Functional Series 200 – Programming Policy
ADS 202 – Achieving

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*An asterisk indicates that the adjacent material is new or revised.

ADS 202 – Achieving

202.1   OVERVIEW
         Effective Date: 01/31/2003

This chapter outlines the basic policy directives and required procedures used in achieving Strategic and Special Objectives with USAID-managed program resources. Operating Units should apply these policy directives and required procedures to help ensure that the development results that USAID seeks are obtained in a cost-effective and timely manner, consistent with applicable regulatory and accountability requirements. Achieving begins after the planning and approval of objectives and activities and ends with the completion or termination of the objective. Assessing impact and learning from experience takes place concurrently with achieving. New planning may take place when new or modified objectives and/or activities are identified in the course of achieving. Achieving includes the following steps or tasks:

- Structuring Strategic Objective (SO) Teams for activity implementation

- Mobilizing inputs

- Supporting implementing partners to achieve results

- Monitoring quality and timeliness of key outputs

- Managing USAID program resources and requesting funds

- Performing funds control, payment, and obligations management

- Managing vulnerability

- Closing out SOs and obligating instruments

202.2   PRIMARY RESPONSIBILITIES
         Effective Date: 01/31/2003

All Operating Units that provide support services to SO Teams share responsibility with the SO Teams in achieving results included under their approved objective. Operating Units and their Bureaus have particular responsibilities to ensure that SO Teams function effectively.

a.   SO Teams have two principal responsibilities related to achieving: (1) organizing and managing resources to achieve tangible development results; and (2) ensuring that

all accountability requirements related to use of USAID resources are identified, met, and adequately documented.

b. **Operating Units** are responsible for establishing functional SO Teams that have the capacity to manage for achievement of SOs. This includes ensuring that SO Teams have the necessary expertise, authorities, resources, and support. The head of an Operating Unit determines the specific authorities delegated to SO Teams. He or she is responsible for ensuring that authorities delegated are commensurate with the capacity to exercise them. Operating Units are responsible for ensuring that support and services needed by SO Teams, but not provided by SO Team members, are adequately provided. Operating Units may at their discretion choose to manage activities through an organizational structure other than an SO Team.

c. **Regional or Pillar Bureaus** are responsible for ensuring that individual Operating Units under their jurisdiction have levels of staffing, Operating Expense (OE) resources, and support services that are in balance with the scope and complexity of approved Strategic Plans. Bureaus also provide key services to Operating Units, such as coordination with other Bureaus, partners, and customers, and providing short-term staff support and assistance.

d. **Other USAID Washington and Regional Bureaus, Hubs, or Offices** that provide any type of technical expertise, program and budget coordination, procurement, legal, public relations, or financial management services to Operating Units are responsible for ensuring that they provide such services in the most useful and cost-effective manner possible. For these organizational units, implementing core values means seeing Operating Units as a principal internal customer and soliciting feedback on a regular basis on the quality and utility of services provided.

202.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

202.3.1 Mandatory and Non-Mandatory Guidance
Effective Date: 01/31/2003

This chapter describes both mandatory and non-mandatory procedures and practices. Mandatory procedures are identified with use of the words "must," "required," or other clear designation.

The non-mandatory procedures described in this chapter are intended to increase consistency and predictability of operations. Non-mandatory procedures are identified with use of the words "should," "recommended," "may," or other clear designation. Although Operating Units should generally follow these procedures, they may choose to deviate from them or adapt them to particular situations, especially when such deviations promote core values and increase cost-efficiency. Operating Units do not have to document deviations from non-mandatory procedures.

Note: To alert readers, the word "MANDATORY" will often appear at the start of a paragraph. The paragraph itself may contain a combination of mandatory and non-mandatory language, as signaled by the words listed above.

Special exemptions from some mandatory procedures are noted in the text. Assistant Administrators have authority to approve, as necessary, additional exemptions from the mandatory procedures beyond those exemptions specifically mentioned in this chapter. Approval for any such additional exemptions must be obtained in writing from the Assistant Administrator of the responsible Bureau and must be written as an action memorandum cleared by the Bureau for Policy and Program Coordination, Office of Strategic and Performance Planning (PPC/SPP), and the Office of General Counsel (GC), before approval.

Special Exemptions: Certain programs are exempted from the mandatory procedures described in this chapter, including (1) emergency disaster assistance; and (2) emergency food aid authorized under Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Pub.L. 480).

202.3.2   Rationale of Using SO Teams
Effective Date: 01/31/2003

One of the most innovative aspects of the USAID programming system is the use of Strategic Objective (SO) Teams organized around objectives. Before discussing some of the specifics of SO Teams, it is useful to outline some of the reasons why USAID uses teams and identify some of the particular requirements for ensuring successful team-based management.

To benefit from the advantages of teams, it is important to understand potential pitfalls and recognize that an investment of time and effort on the part of team members and Operating Unit managers is necessary.

The fundamental rationale for using teams is cost-effectiveness. Careful comparisons of teams and traditional hierarchical office structures in a private-sector setting have shown that teams can achieve 50 percent higher productivity. At USAID, informal estimates based on before and after comparisons suggest that significant improvement in productivity is possible with use of teams (20 to 25 percent or more). This means that the use of teams is a potentially powerful tool to address staff shortages and compensate for some of the effects of downsizing.

Several factors combine to boost productivity when teams are used:

- **Better use of employee skills.** The traditional office structure tends to "box" employees within narrow job descriptions. Teams expand the potential range of work to which any given employee can contribute. This means that existing skills can be utilized more effectively. For example, some SO Teams have used specialized staff (such as financial analysts) to assist in managing activities during absences of technical staff.

- **Interdependence of team members.** Interdependence creates more transparency in employee performance, which in turn creates strong incentive for good performance. When all members share responsibility for a common objective, interdependence and performance incentives are increased.

- **More effective use of staff time.** In a team setting, it is easier to reallocate "down time" across team members and ensure that everyone is focused on priority actions. In a traditional office setting, some units may be overloaded when others are in a lull, simply because workload has been fragmented across different units.

- **Higher morale.** Many staff who have experienced both traditional office structures and real teamwork express a preference for the latter. The feeling that their efforts are more closely linked to results and that their skills are in greater demand tends to boost staff morale.

- **Greater flexibility.** Teams provide Operating Units the ability to customize their organizational structure around the targeted results and the tasks that this involves. This flexibility contributes to improved use of limited staff.

- **Team structures.** Using team structures in operational decision-making and assessing effectiveness can greatly facilitate involvement of partners, customers, and stakeholders of our programs.

When team-based organizations fail, especially in the transition phase when becoming a team, it is typically due to lack of role clarity (especially the authority and responsibilities of a team leader), improper training, and/or a misunderstanding of authorities delegated by their superiors.

Continuous attention to team strengthening is needed to achieve the greatest level of benefit from teams. This includes

- Clarifying the respective roles of team members and related authorities;

- Developing team membership skills among members;

- Developing team leadership skills; and

- Encouraging other Operating Units in USAID to support teams and see them as their primary customer.

It is important to note that the use of teams does not imply suspending the notion of individual responsibility, relying exclusively on consensus decision-making, or meeting constantly. Additionally, not all staff members necessarily belong on a team, and some may belong to more than one team.

202.3.3   Requirements to Establish an SO Team During Planning
Effective Date: 01/31/2003

Field and Washington Operating Units should establish Strategic Objective (SO) Teams to be flexible organizational structures responsible for achieving SOs.

The head of each Operating Unit is strongly encouraged to establish a SO Team to plan and manage activities to achieve each approved SO. In some circumstances, however, Operating Units may at their discretion choose to manage activities through an organizational structure other than an SO Team. If an Operating Unit chooses not to establish a team to manage an SO, the decision not to use an SO Team, and the planned way of managing the SO, must be documented in writing.

