to higher bodies. USAID issues risk profile implementation guidance annually to help missions, bureaus, and offices update and submit their risk profiles during USAID's annual ERM exercise. USAID's risk profile implementation guidance for fiscal year 2023 stated that the agency was moving to continuous risk monitoring.
- **Uniform Risk and Internal Control Assessment (URICA).** USAID uses URICA to identify risks and associated controls, calculate a risk priority and internal control deficiency, and allow management to decide if the deficiency identified is correct. According to USAID, URICA is a uniform process consisting of five steps—(1) risk identification, (2) risk rating, (3) control rating, (4) deficiency prioritization and rating, and (5) management's decision—that should be performed at regular intervals and incorporated into existing processes, such as program or project reviews.

Source: U.S. Agency for International Development (USAID). | GAO-24-106232

The following describes examples of the selected missions' use of these agencywide tools to manage fiduciary, programmatic, reputational, and fraud risk that may affect CL and other localization activities.

Fiduciary Risk

Fiduciary Risk

USAID defines fiduciary risks as events or circumstances that could potentially advance the efficient use or contribute to the inefficient use and control of USAID resources.

Fiduciary risks include the risk of corruption, fraud, waste, abuse, loss, mismanagement, or unauthorized use of U.S. government funds, property, or other assets. Fiduciary risks also include conflicts of interest that could adversely affect accountability for U.S. taxpayer dollars.

Source: U.S. Agency for International Development (USAID).
| GAO-24-106232

- **Identification.** Two tools used by the selected missions to detect and assess fiduciary risk are the Federal Managers Financial Integrity Act (FMFIA) annual exercise⁴¹ and the Management Council on Risk and Internal Control (MCRIC).⁴² For example, the El Salvador mission holds biannual meetings of its MCRIC, which addresses FMFIA-related issues, among others. During the meetings, the mission conducts risk appetite–related discussions that include identifying any new risks that have resulted from changes in the program or the country.
- **Mitigation.** According to USAID, using certain award types, such as fixed-amount awards for assistance and fixed-price contracts for acquisition, limits their fiduciary risk when working with new partners.⁴³ The missions may also impose specific award conditions, such as requiring that implementing partners undertake capacity building, to address any identified weaknesses.

Programmatic Risk

Programmatic Risk

USAID defines programmatic risks as events or circumstances that could potentially improve or undermine the effectiveness of USAID's programmatic goals, the achievement of sustained development outcomes, and the delivery and effectiveness of humanitarian assistance.

Source: U.S. Agency for International Development (USAID).
| GAO-24-106232

- **Identification.** Officials at the selected missions stated that tools they use at the activity level include the Non-U.S. Organization Pre-Award Survey (NUPAS) and pre-award survey checklists to identify risks that may prevent new implementing partners from successfully

⁴¹FMFIA amended the Accounting and Auditing Act of 1950 to require ongoing evaluations and reports on the adequacy of the systems for internal accounting and administrative control of each executive agency. FMFIA requires an annual statement of assurance to be submitted by the head of each executive agency to the President and Congress on the status of the agency's system of management controls and whether the agency's system of management control conforms with standards for internal control in the federal government. See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

⁴²The missions' MCRICs provide management and oversight for Enterprise Risk Management, including FMFIA certification.

⁴³According to USAID, fixed-amount awards and fixed-price contracts allow USAID to withhold funding from implementing partners until it has seen results. U.S. Agency for International Development, *USAID: Acquisition and Assistance Strategy* (Mar. 7, 2023).

implementing program activities.⁴⁴ The survey and checklists are intended to assess whether the implementing partner has the necessary organization, experience, accounting and operational controls, and technical skills to achieve the program's objectives or whether specific award conditions will be needed.

- **Mitigation.** If a mission identifies programmatic risk, it may work with the implementing partner to develop specific award conditions. For example, the mission may require the implementing partner to provide additional project reporting, among other things. To ensure that partners meet specific award conditions, mission officials may conduct site visits or review required reports. In addition, missions may require implementing partners to contract for technical assistance to build capacity, according to agency guidance.
- **Identification.** Mission officials told us that they identify reputational risks through meetings with implementing partners and civil society organizations.⁴⁵ Additionally, missions may use a partner government risk assessment tool to assess reputational risks related to working with foreign governments.⁴⁶ For example, the Honduras mission used a partner government risk assessment tool before issuing

Reputational Risk

Reputational Risk

USAID defines reputational risks as events or circumstances that could potentially improve or compromise the U.S. government's and USAID's standing or credibility with Congress, the interagency, the American public, partner country governments, multilateral institutions, implementing partners, beneficiaries, or other stakeholders.

Source: U.S. Agency for International Development (USAID).
| GAO-24-106232

⁴⁴NUPASs also address fiduciary risk. They help determine whether the organization's financial management and internal control systems are adequate to manage, control, account for, and report on the uses of potential USAID funds, thus protecting the U.S. government's interests.

⁴⁵In an example of reputational risk that we previously reported, representatives of an implementing partner in the Northern Triangle told us that the 2019 suspension of U.S. funding led to a loss of credibility, as its projects could not honor commitments or offer assurances in some cases. For example, after spending over a year implementing a project in 20 municipalities to improve the competitiveness of small and medium-sized enterprises, the implementing partner had to inform the municipalities they would not receive the planned assistance funding. According to the implementing partner representatives we spoke with, the municipalities involved had often already invested their own funds to complement the planned activities. See [GAO-21-104366](#).