The next five sections describe actions that are critical to establishing effective SO Teams:

Step 1. Appoint an SO Team Leader

Step 2. Identify and recruit core members of the SO Team

Step 3. Delegate appropriate authorities to core members

Step 4. Identify and recruit other SO Team members

Step 5. Document the establishment of SO Teams

202.3.3.1   Appoint an SO Team Leader
Effective Date: 03/19/2004

The role of the Strategic Objective (SO) Team Leader is to provide overall guidance and direction to the SO Team and to manage relationships between the SO Team and other organizational units. The head of the Operating Unit may delegate certain specific

activities to the SO Team Leader related to actions and decisions necessary for planning and achieving from the head of the Operating Unit.

*Individuals selected to be SO Team leaders must be U.S. Government (USG) "members," because only USG members are eligible for carrying out inherently governmental functions. As described in **ADS 103.3.1.1**, USG members include many types of staff such as Foreign Service Nationals (either FSN Direct Hires (DH) or FSN Personal Service Contractors (PSC)), Third Country Nationals (TCN), U.S. Personal Services Contractors (USPSC) (including Technical Advisors in AIDS, Child Survival and Population (TAACS)), and U. S. Direct Hires (USDH). Thus, USG members from all the above categories are eligible to serve as SO Team Leaders, according to their experience, skills, and qualifications. If in doubt about authorities that may be delegated to a particular individual, consult GC or your Regional Legal Advisor and the references listed below in **202.3.3.3**.

The SO Team Leader may or may not be a formal supervisor of USAID team members. Team leadership may be shared between two or more team members provided the lines of authority, responsibility, and accountability are made clear. When SO Team members report to a formal supervisor who is outside the team, this supervisor should obtain and use substantive feedback on the team member's performance from the Team Leader and other team members to complete the employee's annual performance evaluation. As with traditional supervisors, SO Team Leaders are expected to play a significant role in recruiting and coaching all members of a team.

202.3.3.2   Identify and Recruit Core Members of the SO Team
Effective Date: 01/31/2003

As defined in **ADS 200.6**, a **core member** of an SO Team is

> A member of a Strategic Objective (SO) Team carrying out a specific U.S. governmental function for that SO.

Each SO Team should designate certain USAID staff to serve as "core members" of the team. Team members should be selected for the expertise, experience, skills, and authorities that they possess and that are necessary to support functions such as

- technical oversight,

- customer outreach,

- assessment of progress,

- planning of activities,

- reporting,

- programming policy and legal compliance,

- acquisition and assistance, and

- budgeting and financial management.

Not all USAID staff on an SO Team need to be designated a core member.

Individuals selected to be core members of an SO Team must be U.S. Government (USG) "members," because only USG members are eligible for carrying out inherently governmental functions. As described in **ADS 103.3.1.1**, USG members include many types of staff such as Foreign Service Nationals (either FSNDH or FSNPSC), Third Country Nationals (TCN), U.S. Personal Services Contractors (USPSC), and U. S. Direct Hires (USDH). Thus, USG members from all the above categories are eligible to serve as core members of SO Teams, according to their experience, skills, and qualifications.

If in doubt about authorities that may be delegated to a particular individual, consult your legal advisor and the references listed below in **202.3.3.3**.

202.3.3.3   Delegate Appropriate Authorities to Core Members
Effective Date: 01/31/2003

If an Operating Unit establishes a Strategic Objective (SO) Team(s), the head of that Operating Unit must provide a clear written delegation of authority for the SO Team and members, consistent with the authorities provided to him or her by the Bureau Assistant Administrator.

The delegation of authority must specify the individuals in the SO Teams or Operating Unit who have the formal authority to approve any new activities or changes to existing activities that may be developed during the life of the SO. This delegation of authority will address the range of approval and clearance requirements needed for the most common implementation and approval documents that are expected for a given SO. One internal delegation of authority document may be created to cover all SO Teams in an Operating Unit.

As provided by **ADS 103.3.1.1**, USG members are eligible to carry out inherently governmental functions for which they are qualified, and for which they have been given a delegation of authority. Operating Units should keep in mind that Foreign Service National (FSN), Third Country National (TCN), and U.S. Personal Service Contract (USPSC) staff may be delegated numerous authorities with four exceptions. The following excerpt from 103.3.1.1 states

a. "Notwithstanding any other provision of USAID directive, regulations, or delegations, U.S. Citizen personal services contractors (USPSCs) and non-U.S. citizen employees (host country and third country Personal Service Contractors (PSCs) and direct-hire employees) may be delegated or assigned any authority, duty or responsibility, delegable to U.S. citizen direct-hire employees (USDH employees) except that

> **(1)** They may not supervise USDH employees of USAID or other U.S. Government agencies. They may supervise USPSCs and non-U.S. citizen employees.

> **(2)** They may not be designated a Contracting Officer or delegated authority to sign obligating or sub-obligating documents.

> **(3)** They may represent the Agency, except that communications that reflect a final policy, planning, or budget decision of the agency must be cleared by a USDH employee.

> **(4)** They may participate in personnel selection matters but may not be delegated authority to make a final decision on personnel selection."

b. Exceptions. Exceptions to the limitations in paragraph a. must be approved by the Assistant Administrator for the Bureau for Management (AA/M). The AA/M has delegated to the Director, M/OP the authority to issue contracting warrants to USPSCs. The authority of Executive Officers to sign leases in **ADS 103.3.20** is an exception; in other words, under ADS 103.3.20, a USPSC serving as an Executive Officer can sign leases." (Effective date, 2001)

If in doubt about which authority may be delegated to a particular individual, consult your legal advisor and the following references for additional information.

- Discussion of delegations of authority to non-USDH staff in "Delegation to U.S. Citizen Personal Services Contractors (USPSCs) and Non-U.S. Citizen Employees," in ADS **103.3.1.1**.

- Examples of "inherently governmental functions" in the mandatory reference, **Office of Federal Procurement Policy (OFPP) Policy Letter A-76, Inherently Governmental Functions**.

- Discussion of "inherently governmental functions," in **ADS 601.5.7**, section a.

- Discussion of roles, responsibilities, and employment mechanisms used in the Agency, in section 10 of **ADS Series 400, Interim Update #2, Appropriate Use and Funding of USAID's Non-Direct Hire Workforce.**

- Discussion about Agency Fellows in **ADS Series 400, Interim Update #3, Implementation of Policy Guidance Concerning Fellows**.

- Discussion of interagency agreements, such as the PASA, in **ADS 306**.

202.3.3.4   Identify and Recruit Other SO Team Members
Effective Date: 01/31/2003

An SO Team should have access to the broad range of skills and experience that are necessary to achieve the SO. Other SO Team members should be selected on the basis of the skills, expertise, and institutional representation they bring to the SO Team. They are expected to strengthen the SO Team's overall capacity to manage for results. These team members may include staff or representatives from other USAID Offices, U.S. Government, and partner organizations who share an interest in, and commitment to, achieving the SO. Other SO Team members should help to assess the impact of ongoing activities, identify important changes in the operating environment, recommend alternative courses of action, and coordinate with other partner, stakeholder, and customer organizations that are not part of the SO Team. The opportunity to incorporate non-USAID staff on SO Teams is particularly useful for small Operating Units that may need additional expertise to support the SO Team.

All SO Team members share a common responsibility for managing to achieve the SO.

For intermittent tasks, SO Teams can decide to either include such expertise on the team itself or draw upon non-Team members on an as-needed basis, depending on what is most efficient.

202.3.3.5   Document Roles, Responsibilities, and Structure of SO Teams
Effective Date: 01/31/2003

There is no one prescribed format for documenting the establishment of SO Teams. At a minimum, documentation must include

- Identification of the SO for which the Team is being established;

- The name of the SO Team Leader;

- The names of the SO Team's core members; and

- The names of other SO Team members.

Commonly used and acceptable formats include

- A management agreement between the Operating Unit and SO Team;

- An action memorandum approved by the head of the Operating Unit;

- A Team Charter; or

- A delegation of authority notice, if the notice includes information showing that the SO Team(s) was established.

Organizational structures within an SO Team should be based on the actual management needs of that team and may consist of various sub-teams. The team should make decisions on its internal structure. Team structure must be consistent with general Agency guidance on organizational management, as described in **ADS 102**. Team membership and structure should remain flexible so that modifications can be made in response to programmatic needs. Documentation should be updated periodically to reflect changes over time.

202.3.4 Requirements for SO Teams During Activity Implementation
Effective Date: 01/31/2003

When a program begins the achieving phase and formal obligating and sub-obligating agreements are being prepared, Strategic Objective (SO) Teams should take some additional steps to prepare for activity implementation.

We discuss these steps in this section. Those steps that are mandatory are clearly identified with mandatory language (as described in **202.3.1**). SO Team Leaders and the head of the Operating Unit are jointly responsible for ensuring that the mandatory requirements are met.

202.3.4.1 Reviewing Team Membership and Structure
Effective Date: 01/31/2003

As Strategic Objective (SO) Teams move from the activity planning stage to implementation, changes in membership should be considered to provide the skills and expertise necessary for achieving. Teams will require continued expertise from functional specialists in USAID (such as financial management, contracts, legal, and

program), but the level and scope of expertise needed may change significantly from what it was in the planning stage. Teams may decide to recruit additional USAID staff to provide additional technical expertise and management support. As USAID establishes agreements with partner institutions, SO Teams will invite some individuals from these institutions to participate as members of the SO Team. In all cases, the idea is to recruit new members based on their value added and the needs of the SO Team. Figure 202A[1], SO Team Membership, illustrates SO Team membership in the achieving phase:

Figure 202A
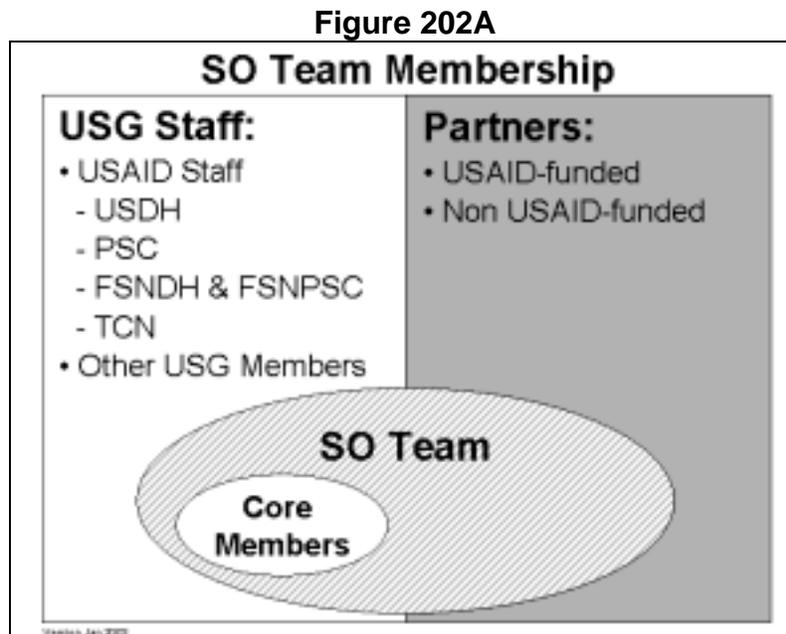
If several activities are underway, the SO Team may need to adjust its structure. One or more sub-teams may be established to focus on specific sets of activities. No single standard approach to structuring teams during activity implementation exists. However, in organizing workload, teams should avoid creating unmanageable or inefficient arrangements such as

- Expecting a large SO Team to manage, through group consensus, a broad set of complicated activities;

- Diluting teamwork by delegating all activity management to individuals (the old Project Manager model); and

- Unnecessarily excluding external partners in program assessment and decision-making, and thus losing valuable ideas, experience, and knowledge that increase the quality of decisions.

For large programs, entire sub-teams may be created to manage specific sets of activities.

For small Operating Units with few USAID employees, SO Teams are a mechanism for bringing additional expertise and support to assist in overseeing activities. Some small Operating Units have been very successful at incorporating partners in a way that effectively compensates for limited USAID technical staff. In the case of inherently governmental functions that can only be carried out by USG employees, small Operating Units can formalize virtual SO Team membership roles with staff located in supporting Regional or Washington Operating Units. These virtual teams can help obtain necessary commitments and support.

202.3.4.2   Mobilizing Inputs
Effective Date: 03/19/2004

In the early stages of achieving, mobilizing inputs absorbs the majority of SO Team members' time and effort, as well as that of partners receiving USAID funds. Many processes are involved, including

- Preparing an annual Acquisition and Assistance (Procurement) Plan, as discussed in **ADS 201.3.12.10**;

- Preparing documentation that forms the basis of the obligating or sub-obligating agreements, and the agreements themselves (such as Scopes of Work (SOW), Requests for Application (RFA), Requests for Proposal (RFP), Strategic Objective Agreements (SOAG), contracts, and grants) in close coordination with team members who are expert in program policies, procurement, financial management, and legal matters;

- Negotiating these instruments with the parties involved;

- Recruiting new personnel financed through agreements;

- Moving personnel and commodities to activity sites in host countries;

- Facilitating various administrative approvals and logistical back-stopping in host countries;

- Coordinating USAID-funded inputs with those provided by other partners;

- Providing guidance to staff of new partner organizations on program results and approaches; and

- Starting work related to creation of outputs.

To create and establish each type of acquisition and assistance (A&A) instrument, particular processes and procedures must be followed. A&A instruments establish the legally binding roles and responsibilities of each party and provide a formal structure for the relationship. This makes the transfer of U.S. Government funds to non-U.S. Government entities possible. **Series 300** provides extensive guidance on mandatory procedures for establishing various instruments. For more information about obligations, see **ADS 621**.

*In the case of public-private alliances, some alliance arrangements may require deviations from existing policy and new, streamlined forms of documentation. The SO Team should contact GC; the Bureau for Management, Office of Procurement (M/OP); and the Global Development Alliance (GDA) Secretariat for assistance in structuring alliance implementation instruments. (see **A Practical Framework**) Some specific suggestions for how to structure these relationships to maximize synergy and minimize potential conflicts of interest are found in the additional help document, **Tools for Alliance Builders**, part 5.

202.3.4.3   Identifying Cognizant Technical Officers and Activity Managers
   Effective Date: 03/19/2004

a.   Summary of Requirements

- **Cognizant Technical Officers (CTOs):** There must be a formally designated CTO for each active acquisition and assistance instrument awarded by USAID. Only a core member of an SO Team may be designated as CTO. The Contracting/Agreement Officer responsible for the award formally designates the CTO after issuance of an award. **Special Exemption**: Do not use a CTO for agreements with host-country government entities (such as host-country contracts, fixed amount reimbursement agreements, cash transfer agreements, credit authority) or for Personal Services Contracts (PSC).

- **Activity Managers:** SO Teams may, at any time, designate one or more core team members as "USAID Activity Manager." The title implies to external organizations that the individual will represent the Agency at some level. Therefore, to remain consistent with limitations related to inherently governmental functions, the formal title of "USAID Activity Manager" must be limited to core SO Team members as described in **202.3.3**.

b.   *Differentiating and Clarifying CTO and Activity Manager Roles

*The CTO function is designed to help manage the formal relationship between USAID and the awardee institution, and to perform certain administrative actions required in the

award, as well as the associated financial management functions required. For contracts, the award itself and the Contracting Officer's memorandum formally designating the CTO, taken together, spell out the CTO's administrative responsibilities and limitations. For assistance awards, **ADS 303**, Grants and Cooperative Agreements, outlines CTO responsibilities and limitations. CTO responsibilities for both acquisition and assistance instruments are specific to a particular award. In most cases, these responsibilities begin with the formal designation by the Contracting or Agreement Officer and end with the process of closing out the award.