⁴⁶See U.S. Agency for International Development, *Strengthening the Capacity of Partner Governments through Government-to-Government (G2G) Assistance for ADS 220* (Jan. 13, 2021).

implementation letters—formal documents describing terms of agreements—to the Honduran government.⁴⁷

- **Mitigation.** USAID guidance indicates that if a mission identifies reputational risk, it will work with the partner government to develop a risk mitigation plan and will ensure that the plan is implemented. For example, a risk assessment conducted by the Honduras mission in February 2017 identified the following risk: “Human resource weaknesses that result from a high level of exposure to political influence in the selection and promotion of staff, that might potentially lead to mismanagement of USAID and government of Honduras funds.”⁴⁸ The assessment also identified the following mitigation measure: “Shield the staff from political pressures, addressing the identified weaknesses.”

Fraud Risk

Fraud Risk

Our Fraud Risk Framework states that effective fraud risk management helps to ensure that federal programs’ services fulfill their intended purpose, funds are spent effectively, and assets are safeguarded (see [GAO-15-593SP](#)). According to the framework, the objective of fraud risk management is to ensure program integrity by continuously and strategically mitigating the likelihood and impact of fraud. Managers of government programs maintain the primary responsibility for enhancing program integrity.

Source: U.S. Agency for International Development (USAID).
| GAO-24-106232

- **Identification.** The selected missions consider fraud risk through their annual Uniform Risk and Internal Control Assessments (URICA) as well as through their risk profiles, according to USAID officials.⁴⁹ According to USAID guidance, URICA assessments identify, among other things, control activities to address risk, such as segregation of duties and fraud, as well as areas where controls are ineffective or insufficient. Risk profiles identify major risks that require additional response to reduce the threat of loss. They may also include strategic risks that the missions accept because they have determined that the opportunity exceeds the threat of loss.
- **Mitigation.** If a mission identifies fraud risk, it will develop a corrective action plan and ensure the plan is implemented. For example, the mission may provide payments to an implementing partner as reimbursements rather than in advance or require the partner to

⁴⁷The mission used a partner government risk assessment tool known as the Public Financial Management Risk Assessment Framework, Stage 2. See U.S. Agency for International Development, *Use and Strengthening of Reliable Partner Government Systems for Implementation of Direct Assistance for ADS Chapter 220* (July 28, 2014).

⁴⁸According to the guidance in use during 2017, the risk assessment tool is designed to assess fiduciary rather than programmatic or other types of risk, although other risk types, including reputational risk, may be identified as part of the assessment process.

⁴⁹We have previously reported that managing fraud risk entails processes that may differ from, but are compatible with, processes to manage other forms of risk. For instance, an agency may have enterprise-wide or other risk management activities, such as processes to assess risks affecting operations or compliance with laws, that can inform the specific approach taken for assessing fraud risks. See [GAO-15-593SP](#).

submit more detailed financial reporting.⁵⁰ Follow-up occurs during each mission's biannual MCRIC meetings.

Missions Have Not Followed Leading Practices for Assessing and Documenting Fraud Risk Affecting Programs That Support CL

The selected missions consider and document fraud risk to some extent through their annual URICAs and risk profiles, but they have not assessed and documented fraud risks specific to the missions' external operating environments and the programs that support the CL initiative. Federal statute and OMB Circular No. A-123 affirm that managers should adhere to the leading practices identified in the Fraud Risk Framework.⁵¹ Those leading practices include conducting program-specific fraud risk assessments at regular intervals, tailoring the assessments to the program, and using the assessments' results to document a fraud risk profile.⁵² According to the framework, managers who effectively assess fraud risks attempt to fully consider the specific fraud risks the agency or program faces, analyze the potential likelihood and impact of fraud schemes, and ultimately document prioritized fraud risks.

According to USAID officials, the agency does not require a stand-alone fraud risk assessment but includes fraud risk assessment as an integral part of the annual FMFIA exercise (which includes the URICA) and risk profile process conducted by missions and other operational units, such as bureaus and offices. Moreover, mission officials said that the risks identified in the enterprise risk management (ERM) exercise drive the

⁵⁰USAID requires that a foreign organization or foreign public entity that expends \$750,000 or more of U.S. federal awards during its fiscal year must complete an audit for that fiscal year. These audits must adhere to Generally Accepted Government Auditing Standards. If the auditor finds sufficient evidence of fraud, the auditor must report it to the appropriate USAID operating unit. For a foreign award recipient that spent less than \$750,000 of federal awards during its fiscal year, the USAID operating unit may determine that an audit is warranted to mitigate risk or prevent fraud, waste, or abuse. See U.S. Agency for International Development, *USAID Financial Guide for Foreign Organizations: A Mandatory Reference for ADS Chapter 591* (Oct. 11, 2023).

⁵¹In July 2016, OMB published an update to Circular No. A-123, which provides guidance about enterprise risk management and internal controls in federal agencies. This guidance affirms that managers should adhere to the leading practices identified in the Fraud Risk Framework. In October 2022, OMB issued a Controller Alert clarifying the distinction between requirements in the Fraud Reduction and Data Analytics Act of 2015 and the Payment Integrity and Information Act of 2019 to establish fraud-related financial and administrative controls and enterprise risk management to ensure fraud risks are appropriately managed.

⁵²The Fraud Risk Framework identifies five key elements of a fraud risk assessment: (1) identify inherent fraud risks affecting the program, (2) assess the likelihood and impact of inherent fraud risks, (3) determine fraud risk tolerance, (4) examine the suitability of existing fraud controls and prioritize residual fraud risks, and (5) document the program's fraud risk profile.

mission's determination of whether an antifraud response is required. All three missions' URICAs for fiscal year 2023 addressed the same 27 to 30 considerations,⁵³ a number of which related to fraud. For example, one consideration noted the risk of fraud if access to financial and management systems and records were not limited to authorized individuals with accountability for custody and use.