In contrast to the required but narrow role of CTO, SO Teams may designate a USAID Activity Manager at any time for any type of activity to manage a broad range of relationships between USAID and partner organizations. The following examples reflect common combinations:

> **Example 1:** For smaller SO Teams with few agreements to manage, the simplest possible arrangement may be to merge the roles of SO Team Leader, Activity Manager, and Cognizant Technical Officer (CTO), and make the Team Leader formally responsible for all three functions. Other team members would then take on specialized responsibilities that support these and other team functions.

> **Example 2:** When programs are more complex, involving several activities or many partner institutions and customers, it may be essential to differentiate these three roles explicitly and assign them to different members of the SO Team in order to distribute and manage workload. SO Teams may, in this case, choose to designate one or more core members of the SO Team as Activity Managers for different activities. When a specific acquisition or assistance award triggers the requirement to designate a CTO, the Activity Manager could be nominated to be the CTO as well. The SO Team Leader, in this example, would not take on additional roles.

> **Example 3:** In the most complex situations (involving, for example, a Strategic Objective Agreement (SOAG) with several distinct activities, each of which involves large or multiple acquisition or assistance awards), several CTOs and Activity Managers could be appointed, and each Activity Manager could coach or help manage the work of one or more CTOs in coordination with the Contracting/Agreement Officer. The Activity Managers would address management and coordination issues that go beyond the prescribed role of the CTO(s). This can be useful, for example, when several acquisition and assistance instruments are funded under one SOAG and it is necessary to coordinate and negotiate current and expected future awards with one or more host country Ministries and other entities.

These three examples covering a range of program complexity demonstrate that there is considerable flexibility in structuring these key roles among core members of an SO Team. It is important for all involved to understand clearly the scope and limitations of the particular role they are asked to play and to consult with the Contracting/Agreement Officer on potential arrangements.

c.   Nominating and Designating the Cognizant Technical Officer (CTO)
If the activity uses an acquisition (contract) instrument for implementation, the SO Team (or if SO Teams are not used, the alternative organizational unit responsible for managing the activity) is responsible for nominating to the Contracting Officer a qualified team member to be the CTO. The Contracting Officer is then responsible for designating this individual in writing as the Cognizant Technical Officer (CTO). Once the team member has been designated as the CTO, he or she can perform certain contract administration functions, such as reviewing and approving the contractor's invoices and issuing written interpretation of contract technical requirements.

If the activity uses an assistance (grant/cooperative agreement) instrument for implementation, the SO Team (or if SO Teams are not used, the alternative organizational unit responsible for managing the activity) is still responsible for designating a qualified team member to be the CTO. However, the Agreement Officer in this case names the nominated candidate in the award itself and may or may not issue a designation memorandum to the CTO that discusses the responsibilities of this role. Once the award is effective, he or she can perform certain assistance administration functions, as described in more detail in **ADS 303**.

The task of managing a group of activities under an SO can be complex, particularly when USAID awards acquisition and assistance instruments under higher-level agreements with a host country (such as a SOAG), or when the skills and expertise needed for effective management go beyond those held by any one member of the SO Team. Consequently, other team members often work with the CTO to carry out the various tasks related to activity management. A certified CTO helps to clarify formal roles and responsibilities; simplifies communication between the Contracting/Agreement Officer, SO Teams, recipients, and contractors; and reduces the potential for disputes arising from mixed signals.

There may be situations where it is necessary to nominate an individual to be designated as CTO who does not have the mandatory certification required by the mandatory reference, **Office of Federal Procurement Policy (OFPP) Policy Letter 97-1**, based on competencies that the Agency requires. In these cases, the Operating Unit must develop a written plan that allows the individual to receive the necessary training as quickly as possible in order to obtain these competencies and subsequent certification. A detailed discussion of CTO responsibilities is available in Contract Information Bulletins (CIBs); Acquisition and Assistance Policy Directives (AAPDs); and at the website of the USAID Office of Procurement, available at

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http://inside.usaid.gov/M/OP (accessible only within the USAID firewall) or **http://www.usaid.gov/procurement_bus_opp/procurement**. Also see the website on CTO certification at http://inside.usaid.gov/M/HR/lsd/ctosched.html (accessible only within the USAID firewall).

202.3.4.4   Working Within the Delegation of Authority (DOA)
Effective Date: 01/31/2003

USAID has a defined system for delegating authority, which, among other purposes, helps to minimize the Agency's vulnerabilities and maintain accountability standards.

A delegation of authority occurs when an official, vested with certain authorities, extends that authority to an individual within a chain of command. The official retains the oversight responsibility over the individual and retains concurrent authority to exercise the authorities delegated, as provided in **ADS 103.3.1** paragraph c. By accepting the authority, the empowered staff member agrees to exercise the delegation in a responsible manner and is willing to be held accountable.

USAID's delegations of authority start with the President of the United States. The President delegates authority for the foreign assistance program to USAID's Administrator through the Secretary of State. The Administrator then re-delegates some of these authorities to the Assistant Administrators of each Bureau, who in turn delegate some of their authorities to Mission Directors and heads of Washington Operating Units. These delegations are specified in ADS 103, Delegations of Authority. In addition, the Management Agreement, issued upon approval of the Operating Unit's Strategic Plan, should contain authorities for implementing the Operating Unit's program.

Certain authorities, such as many of those related to procurement or financial management, reside only with those staff who have been trained and certified to do the job. For example, Contracting Officers have personal contracting warrants that may not be re-delegated.

Operating Unit management decisions concerning the mix of authorities that are delegated to teams and individuals must take into account the experience and expertise represented on the team and Agency regulations about delegation of authority. Management should ensure that all individuals who are delegated authority have the proper training and skills to accomplish delegated responsibilities. Management should not delegate authority to individuals who have insufficient skills or knowledge to fulfill their duties.

SO Teams only have specific implementation authorities to the extent that these have been formally delegated to the SO Team Leader and that some team members bring with them specific authorities.

Procurement, legal, program and financial staff serving on the SO Team will have certain functional responsibilities they must exercise. They may or may not have the full authorities for executing that function. For example, an SO Team member from the procurement office may or may not possess a contracting warrant. Therefore, consultation with and approval from his or her functional office may be required to complete certain actions.

Other staff may also have individual responsibilities. For example, the Contracting Officer may delegate authorities to a Cognizant Technical Officer (CTO), nominated by the SO Team for that role as described in **202.3.4.3**.

It is critical that all staff be aware of the specific authorities they do or do not have, and avoid creating audit risk by attempting to exercise authorities that they do not possess. Operating Units should issue a Mission Order or Notice that specifies what specific authorities are vested in which individuals and that covers common approvals on various internal documentation and actions. If you do not have clear, specified authorities, do not sign any instrument or modification to an instrument or direct any implementing organization to take an action that is not within the scope of the instrument and your authority. Always seek the advice of GC or your Regional Legal Advisor if you have questions about your authority to take particular actions on behalf of USAID. (See **ADS 103.3.1.1**)

202.3.4.5   Supporting Effective Team Functioning and Decision-Making
Effective Date: 01/31/2003

Directors of Operating Units who manage SO Teams should take appropriate and sufficient steps to ensure that SO Teams have the capacity to function effectively during the life of the SO. No single prescribed set of interventions to meet this requirement exists. Rather, each Operating Unit is expected to develop its own set of interventions based on good management sense, availability of resources, and the particular situation faced by individual SO Teams. USAID has found the following Team building efforts to be particularly useful:

- **Clarifying roles and authorities:** Assigning clear roles and responsibilities to individual Team members is necessary for effective teamwork. Members need to understand what is expected of them and how to perform their roles. Lack of clear roles will cause a Team to fail. Team leaders in particular need to understand that their roles are different, and at times more complex, than simply being a "boss" to full-time employees. Part-time members who have other formal supervisors, as well as non-USAID members of Teams, may not respond well to a Team leader who acts more like a "supervisor" than a coach. When implementing an alliance, the clarification of roles should acknowledge that while SO leadership is necessarily a USAID function, roles and responsibilities need to

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reflect the nature of the alliance partnership. (see the additional help document, **Tools for Alliance Builders** Parts 4 and 5)

- **Clarifying decision-making processes:** Group consensus decision-making can either be the best or the worst way to make a decision, depending on the circumstances. To function effectively, Teams need a variety of decision-making approaches, from "top-down" to full consensus, that they can apply to different decision-making situations and needs. The Team leader should play a key role in determining how the Team makes decisions. The types and level of involvement of various Team members in team decision-making should vary according to the type of decision made, the speed with which it needs to be made, and the relative importance of consensus around that particular decision.

- **Brokering agreements with organizations that support SO Teams:** Expert staff in USAID may provide important services to SO Teams without necessarily being members of the Team. This can be the case when regional Operating Units or Washington Offices provide services on a part-time basis from another country (including legal, contract, financial management, program, and technical development expertise). Encouraging these organizational units to view SO Teams as key internal customers and working out effective support agreements is very important for enabling SO Teams.

- **Developing Team membership and management skills:** This includes providing training and reference materials, helping teams assess strengths and weaknesses and identifying means of improvement (with or without external consultants), and encouraging productive feedback and conflict resolution among Team members.

- **Assisting SO Teams in managing team boundaries:** This refers to situations where significant decision-making takes place outside of the SO Team in areas considered by members to be part of their responsibility and authority. Given that SO Teams function in the context of an administrative hierarchy, this issue will come up. To avoid potential problems, the senior management of Operating Units should reach prior agreement with SO Teams on decisions that require higher-level consultations, initiative, or authority above the SO Team.

202.3.4.6   Maintaining Official SO Team Files
Effective Date: 01/31/2003

*MANDATORY. SO Teams must ensure that they have adequate official documentation on agreements used to implement USAID-funded activities, resources expended, issues identified, and corrective actions taken. As stipulated in **ADS 502** (USAID Records Management Program) and associated mandatory references,

Records Disposition Schedule—Agency Wide (USAID/W and Missions) and
Strategic Objective Document Disposition Schedule, Operating Units and their SO
Teams must maintain the following list of standard documentation for the duration
specified by Agency rules on document retention.

- Strategic Plan

- Management Agreement and any modifications (see **ADS 201.3.10.3**)

- Performance Management Plan and supporting documents, updates, and amendments

- Country checklists

- Assistance checklists

- SO Team delegations of authority and membership lists (including sub-team information, as appropriate)

- Activity approval documents

- Environmental reviews (including 22 CFR 216 documentation)

- Waivers

- Congressional notifications

- Bilateral obligation documents (grant and loan agreements)

- Non-bilateral obligation documents (such as contracts, grants, cooperative agreements, purchase orders; and interagency agreements, including participating agency service agreements (PASA))

- Non-obligating agreements (such as memoranda of understanding)

- Procurement requests, commitment/obligation records

- Implementation letters

- Official correspondence

- *Accrual documents and supporting information

- *Pipeline analysis information

- Audit reports

- Annual Reports

- Evaluations

- SO close out reports

202.3.5   Supporting Implementing Partners to Achieve Results
Effective Date: 01/31/2003

202.3.5.1   Providing Information on Program Objectives
Effective Date: 01/31/2003

Operating Units lose opportunities for creating synergy if partner staff are unaware of the desired results of USAID programs. It is therefore important to ensure that the implementing partners have complete information on the objectives and Intermediate Results (IRs) to which their activities are expected to contribute. Ideally, this may be done by including relevant Results Frameworks in the background information section of SOWs and program descriptions (RFPs and RFAs). Briefing new partner teams may also be very helpful. USAID strongly encourages SO Teams to share Annual Reports and other planning documentation with partners within the guidelines and restrictions established in **ADS 201.3.13**.

In an alliance, problems and the results desired are decided jointly with other partners. This requires a close working relationship and will most likely be explained in a memorandum of understanding. For more information, see the Additional Help document, **Tools for Alliance Builders**, Parts 1 and 4 and Attachment D.

202.3.5.2   Providing Services Efficiently
Effective Date: 01/31/2003

Recipients and contractors at times require certain services from USAID to conduct their work. This can include, for example, processing documentation to secure duty free release of equipment and commodities, or providing adequate information on USAID regulations that partners will need to follow. When USAID provides any type of service to an implementing partner, it should view the partner as an intermediate customer and seek to provide the service efficiently and effectively. Obtaining feedback from intermediate customers is extremely helpful and encouraged.

SO Teams should make every effort to ensure that partners working overseas receive the logistical support agreed to in their acquisition or assistance instrument. Before finalizing logistical support terms and conditions for an award, SO Teams based in USAID/W Operating Units should coordinate the details of this support with any Operating Units in the field, or, if appropriate, the U.S. Embassy in non-presence countries, where performance under the award is likely to occur. This coordination should ensure that the Operating Unit or Embassy can provide the support proposed in the draft award document and arrange for any payments due through International Cooperative Administrative Support Services (ICASS) arrangements. For example, the SO Team should confirm the contractor or grantee's eligibility for expected tax and duty exemptions and any procedures that must be followed in the host country to ensure that such exemptions are honored. (see **ADS 527**, Functions of the Mission Executive Office)

202.3.5.3 Supporting Coordination and Collaboration with Partners, Host Country Entities, Other Donors, and Customers
Effective Date: 03/19/2004

USAID plays a critical coordination role with respect to our partners and host country governments. SO Team Leaders and Activity Managers in particular are considered official U.S. Government (USG) representatives, and can open lines of communication with host governments.

***MANDATORY.** When planning to engage host country political parties, Operating Units must follow the mandatory reference, **USAID Political Party Assistance Policy**.

USAID encourages SO Teams to establish periodic meetings with broader partner groups to share information and to elicit feedback. Normally accepted means include

- focus groups,

- town meetings,

- formal and informal consultations,

- systematic formalized customer surveys or research,

- rapid appraisal methods that involve customers, or

- other means that the SO Team may decide upon as a productive way of acquiring partner and customer input.

In the case of alliance partnerships, SO should have a deeper level of coordination than simply communicating our strategy, because an alliance implies a joint definition of the problem and solution in exchange for the synergies that the alliance creates. (see the additional help document, **Tools for Alliance Builders**, Part 1)

202.3.6   Monitoring Quality and Timeliness of Key Outputs
Effective Date: 01/31/2003

Monitoring the quality and timeliness of outputs produced by implementing partners is a major task of CTOs and SO Teams. Outputs are specifically described in contract Statements of Work, and grant agreement program descriptions. Outputs are critical to achieving results. Delays in completing outputs, or problems in output quality, provide an early warning that results may not be achieved as planned. Timeliness of key outputs may affect the achievement of performance targets that the SO Team presents in the Annual Report. Early action in response to problems is essential in managing for results.

Monitoring compliance with 22 CFR 216 environmental determinations is part of this task. Environmental reviews should be actively managed throughout the life of the SO to ensure environmental soundness of activities, as provided in **ADS 204.3**, **204.5.4**, and the mandatory reference **22 CFR 216**.

202.3.6.1   Assessing Performance of Contractors and Recipients
Effective Date: 01/31/2003

Assessing performance in the achieving stage normally refers to whether the outputs produced by the contractor or grantee are timely and of acceptable quality. Performance in terms of higher-level development results (as opposed to outputs) is discussed more broadly in **ADS 203**.