However, our review of each mission's fiscal year 2023 URICA documents found that the URICAs did not adhere to leading practices for program-specific fraud risk assessment. None of the URICA documents listed program-specific fraud risks—for example, fraud risks endemic to the region, such as corruption schemes prevalent in the countries where the missions operate. Also, none identified specific fraud risks that were linked to changes in regional risks or that varied by country.

Further, our review of the missions' risk profiles for fiscal years 2021 through 2023 found that each profile identified three to eight risks, including programmatic and operational risks, but none of the profiles identified fraud risks.⁵⁴ The missions do not generate program-specific fraud risk profiles—a leading practice identified by the Fraud Risk Framework. According to the framework, an effective program-specific risk assessment process involves determining the types of internal and external fraud risks, their perceived likelihood and impact, managers' risk tolerance, and the prioritization of risks. This process results in the development of a fraud risk profile, which, among other things, describes the suitability of existing fraud controls and prioritizes residual fraud risks. The Fraud Risk Framework also states that the fraud risk profile is an essential piece of an overall antifraud strategy and can inform the specific control activities that managers design and implement to mitigate the identified fraud risks. Implementing an antifraud strategy at the program level is essential because each program has its own objectives, risks, and challenges.

⁵³Each URICA follows a template and identifies the same risks, concerns, or events, which we refer to as considerations. Of the fiscal year 2023 URICAs we reviewed, El Salvador's identified 27 considerations and Honduras's and Guatemala's each identified 30.

⁵⁴USAID's enterprise risk management guidance for fiscal year 2023 indicates that risk profiles should generally include five to seven key risks. U.S. Agency for International Development, *Enterprise Risk Management: Risk Profile Implementation Guidance for Fiscal Year 2023* (Feb. 14, 2023).

According to USAID officials, each mission documents some information about fraud risks through the FMFIA process, which includes the URICA, and through the risk profile, which focuses on agencywide risks. However, mission officials stated that they do not generate fraud risk profiles based on program-specific fraud risk assessments, because USAID agencywide policy does not require them to do so. Agency officials confirmed that program-specific fraud risk assessments and fraud risk profiles are not required for any USAID programs.

We have previously reported on limitations in USAID’s fraud risk management due to the lack of fraud risk assessments for its programs, including programs that supported a USAID initiative.⁵⁵ Without agencywide guidance requiring regular program-specific fraud risk assessments and documentation of program-specific fraud risk profiles, USAID will continue to lack assurance that the most pressing fraud risks affecting its programs—including programs that support CL or other initiatives—will be identified and that control activities to mitigate the risks will be implemented. As a consequence, USAID programs will remain vulnerable to unnecessary fraud risks.

Selected Missions Have Provided Access to Fraud Awareness Training but Do Not Require or Track Attendance

The three selected missions provided some opportunities for staff as well as CL implementing partners to attend fraud awareness training, but they do not require or track attendance. The Fraud Risk Framework identifies training as an important part of demonstrating the agency’s commitment to combating fraud. According to the framework, training and education intended to increase fraud awareness among stakeholders, managers, and employees serve as a preventive measure by helping to create a culture of integrity and compliance within the agency.

According to the USAID officials, fraud awareness training that was available to mission staff and implementing partner representatives in the three selected countries from February 2021 through July 2023 included trainings provided by USAID OIG at the missions’ request. USAID officials told us that participation in the OIG trainings was not required. Officials

⁵⁵In March 2021, we reported that programs supporting USAID’s Mérida Initiative could be vulnerable to unnecessary fraud risks because of a lack of program-level fraud risk assessments and an antifraud strategy. We recommended that the USAID Administrator ensure that the Bureau for Latin America and the Caribbean completes a fraud risk assessment for its program under the Mérida Initiative and develops, documents, and implements an antifraud strategy for the program. USAID concurred with the recommendations and took actions to implement them for the Mérida Initiative. See GAO, *U.S. Assistance to Mexico: State and USAID Should Strengthen Risk Management for Programs under the Mérida Initiative*, [GAO-21-335](#) (Washington, D.C.: Mar. 1, 2021).

also said that they do not track data on the number of OIG trainings or the number of participants and that they would have to request such data from OIG. According to OIG data, OIG staff provided three trainings to mission staff and 48 trainings to implementing partner representatives in El Salvador, Guatemala, and Honduras (see table 5). During that 3-year period, no fraud awareness training was provided to mission staff in Honduras in 2021; to implementing partner representatives in Honduras in 2022; or to mission staff in El Salvador, Guatemala, or Honduras in 2023.

Table 5: Number of USAID OIG Fraud Awareness Trainings Provided to El Salvador, Guatemala, and Honduras Mission Staff and Implementing Partner Representatives, February 2021–July 2023

		Trainings for mission staff	Trainings for implementing partner representatives
El Salvador	2021	0	8
	2022	1	10
	2023	0	8
Guatemala	2021	1	2
	2022	0	4
	2023	0	6
Honduras	2021	0	3
	2022	1	0
	2023	0	7
Total		3	48

Source: U.S. Agency for International Development (USAID) Office of Inspector General (OIG) data. | GAO-24-106232

Notes: In addition to providing fraud awareness trainings to implementing partners and mission staff separately, USAID OIG provided trainings to implementing partners and mission staff jointly. Two joint trainings occurred in El Salvador in fiscal year 2021, and one joint training occurred in Guatemala in fiscal year 2022.