The CTO should ensure that the contractor is performing in accordance with the terms contained in the contract. CTO responsibilities for monitoring contractor performance may include

- reviewing and approving deliverables and performance reports;

- maintaining a CTO work file;

- reporting variations, proposed substitutions (see **ADS 302.5.7** on key personnel), and problems;

- recommending modifications;

- analyzing financial reports;

- approving interim payments; and

- preparing annual Contractor Performance Reports for contracts that have a value of more than $100,000, and submitting them to the Contracting Officer.

For additional information about evaluating contractor performance, see **ADS 302.5.9**, and the mandatory reference **Past Performance Handbook, Contractor Performance Report Card**.

When the implementing instrument is a grant or cooperative agreement, the role of the U.S. Government in day-to-day assessment of grantee performance is generally limited to certain fiscal oversight responsibilities, such as obtaining quarterly reports and other minimal management areas as described in the mandatory reference **22 CFR 226**. Ultimately, as part of assessing the effectiveness of activities in achieving results (as discussed in ADS 203), the SO Team should form an opinion about overall grantee performance and its implications. For more information, see **ADS 303**.

SO Team members and CTOs must immediately notify the Contracting or Agreement Officer of any suspected procurement fraud, bribery, conflict of interest, or other improper conduct, and then report these promptly and directly to the Inspector General.

202.3.6.2   Using Customer Feedback
Effective Date: 01/31/2003

Use of customer feedback is essential. SO Teams should develop mechanisms to ensure that partners share the Agency's commitment to customer focus and that an effective feedback loop exists to bring customer information into management decisions. Customer participation can take place in several ways, including

- Involving customer representatives from associations, non-governmental organizations, informal groups, and/or collections of individuals on other SO Teams as members of the SO Team;

- Making sure all acquisition and assistance instruments identify the intended customers;

- Eliciting feedback from ultimate customers and stakeholders (through focus groups, town meetings, formal and informal consultations, systematic formalized customer surveys or research, and rapid appraisal methods that involve customers) and explaining how the Team incorporated their recommendations; and

- Recognizing the roles and responsibilities of the full range of customers, including both women and men.

202.3.6.3   Making Necessary Adjustments
Effective Date: 01/31/2003

Operating Units and SO Teams must make adjustments in tactics when conditions warrant. This may include developing an entirely new activity and instrument, or simply modifying and changing existing activities. In either case, the Contracting/Agreement Officer must be involved early in the process.

Changing activities and instruments mid-stream can create legal problems and disrupt implementation. Consequently, the risk of such changes must be balanced prudently with the intended benefit. Nevertheless, we must always remember that once a plan is finalized and implementation begins, we continue to learn. In some cases, we might learn that our original plan needs to be modified or that the contractor or grantee is not appropriate for the job. The SO Team must consult the Contracting Officer and, if appropriate, GC or its Regional Legal Advisor as soon as possible when it is considering any change that would affect a legal agreement. The SO Team must also determine whether and when it is appropriate to consult with Operating Unit management, the host country government, and/or other country partners when it contemplates such changes.

202.3.7   Managing USAID Program Resources and Requesting Funds
Effective Date: 01/31/2003

The Operating Unit and its SO Teams are responsible for managing the resources made available to them so that planned outputs and results are achieved in a cost-effective and timely manner, in accordance with applicable regulatory requirements. These resources include program and OE funds, staffing, and, where appropriate, in-kind and local currency resources. This section focuses on the management of program resources.

202.3.7.1   Financial Planning, Monitoring, and Budgeting for Results
Effective Date: 01/31/2003

MANDATORY: SO Teams must prudently plan, monitor, and manage the financial aspects of their program throughout the life of the SO. This responsibility, in fact, can extend beyond the life of the SO when issues involving the SO remain unresolved, such as a lingering contractor dispute. The financial position of an SO and its activities is critically important to achieving desired results. An SO's financial position can be planned and measured by projecting and analyzing trends and relationships of several key sets of budget and financial data such as

- Authorized life of SO funding level

- Life of activity funding

- Mortgage

- Obligations, sub-obligations, and deobligations

- Accruals

- Disbursements

- Expenditures and expenditure rate ("burn rate")

- Unliquidated obligations

- Expenditure pipeline

Some of this data is generated in standard financial reports produced by the Bureau for Management, Office of Financial Management (M/FM) and/or the Controller's Office as agreements are executed, contracts are issued, and payments are made. This data should also be used during an Operating Unit's annual Portfolio Review, as described in **ADS 203.3.7**. The SO Teams, in the case of accruals and projected expenditures, should generate important financial information each quarter and should use this information to manage both results and future obligations. It is, therefore, important to understand the definition of these terms as USAID applies them.

The following list summarizes key financial management concepts and terms used in the achieving phase. For a more technical and authoritative description, refer to Series 600, specifically **ADS 631**.

- **Accruals:** The estimated cost of goods and/or services or other performance received but not yet paid for by the Agency. Accruals are calculated for specific agreements and help provide current information on the financial status of an activity (or group of activities), agreement, or program.

- **Disbursements:** The actual payment by the Agency for goods and services or other performance under an agreement/instrument.

- **Expenditures (also called accrued expenditures):** The total of goods and services or other performance received whether paid for or not.

Accruals + Disbursements = Expenditures

Expenditures are estimates of the total costs incurred by the Agency for a given activity (or group of activities), agreement, or program. As such, expenditures offer a valuable indicator of progress in monetary terms of an activity, agreement, program, or Strategic Objective. Analyzing planned against actual expenditures gives the SO Team a valuable management tool.

- **Unliquidated Obligation:** The difference between the total amount that has been obligated in an agreement and the total amount that has been disbursed.

- **Pipeline:** The difference between the total amount that has been obligated in an agreement and the total amount that has been expended.

- **Deobligation:** The process of removing unneeded funds from an obligating instrument. This is typically done upon completion of activities when unliquidated obligations may no longer be needed for their original purpose.

- **Mortgage:** A claim on future resources, which have been authorized in the Operating Unit's Management Agreement; the difference between the total authorized level of funding and the cumulative total amount of funds obligated to a particular Strategic Objective, Intermediate Result, or activity.

202.3.7.2   Determining Accrued Expenditures
Effective Date: 03/19/2004

*MANDATORY: As provided in **ADS 631**, Operating Units and SO Teams must use an Accrued Expenditures system of financial management and reporting at the SO and agreement/instrument level. Obtaining accurate estimates of expenditures is important from a program management perspective and is necessary for overall cash management by USAID and the U.S. Government.

In projecting expenditures, Operating Unit and SO Team estimates should project total multi-year costs even if USAID is incrementally funding the agreement or instrument over several years. Only through this all-inclusive approach will the full picture of planned expenditures be considered in making decisions. The SO Team has primary responsibility for developing these projections. Expenditure projections are generally updated quarterly in order to help ensure that program and financial management staff can ensure that funds are available when needed. CTOs should discuss when to accrue costs and what kinds of costs should be accrued with their Office of Financial Management and use **ADS 631** with its associated tools to determine how to develop the accrual information.

In cases where an Operating Unit directly manages grant or contract instruments and information on disbursements to contractors and grantees is readily available, the process of determining disbursements and accruals is relatively straightforward. In some cases, however, information is not readily available. This occurs, for example, when Operating Units acquire services through contracts managed by other organizational units or, in some cases, when Letters of Commitment are used to finance a grantee's work in several countries and it is difficult to obtain timely information on disbursements made for a particular SO. When disbursement information cannot be confirmed, accruals should be made based on estimates of costs incurred. This approach will permit an estimate of actual expenditures.