According to USAID OIG, from February 2021 through July 2023, 162 mission staff and 1,916 representatives of implementing partners participated in OIG trainings presented separately to these groups (see table 6).

Table 6: Number of Participants in OIG Fraud Awareness Trainings for Mission Staff and Implementing Partner in El Salvador, Guatemala, and Honduras February 2021–July 2023

Mission	Calendar year	Mission staff	Implementing partner representatives
El Salvador	2021	0	618
	2022	87	290
	2023	0	229
Guatemala	2021	32	41
	2022	0	74
	2023	0	274
Honduras	2021	0	169
	2022	43	0
	2023	0	221
Total		162	1,916

Source: U.S. Agency for International Development (USAID) Office of Inspector General (OIG) data. | GAO-24-106232

Note: In addition to providing fraud awareness trainings to implementing partners and mission staff separately, USAID OIG provided trainings to mission staff and implementing partner representatives jointly. In El Salvador, 22 mission staff and implementing partner representatives participated in joint trainings in 2021, and 163 mission staff and implementing partner representatives participated in joint trainings in calendar year 2022.

According to USAID and mission officials, mission staff also had access to online training provided by USAID University, including courses about Enterprise Risk Management and Fraud Awareness, although data on participation in these courses were not available. USAID officials stated that the courses are open to all staff but are not mandatory. Typically, according to mission officials, only Office of Financial Management staff are required to take these courses, because they are responsible for conducting the annual ERM exercise and ensuring compliance with the Federal Managers Financial Integrity Act.⁵⁶ Mission officials also noted that annual ethics training, which USAID requires all mission staff to complete, includes a fraud component. USAID and mission officials indicated that the agency tracks participation in its required ethics training and for its professional procurement certification.

⁵⁶According to USAID officials, annual training requirements may exist for various personnel in the mission depending on their role. For example, to be certified for procurement, staff must complete four core courses and an exam covering the basic principles and sources of law relevant to procurement.

Further, according to mission officials, implementing partners for CL activities in the three selected countries had access to fraud awareness training provided by the missions and by the Bureau of Management's Office of Management Policy, Budget and Performance, in addition to the training provided by USAID OIG. The missions provided optional fraud awareness training as part of their award administration process. Additionally, the bureau provided an in-person presentation on compliance, among other topics, in February 2023.

However, mission officials were unable to provide data showing either the number of staff trained through online courses provided by USAID University or the number of implementing partner representatives trained by the missions.⁵⁷ According to officials, the missions do not require staff or partners with responsibility for implementing and overseeing CL-related programs to attend fraud awareness training, because USAID does not have agencywide policy and guidance requiring such attendance for missions or bureaus that manage foreign assistance programs. Likewise, officials said they do not track attendance of fraud awareness training because USAID does not require them to do so.

USAID's Anti-Fraud Plan and its Anti-Fraud Field Guide both state the need for fraud training. Moreover, the Fraud Risk Framework states that it is a leading practice for agencies to require all employees to attend antifraud training upon hiring and on an ongoing basis thereafter and to maintain records to track compliance. In addition, the framework states that it is a leading practice for agencies to provide training to stakeholders with responsibility for implementing aspects of the program, including contractors and other external entities responsible for fraud controls.⁵⁸

Offering fraud awareness training for mission staff and implementing partners is an important step in helping to promote fraud risk management. However, fraud risks can change over time, and fraud risk management activities and mechanisms—as well as the individuals who must use them—may also change. Requiring the regular provision of, and tracking of participation in, mandatory fraud awareness training for all staff and implementing partners involved in administering its foreign assistance would strengthen USAID's fraud risk management. Without requiring such training and the tracking of participation, USAID cannot be

⁵⁷According to USAID officials, they can obtain the number of students who had taken courses from USAID University but do not maintain this information themselves.

⁵⁸[GAO-15-593SP](#).

assured that its staff and implementing partners are continuously aware of risks that could affect its programs—including those that support CL and other initiatives—and of how to best manage those risks.

Conclusions

USAID's aim, through CL, of empowering local organizations in Central America to address the factors driving migration to the United States is an important response to the White House's Root Causes Strategy. In announcing the initiative, the USAID Administrator expressed a commitment to hire additional staff, including FSNs, to oversee the increasing number of awards to local organizations. However, almost 2 and a half years into the effort, the three missions continue to have vacant positions, particularly among FSNs. Although the missions have taken short-term measures to address their staffing shortages, identifying long-term human capital solutions to their ongoing staffing shortages, particularly among FSNs, would help USAID management ensure adequate oversight of CL and other localization initiatives as the number of awards increases.

USAID has conducted some activities to manage risks—an essential federal oversight activity—that could affect its programs, including those that support CL. However, its efforts have fallen short of leading practices for fraud risk management. Specifically, USAID does not require annual program-specific fraud risk assessments and documentation of fraud risk profiles based on those assessments. The agency also does not require the regular provision of, and tracking of participation in, mandatory fraud awareness training for its staff and implementing partner representatives involved in administering its foreign assistance.

Without agencywide guidance requiring regular program-specific fraud risk assessments and documentation of program-specific fraud risk profiles, USAID will continue to lack assurance that the most pressing fraud risks to its programs—including those that support CL and other initiatives—will be identified and that control activities to mitigate those risks will be implemented. Moreover, without requiring regular, mandatory fraud awareness training and tracking of participation, USAID will continue to lack assurance that its staff and implementing partners know how to properly prevent, detect, and respond to fraud risks in its programs.