Making as accurate an estimate of accrued expenditures as possible is important to avoid a situation where funding pipelines erroneously appear to be growing. When this happens, senior management may deny requests for new funding if it appears that the pipeline exceeds forward funding guidelines. This could cause an unintended slow down in activities if funds are insufficient to finance costs until the next time that new funds are available. For more information on forward funding, see **ADS 601**, **602**, and **603**.

202.3.7.3   Comparing Planned Versus Actual Expenditures
Effective Date: 01/31/2003

A comparison of planned versus actual expenditures is a valuable means of tracking the progress of an instrument, activity or Strategic Objective. Variations between the planned and actual expenditures may mean that there is a potential overrun, that time has slipped and targets may not be met, or that planned outputs and results may have to be modified. Conversely, variations could indicate that implementation is more rapid than funds can be made available. In the case of inputs that are interrelated, as in the case of a construction activity that must be completed before certain equipment should be delivered, this analysis might indicate that action is needed to defer the provision of certain inputs. In order to prepare periodic accruals, the SO Team must have access to information that reflects actual costs incurred for each agreement/instrument.

When SO Teams determine accrued expenses, or when they compare actual to planned expenditures, they should also note whether the unliquidated obligations balance has become excessive or is no longer needed for its original purpose. If this is the case, the SO Team should deobligate the funds, as provided in **ADS 621.3.13**.

202.3.7.4   Formulating Resource Request in Annual Report
Effective Date: 01/31/2003

Operating Units should request resources in the Annual Report, as described in each year's Annual Report Guidance. This is the time in the budget process when the Operating Unit can update and modify the more general multi-year resource

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requirements plan that was approved in the Management Agreement. As provided in **ADS 621.3.14**, projected pipeline and expenditures are critical to this exercise.

During planning, Operating Units should make initial projections of obligations and expenditures for each SO. This information, updated in the Annual Report, will help determine and justify annual budget requests. Requests for new funds are based on projected expenditures, existing pipeline, and forward funding guidelines. USAID's forward funding policy for program funds is described in **ADS 602**, Forward Funding for Program Funds. In general, it states that current pipelines and new obligations should be adequate to finance 12 to 24 months of planned expenditures. This policy encourages Operating Units and SO Teams to manage resource flows prudently so that scarce resources are optimally used throughout the Agency. By setting a limit on advance financing, it establishes an upper level for new resource requests. If pipelines at the end of a fiscal year are not adequate to finance the next fiscal year's projected expenditures, there is a risk that new funds will not be available on time to avoid a curtailing or even a shut down of activity implementation. It is, therefore, critical that Operating Units and SO Teams make careful projections and monitor them closely so adequate resources are available when needed.

202.3.8 Performing Funds Control, Payment, and Obligations Management
Effective Date: 01/31/2003

The mechanism and schedule for making payments under various instruments are usually established at the activity planning stage. Although both can be amended during implementation, mechanisms, once established, are not easily changed. The SO Teams, in collaboration with M/FM and/or the Controller's Office and the Contracting Officer, should therefore complete careful, up-front planning.

202.3.8.1 Payment Mechanisms
Effective Date: 01/31/2003

USAID generally reserves approval rights before payment can be made, whether the agreement is a SOAG with Implementation Letters; Host Country Contract as provided in **ADS 305**; or a USAID direct contract, cooperative agreement, or grant. The agreement can govern payment for activities ranging from services and construction to equipment and cash transfers for policy reform, performance, and capitalization of endowments.

As provided in **ADS 201.3.12**, activity approval documents should include a description of the methods of implementation and financing selected. A justification should be included in those documents if the Operating Unit proposes to depart from USAID's general policies of using

- **Direct Letter of Commitment:** USAID may issue direct letters of commitment to host country suppliers and contractors and make payment to them upon receipt of invoices and supporting documentation. The direct letter of commitment can be assigned to a bank and used as collateral against a loan. All USAID Controllers have been delegated authority to issue direct letters of commitment.

- **Direct Reimbursement for Goods or Services:** USAID reimburses the grantee/contractor or host country for eligible expenditures that are incurred and paid. This method of payment may be used with any USAID grant or contract.

- **Bank Letters of Commitment:** A bank letter of commitment is a financial arrangement between USAID and a U.S. bank under which the bank is authorized to make payments to contractors or suppliers for eligible commodities or services. Under this payment method, the approved applicant may request the letter of commitment bank to issue commercial letters of credit to suppliers or contractors financed under the letter of credit. Commercial banks in the host country may also be allowed to issue commercial letters of credit and have them confirmed by the letter of commitment bank. The authority to issue bank letters of credit is held by M/FM and the Controller in Cairo.

- **Letters of Credit:** A Letter of Credit (LOC) is authorized for recipients as a means of timely drawing advances under grants and cooperative agreements and for non-profit organizations under a contract, as described in **ADS 636**. USAID's LOC process has been transferred to the Department of Health and Human Services (DHHS), based on a cross-servicing policy established by the Chief Financial Officer (CFO) Council.

- **Fixed Amount Reimbursement:** Fixed Amount Reimbursement (FAR) is a method of financing under which the amount of reimbursement is fixed in advance based upon cost estimates reviewed and approved by USAID. Reimbursement is made upon the physical completion of an activity, a sub-activity, or a quantifiable element within an activity. The emphasis is on reimbursement based on outputs rather than inputs or costs. (See **ADS 317**)

- **Special Letter of Credit:** The special letter of credit (SLC) is an alternative to financing commodities and commodity related services under a letter of commitment. The SLC becomes a foreign exchange asset for the host country, with an immediate impact on foreign exchange reserves. When the SLC is used as a means for financing local costs, the Bureau Assistant Administrator must approve the justification for its use.

- **Advances:** Advances are usually only available to non-profit organizations or host country governments, unless approved by the Agency Procurement

Executive. An advance may be given to a partner or vendor (such as a firm, non-governmental organization (NGO), international or government agency, or individual) before delivery of goods or services. Advances, for example, can be justified where an NGO has demonstrated working capital problems or when a commercial or non-commercial entity has specified mobilization or start-up costs. The latter could be expected with major construction activities. (See **ADS 636**)

For more information on the above methods, see ADS Series **300** and **600**.

202.3.8.2   Role of Operating Units and Their SO Teams in Making Payment
Effective Date: 01/31/2003

MANDATORY: During implementation of activities, Operating Units and their SO Teams must ensure maintenance of what the U.S. Government generally calls "funds control" (sometimes called financial accountability). This requirement applies to all agreements or instruments. The term "funds control" refers to management control over the use of fund authorizations to insure that

- Funds are used only for authorized purposes;

- Funds are economically and efficiently used;

- Obligations and expenditures do not exceed the amounts authorized;

- Obligation or expenditure of amounts authorized is not reserved or otherwise deferred without Congressional knowledge and approval; and

- Legal requirements are met to avoid spending money not appropriated (called an anti-deficiency violation). There are a multitude of conditions that would constitute Anti-Deficiency Act violations. For more information on specific conditions resulting in violations, see the mandatory reference, **OMB Circular, A-11, Part 4, Section IV, Appendix G**.

MANDATORY: Before authorizing payment, the SO Team (or if there is no SO Team, the Operating Unit as a whole) must take steps to determine that work has been completed in accordance with the terms and conditions of obligation or sub-obligation instruments. This determination must be made in a timely manner to authorize payment or reconcile any disputed costs previously paid and, if payment is approved, it must be made to the recipient as prescribed in the **Federal Prompt Payment Act**, generally within 30 days from the time an invoice or bill is submitted to USAID for payment.

For payments governed by the Federal Acquisition Regulations (FAR) where USAID is a direct party to the obligating or sub-obligating agreement (a direct contract), the

person most knowledgeable about the activities (in most cases the Cognizant Technical Officer) should be assigned responsibility for providing "Administrative Approvals" for payment based on knowledge gained through contractor reports and site visits.