Recommendations for Executive Action

We are making the following three recommendations to USAID:

The Administrator of USAID should work with the Secretary of State to institute long-term human capital solutions to address FSN staffing shortages in carrying out Centroamérica Local. (Recommendation 1)

The Administrator of USAID should ensure that agencywide guidance requires regular fraud risk assessments for its programs—including programs supporting USAID initiatives—as well as documentation of program-specific fraud risk profiles in accordance with leading practices in the Fraud Risk Framework. (Recommendation 2)

The Administrator of USAID should ensure that agencywide guidance requires the regular provision of, and tracking of participation in, mandatory fraud awareness training for USAID staff involved in administering foreign assistance as well as for representatives of all partner organizations implementing the assistance. (Recommendation 3)

Agency Comments and Our Evaluation

We provided a draft of this report to USAID for review and comment. USAID provided comments that are reproduced in appendix II. USAID also provided technical comments, which we incorporated as appropriate.

In its comments, USAID agreed with our three recommendations and described actions it will take, or has started to take, to address them. The following summarizes USAID's comments and our responses.

- **Recommendation 1.** USAID commented that State's Bureau of Overseas Building Operations is exploring ways to address staffing shortages. Specifically, USAID stated that to allow additional space for staffing, the bureau is assessing the viability of the building USAID vacated in Guatemala when it moved to the new embassy compound.⁵⁹ However, Guatemala mission officials previously told us that the bureau had said it would not spend the funds required to make the mission's vacated building useable. Instead, according to mission officials, the bureau proposed condensing cubicles in the new embassy building to maximize available space for USAID staff. As a result, space for mission staff may remain limited in Guatemala.

⁵⁹In addition, USAID stated in its comment letter that State's Bureau of Overseas Building Operations had approved a colocation waiver for the Guatemala mission to allow additional space for staffing. However, during a follow-up conversation with us, officials corrected that statement and confirmed that the mission had not requested or received a waiver.

USAID also stated in its comments that it is actively working with the bureau to identify viable options for providing additional space for Honduras mission staff and that it intends to request a colocation waiver.⁶⁰

- **Recommendation 2.** USAID stated that the Chief Financial Officer will collaborate with agency stakeholders to amend and incorporate agency policy to highlight the need for assessable unit–level fraud risk assessments, as outlined in GAO’s Fraud Risk Framework,⁶¹ considering any differences between programs overseen by each unit.⁶² USAID also stated that it intends to, among other things, modify the URICA tool, which each assessable unit is required to complete annually, to emphasize assessable unit–level fraud risk assessments by aligning multiple existing fraud risk management activities. The leading practices identified by the Fraud Risk Framework include conducting, at regular intervals, fraud risk assessments that are tailored to each program⁶³ and using the assessments’ results to document a program-specific fraud risk profile.⁶⁴ To the extent that USAID amends its policy and approaches to require missions, bureaus, and other assessable units to incorporate these practices,

⁶⁰The Secure Embassy Construction and Counterterrorism Act of 1999 established, among other requirements, that all U.S. government personnel (except those under the command of an area military commander) at any new U.S. diplomatic facility abroad must be located at the same site. The Secretary of State may waive the colocation requirement if the Secretary, together with the head of each agency employing personnel who would not be located at the site, determines that security considerations permit separate sites and it is in the national interest of the United States. 22 U.S.C. § 4865(a)(2)(B).

⁶¹In July 2016, OMB published an update to Circular No. A-123, which provides guidance for enterprise risk management and internal controls in federal agencies. This guidance affirms that managers should adhere to the leading practices identified in the Fraud Risk Framework.

⁶²According to USAID, an assessable unit is a USAID organizational unit that submits an annual statement of assurance to the next supervisory level regarding the status of internal control and also submits an organizational risk profile. All missions, bureaus, and independent offices are designated as assessable units. In addition, missions, bureaus, and independent offices may designate their lower-level organizational units, such as divisions or offices, as assessable units.

⁶³For the purposes of this report, *program* refers to a set of projects or activities operated by a mission or bureau that support a higher-level objective or goal in a given country.

⁶⁴The Fraud Risk Framework identifies five key elements of a fraud risk assessment: (1) identify inherent fraud risks affecting the program, (2) assess the likelihood and impact of inherent fraud risks, (3) determine fraud risk tolerance, (4) examine the suitability of existing fraud controls and prioritize residual fraud risks, and (5) document the program’s fraud risk profile.

the agency will strengthen its ability to manage the risk of fraud in its use of taxpayer funds.

- **Recommendation 3.** USAID agreed to communicate the need for mandatory fraud awareness training for staff and implementing partners. USAID stated that it will endeavor to leverage existing OIG fraud awareness training and other potential training partners and venues, emphasizing the need for all program staff to attend and document attendance. USAID also stated that it will coordinate internally to require fraud awareness training for implementing partners' program managers and key personnel, using a train-the-trainers approach.

USAID also noted in its comments that we did not detect any instances of fraud. However, as we have stated in our report, independently determining whether fraud had occurred was not within the scope of our review. Instead, we evaluated USAID's processes for identifying and mitigating fraud risks.

We are sending copies of this report to the appropriate congressional committees, the Administrator of USAID, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4409 or lovegrayerl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Sincerely yours,



Latesha Love-Grayer
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

We examined (1) the extent to which USAID integrated elements of *U.S. Strategy for Addressing the Root Causes of Migration in Central America* (known as the Root Causes Strategy) and consulted with local stakeholders in developing Centroamérica Local (CL); (2) USAID's identification and application of lessons learned from prior locally led development initiatives in developing CL; (3) the extent to which USAID assessed and, as necessary, adjusted its staffing levels for grant management and program oversight to reflect the resources required to oversee local partners under CL; and (4) the extent to which USAID has taken steps to identify and manage risks to CL, including fraud risk.

To examine the extent to which USAID integrated elements of the Root Causes Strategy and consulted with local stakeholders in developing CL, we obtained documentation of USAID awards made under CL and conducted interviews with USAID officials and local stakeholders. We conducted content analysis of the award documents to determine whether the award goals aligned with the Root Causes Strategy pillars or identified any of the pillars. Our content analysis included noting instances in which documents explicitly mentioned a strategy pillar. Additionally, one analyst evaluated whether the program description section of each document identified activities and goals intended to address the issues specified in the strategy's pillars. A second analyst reviewed and verified the analysis.

We visited USAID's El Salvador, Guatemala, and Honduras missions, where CL projects are being implemented, in March 2023. We interviewed technical project managers at the missions to determine how they understood the purpose of the CL initiative and how they linked CL to the Root Causes Strategy. Additionally, we collaborated with USAID to coordinate meetings with as many current local partners and other local stakeholders in each country as time, availability, and logistics allowed. We interviewed representatives of 16 direct local implementing partners—the majority of the missions' local partners. We also interviewed award beneficiaries, such as farmers trained under USAID programs, and other local stakeholders, such as local organizations that were not USAID partners. We asked them about their awareness of the Root Causes Strategy; their experiences in working with USAID; and whether and, if applicable, how USAID consulted with them.

To examine USAID's identification and application of lessons learned from prior locally led development initiatives, we obtained and reviewed several USAID documents. These documents included USAID studies of lessons learned from previous localization efforts, a Department of State

report to Congress, and a USAID work plan for implementing CL.¹ We also interviewed USAID officials in Washington, D.C., and at the three missions regarding their implementation of the lessons learned. During our visits to El Salvador, Guatemala, and Honduras, we asked local partners to evaluate the extent to which USAID has implemented lessons learned on barriers for local partners.

To examine the extent to which USAID assessed and, as necessary, adjusted its staffing levels for grant management and program oversight, we reviewed USAID documents on staffing assessments, formal staffing requests that missions submitted pursuant to National Security Decision Directive 38, and decision memorandum requests related to staffing increases in support of localization. We obtained staffing data from the three missions on requested, vacant, and filled positions for foreign service officers (FSO), foreign service nationals (FSN), U.S. personal services contractors, employed family members, and third-country nationals as of June 30, 2023. We reviewed these data to determine (1) the number of FSOs, FSNs, and other staff that the missions requested to support localization as well as (2) the number of vacancies from January 2021 through July 2023. We also reviewed these data to determine (1) whether missions requested staffing to support localization, (2) whether staffing shortages existed, and (3) any documented reasons why certain positions were not filled.

We assessed the reliability of the staffing data by reviewing responses to questionnaires that we sent to USAID staff with responsibilities for collecting, maintaining, and ensuring accuracy of data. We also compared the data with other sources, such as tables provided by USAID's Human Capital and Talent Management Bureau. We found the data to be sufficiently reliable for reporting the number of positions and vacancies at the missions. We also reviewed each mission's telework policies for FSOs and FSNs.

In addition, we interviewed officials of USAID's Human Capital and Talent Management Office; Bureau for Management, Office of Acquisition and Assistance; and Bureau for Latin America and the Caribbean in Washington, D.C., regarding workforce planning, guidance, and staffing needs. During our visits to El Salvador, Guatemala, and Honduras in

¹Department of State, *Report to Congress on a Strategy to Increase the Use of Local Organizations and Staff. Section 7019(e) of the Department of State Foreign Operations, and Related Programs Appropriations Act (SFOAA), 2022 (Div. K, P.L. 117-103) and House Report (117-84)*.

March 2023, we interviewed mission officials about staffing, including funds for hiring staff, vacancies, factors contributing to vacancies, and the effect of vacancies on oversight. In Guatemala and Honduras, we also interviewed mission officials about the likely effects that planned and recent moves to new mission facilities would have on staffing and about the missions' plans to mitigate these effects.

We evaluated USAID's approach to adjusting staffing levels by comparing it with guidance in the U.S. Office of Personnel Management's *Workforce Planning Guide*.² This guidance indicates that federal agencies should align staffing capacity with program plans, including long-term strategic direction.

To examine the extent to which USAID has taken steps to identify and manage risks that could affect CL, we reviewed documentation containing USAID guidance related to risk management. This documentation included chapters 201, 220, 303, 401, 405, and 596 of USAID's Automated Directive System; USAID's Risk Appetite Statement;³ Anti-Fraud Plan;⁴ Anti-Fraud Field Guide;⁵ and Risk Profile Implementation Guidance for fiscal years 2021 through 2023.⁶ We also reviewed various mission-specific risk-related documents, including meeting minutes for the El Salvador, Guatemala, and Honduras missions' Management Councils on Risk and Internal Controls, to identify areas of risk from April 22, 2021, to June 2, 2023; Enterprise Risk Management Risk Profiles for all three missions for fiscal years 2021 through 2023; and Uniform Risk and Internal Control Assessments for all three missions for fiscal year 2023. We did not attempt to independently determine whether fraud occurred.

Additionally, we interviewed Office of Inspector General (OIG) officials at the El Salvador mission, discussing OIG's oversight, the risk of fraud, and

²Office of Personnel Management, *Workforce Planning Guide* (November 2022).

³U.S. Agency for International Development, *USAID Risk Appetite Statement: A Mandatory Reference for ADS Chapter 596* (Aug. 22, 2022).

⁴U.S. Agency for International Development, *U.S. Agency for International Development Anti-Fraud Plan* (February 2021).

⁵U.S. Agency for International Development, *Anti-Fraud Field Guide: Implementing the USAID Anti-Fraud Plan. An Additional Help for ADS 596* (Dec.13, 2022).

⁶U.S. Agency for International Development, *Enterprise Risk Management: FY 2021 Risk Profile Implementation Guidance; Enterprise Risk Management: Risk Profile Implementation Guidance for Fiscal Year 2022* (Feb. 14, 2022); *Enterprise Risk Management: Risk Profile Implementation Guidance for Fiscal Year 2023* (Feb. 14, 2023).

the provision of fraud awareness training in all three countries. We also obtained information from OIG officials in Washington, D.C., about the number of fraud awareness trainings it provided to the three missions and to implementing partners in El Salvador, Guatemala, and Honduras as well as the number of mission staff and implementing partner staff trained. To assess the reliability of the OIG data, we asked OIG officials to complete a data reliability questionnaire. In response, the officials stated, “USAID OIG’s data is subject to our own internal quality control measures.” Because USAID could not supply any other data on attendance at fraud awareness training provided by OIG, for the purposes of this review we considered the OIG data to be sufficiently reliable for reporting the number of fraud awareness trainings and the number of USAID mission and implementing partner participants in the trainings. Finally, USAID officials informed us about online fraud awareness and enterprise risk management training provided by USAID University.

We evaluated USAID’s steps to identify and manage risks by comparing them with federal statute and with guidance from the Office of Management and Budget,⁷ which affirms that managers should adhere to the leading practices identified in the Fraud Risk Framework.⁸ In the course of this analysis, we also evaluated USAID’s provision of fraud risk management training by comparing it with a leading practice in the Fraud Risk Framework that calls for agencies to require all employees to attend antifraud training and calls for agencies to track attendance. We also compared USAID’s provision of fraud risk management training with USAID guidance that establishes the need for fraud training.

We conducted this performance audit from March 2022 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁷Office of Management and Budget, *OMB Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control* (rev. July 15, 2016).

⁸GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

Appendix II: Comments from the U.S. Agency for International Development



Latesha Love-Grayer
Director
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20226

02/28/2024

Re: USAID Should Strengthen Staffing and Risk Management for Initiative Addressing Migration to the U.S (GAO-24-106232)

Dear Director Love-Grayer:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, *USAID Should Strengthen Staffing and Risk Management for Initiative Addressing Migration to the U.S.* (GAO-24-106232).

USAID welcomes all independent assessments and is committed to improving staffing and risk management practices, including those related to the Centroamérica Local (CL) initiative. Guided by the five pillars of the U.S. Strategy to Address the Root Causes of Migration in Central America, USAID, along with partners in El Salvador, Guatemala, and Honduras, is working to bolster economic growth, promote good governance, advance human rights, reduce crime, and combat gender-based violence.

The GAO assessment for this report covered the time period of July 2021 through June 2023 and examined the implementation of CL, including the co-creation process and the migration-related focuses of each of the initiative's existing 18 grants. USAID staff, both in Washington and in the field, have studied the GAO's three recommendations regarding staffing, fraud risk assessment and fraud risk training.

Regarding staffing, the GAO recommended that the USAID Administrator continue to coordinate with the Secretary of State to find long-term solutions to address FSN staffing shortages. The Administrator's team regularly works with their counterparts at the Department of State on staffing and office space solutions and will continue to do so. Recognizing that management of higher numbers of awards will require more staff, the Department of State's Bureau of Overseas Building Operations (OBO) has approved space for additional staffing at the Guatemala Mission and OBO and USAID are working toward accomplishing that in Honduras as well. In addition, all new FSN positions that the three missions requested in fiscal years 2022 and 2023 have been approved by the respective chiefs of mission.

The USAID Administrator is committed to combating corruption as an Agency priority,

**Appendix II: Comments from the U.S. Agency
for International Development**

including fraud, by creating an organizational culture and structure conducive to fraud risk management through the Agency's Anti-Corruption Policy and now the first-ever Anti-Corruption Center (ACC)—the new home for USAID's anti-corruption efforts. To that end, the GAO's thorough review did not detect any instances of fraud which speaks to some of the USAID processes and procedures already embedded at various stages throughout our missions, programs and initiatives, including the need for fraud awareness training for program-related staff and implementing partners.

Enterprise Risk Management (ERM) at USAID is a holistic, Agency-wide approach to risk management that emphasizes addressing a full spectrum of risks while managing their combined impact as an interrelated risk portfolio. This approach is inclusive of fraud risk management. The vision for ERM as a USAID-adopted approach is to ensure Agency strategic objectives, derived from our Agency's strategic plan—including planning, operations and programming, are conducted and monitored within a risk-aware and risk-balanced culture. As outlined by USAID's Anti-Fraud Plan, fraud risk management implements an integrated, enterprise-wide strategy that includes multiple activities that promote awareness, prevention, detection, monitoring, early-response reporting and fraud evaluation. The plan focuses on anti-fraud activities, acknowledging the responsibilities and functions of USAID's personnel, the country contexts in which we operate and by embedding anti-fraud processes with our existing internal controls and extensive risk-management processes and tools. This plan utilizes GAO's "A Framework for Managing Fraud Risks in Federal Programs" as the basis for fraud risk assessments. Within USAID, assessing risk by technical sector portfolio would not be beneficial as fraud risks do not differ significantly across sectors. It is more effective to use an Assessable Unit (AU)-level approach to address fraud risks specific to the context of the entity, by building upon the legacy URICA Tool, where 70% of the questions were oriented towards complying with GAO Green Book Principle 8 Assess Fraud Risk. This legacy tool is currently being enhanced to emphasize AU-level fraud risk assessments by aligning multiple existing fraud risk management activities into a fraud risk framework. This new tool will outline USAID's approach and prioritization factors for conducting fraud risk assessments within an AU using a standard format to document vulnerabilities, risk levels, residual risks, and mitigation strategies, among other topics (excluding BHA, which has existing advanced fraud risk assessment processes) as well as monitoring mitigation steps for assessed risks and regularly re-examining vulnerabilities based on risk and environmental factors. Finally, USAID is piloting an ERM Tool Risk module, which will be enhanced to facilitate the Assessment and Design & Implement practices of the GAO Fraud Risk Framework at the AU level, which encapsulates programs and/or implementing partners.

I am transmitting this letter and the enclosed comments from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report, and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of our localization initiative aimed at addressing migration.

**Appendix II: Comments from the U.S. Agency
for International Development**

Sincerely,

Colleen Allen

Colleen R. Allen
Assistant Administrator
Bureau for Management

Enclosure: a/s

**Appendix II: Comments from the U.S. Agency
for International Development**

COMMENTS BY USAID ON THE DRAFT REPORT PRODUCED BY THE GAO, *USAID Should Strengthen Staffing and Risk Management for Initiative Addressing Migration to the U.S.* (GAO-24-106232)

The U.S. Agency for International Development (USAID) would like to thank the U.S. Government Accountability Office (GAO) for the opportunity to respond to this draft report. We appreciate the extensive work of the GAO engagement team, and the specific findings that will help USAID achieve greater effectiveness with staffing to align with our mission and increased awareness, fraud risk assessments and training.

USAID would like to offer some additional insights, context and suggestions to this report to the three recommendations for action on the Agency's behalf:

Recommendation 1: The Administrator of USAID should work with the Secretary of State to institute long-term human capital solutions to address FSN staffing shortages in carrying out Centroamérica Local.

USAID Response: USAID concurs with this recommendation. The USAID Administrator's management team is in regular contact with its counterparts at the Department of State to ensure long-term human capital solutions to carry out Centroamérica Local (CL). To date, the State Department has worked with USAID to establish options to accommodate issues surrounding the New Embassy Compounds. OBO is exploring the viability of the previous USAID building in Guatemala, and has approved the co-location for Guatemala to allow additional space for staffing. USAID is actively engaged with OBO to identify viable options in Honduras and intends to request a co-location waiver for Honduras. All additional Foreign Service, FSN and USPSC positions that the three missions requested in fiscal years 2022 and 2023 were approved by the respective chiefs of mission.

USAID is confident that the three NCA Missions will meet the CL targets, and USAID regularly engages with Missions to monitor all administrative actions necessary to support this goal. As of Q4 FY 2023, all three NCA missions are on a trajectory to meet the \$300 million CL goal by the end of the FY 2025 commitment and obligation cycle.

Recommendation 2: The Administrator of USAID should ensure that agencywide guidance requires regular fraud risk assessments for its programs—including programs supporting USAID initiatives—as well as documentation of program-level fraud risk profiles in accordance with leading practices in the Fraud Risk Framework.

USAID Response: USAID concurs with this recommendation. The CFO will collaborate with Agency stakeholders to amend and incorporate Agency policy to highlight the need for AU-level fraud risk assessments as outlined in the GAO's [A Framework for Managing Fraud Risks in Federal Programs](#).

**Appendix II: Comments from the U.S. Agency
for International Development**

USAID is piloting -at the AU/Mission levels- a continuous monitoring system for ERM in which, in tandem with FMFIA, identified risks (whether fraud or otherwise) in programs and assessable units are reported continuously. USAID has a new tool in ServiceNow for this purpose and the rollout is occurring this year.

Recommendation 3: The Administrator of USAID should ensure that agencywide guidance requires USAID missions and bureaus that administer foreign assistance programs to provide mandatory fraud training on an ongoing basis for staff and implementing partners and to track participation in the training.

USAID Response:

The CFO concurs with this recommendation and agrees to communicate the need for mandatory fraud awareness training for staff and implementing partners. To help the Agency ensure key personnel and implementing partners receive fraud awareness training, the CFO will collaborate with the Agency stakeholders to incorporate and refine Agency policy to highlight the need for fraud risk assessments at the AU level, considering any differences between programs within the AU. Furthermore, USAID will endeavor to leverage existing OIG Fraud Awareness Training and other potential training partners/venues, emphasizing the need for all program staff to attend and document attendance. The Agency will coordinate internally to develop an effective strategy to require fraud awareness training for the Chief of Party and Key Personnel, using the Train-the-Trainers approach.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Latesha Love-Grayer at (202) 512-4409 or lovegrayerl@gao.gov

Staff Acknowledgments

In addition to the contact named above, Judith Williams (Assistant Director), Julie Hirshen (Analyst-in-Charge), Jasmine Senior (Analyst-in-Charge), Emily Weisenberger, Reid Lowe, and Christopher Koblitis made key contributions to this report. Mark Dowling, Terry Richardson, Irina Carnevale, Toni Gillich, Jeff Isaacs, Steve Lozano, Anthony Costulas, Elizabeth Schaerr Garlock, Lisa Shibata, and Tom Zingale provided technical assistance.

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