In other cases, such as policy or performance-based disbursements or host-country contracts, approvals for payment should be made in accordance with Operating Unit delegations of authority and generally involve the SO Team Leader or the Activity Manager. See the mandatory references, a USAID Policy Paper: **Program Assistance**; and **ADS 305**, Host Country Contracts.

202.3.8.3   Obligations Management
Effective Date: 03/19/2004

Operating Units should ensure that obligations are sufficient and adequate to cover the forward funding needs of their activities. Most importantly, funds that are no longer needed should be deobligated, regardless of whether the agreement is completed or active.

*MANDATORY: At least once a year, the Operating Unit must review the status of all obligated funds and make any necessary adjustments to ensure that these funds are used in a timely manner or are deobligated if no longer needed. The Operating Unit should identify obligations with (1) unneeded balances (funds remaining after all goods and services have been delivered or completed and paid for); and (2) excessive balances (balances that exceed forward funding guidelines). Deobligation allows these funds to be used for other purposes. SO Teams have a key role in obligations management for the Operating Unit. They must collaborate fully with their Mission Controller and/or Program Office on obligations management. For official policies on Obligations and associated tools for proper Obligations Management, see **ADS 621**.

202.3.9   *Avoiding Conflict of Interest, Ensuring Procurement Integrity, Complying With Ethics Rules, and Meeting Audit Responsibilities
Effective Date: 03/19/2004

Development results can be most effectively achieved with the full and active participation of a broad range of partners. This is Agency policy and embedded in the Agency's Core Values, as discussed in **ADS 200**. We seek the engagement of partners during the planning, achieving, and assessing and learning phases of our programs. This policy must, however, be practiced within the boundaries of U.S. Government laws and regulations, especially those governing conflict of interest and procurement integrity. Engagement also means considering public-private alliances as a viable method of accomplishing our development objectives.

202.3.9.1   Addressing Organizational Conflict of Interest
Effective Date: 01/31/2003

Organizational Conflict of Interest (OCI) occurs when an individual or organization is unable, or potentially unable, to provide USAID with impartial assistance or advice due to their involvement in other activities or relationships. OCI also exists when an individual or organization's objectivity in performing contract work is, or might be otherwise impaired, or when a person or organization might gain an unfair competitive advantage. OCI can apply to either for-profit or non-profit organizations under either contract or grant instruments. For contracts, applicable OCI standards are described in the Federal Acquisition Regulations (FAR). (see the mandatory reference, **FAR 9.501**) OCI is less likely to arise under assistance instruments. It is in the Agency's interest to avoid conflicts of interest. Therefore, OCI should always be addressed no matter what instrument is used.

An organizational conflict of interest may develop when the nature of the work to be performed under an active contract or grant creates an actual or potential conflict of interest on a future contract. In such cases, some restrictions on future activities of a contractor or grantee may be required. In assessing an OCI, the Contracting or Agreement Officer should identify and evaluate potential causes as early in the acquisition process as possible. The Contracting or Agreement Officer should avoid, neutralize, or mitigate significant potential conflicts before contract or grant award. These actions will require advice of counsel and the assistance of appropriate technical specialists.

The Contracting or Agreement Officer must prevent the existence of conflicting roles that might bias a contractor's judgment or create unfair competitive advantage.

202.3.9.2   Practicing OCI Standards
Effective Date: 01/31/2003

The following OCI standards are summarized from the FAR. (see the mandatory reference, **FAR 9.505**)

Bias exists when an organization that has designed an activity that will be implemented by contract, or will contribute to the development of the Statement of Work (SOW) for a contract, also seeks to implement the contract in question. Under these circumstances, the organization that has the OCI is precluded from receiving the contract award.

Bias focuses on information that an outside organization provides to USAID (for example, design work) and USAID's ability to evaluate the merits of that information to ensure that the outside organization has not created a design proposal that gives an unfair advantage to that organization.

Bias is avoided if an outside organization's involvement in the design is limited and USAID staff actively participate to reach an informed decision regarding the best design for the Agency's interest.

Directly, predictably, and without delay: An organization that designs an activity or develops material that leads directly, predictably, and without delay to a Statement of Work (SOW) for a contract generally may not compete to implement the contract in question, either as a prime or a subcontractor.

If a contractor is awarded a contract to design an activity and if, as a condition of award, the contractor's eligibility for future prime contract or subcontract awards will be restricted or the contractor must agree to some other constraint, the solicitation should contain a proposed clause that specifies both the nature and duration of the proposed constraint.

Unfair competitive advantage: An unfair competitive advantage occurs where a contractor competing for award possesses

- Proprietary information that the contractor obtained from a Government official without proper authorization; or

- Source selection information that is relevant to the contract but is not available to all competitors, and such information would assist that contractor in obtaining the contract.

Mitigating unfair competitive advantage involves

- Identifying competitively useful information held by one potential offeror; and

- Sharing that information with all other potential offerors.

These mitigation steps level the playing field and enable the organization in question to compete on a fair basis.

The agency head or his/her designee may waive any general rule or procedure of OCI by determining that its application in a particular situation would not be in the Government's interest. Any request for waiver must be in writing, should set forth the extent of the conflict, and requires approval by the agency head or a designee. See GC or your Regional Legal Advisor legal advisor for more information on OCI waivers.

202.3.9.3 Observing Procurement Integrity and Ethics
Effective Date: 01/31/2003

In the SO Team context, the procurement integrity and ethics rules are identical to those applicable in other U.S. Government work contexts. In general, ethics rules apply equally to assistance and acquisition matters, while procurement integrity rules are applicable only to contracts. The rules apply to personal services contractors (PSCs) in addition to direct-hire Agency and USG employees, regardless of nationality. Other categories of employees are similarly included. If in doubt, see a legal advisor and actively participate in the annual ethics training.

By criminal statute, a Federal employee generally cannot participate "personally" and "substantially" on a matter that has a "direct" and "predictable" effect on the employee's financial interests. Another criminal statute also prohibits certain post-employment activities after one ceases to be a government employee. The Standards of Conduct also cover a variety of other situations involving the interaction between USAID employees and outside parties, as well as situations involving the interaction among USAID employees.

Procurement integrity rules include

- Limiting disclosure or release by USAID employees and others of "contractor bid or proposal" and other "source selection" information (as defined in **FAR 3.104-3**) to persons with a "need to know" this information for purposes of carrying out the procurement.

- Requiring USAID employees involved in a procurement exceeding the Simplified Acquisition Threshold to report to their supervisor and Agency Ethics/Administration Official in the Office of General Counsel (GC/EA) any contact about future business or employment with a bidder or offeror during the course of that procurement.

- Containing certain post-employment restrictions applicable to USAID employees for specified timeframes.

For more specific guidance on working with partners, SO Teams and their members should consult the mandatory reference, **Contract Information Bulletin (CIB) 99-17**, and the additional help document, **Legal and policy considerations when involving partners and customers on strategic objective teams and other consultations** and **Tools for Alliance Builders**. Specific questions should be directed to your Regional Legal Advisor (RLA) or General Counsel (GC).

202.3.9.4   Conducting Audits
           Effective Date: 03/19/2004

*Periodically (often annually for financial audits), the USAID Office of the Inspector General (IG) audits or oversees audits of the results, agreements, accounts, and/or actions tied to a Strategic Objective and its activities. The two basic categories of audits are financial audits and performance audits. These categories are closely related. **Financial audits** examine how the Operating Unit and SO Teams maintain accountability over USAID resources, primarily through audits of contractor or grantee financial statements and agreement implementation. It is imperative that the team keep the financial management documentation identified in the COT letters complete and readily available for audit. **Performance audits** focus more on the output and results aspects of our programs, including monitoring and measurement systems, and management structure for producing results. The scope of audits can be very broad, extending from questions of government regulation compliance to management systems. Either (a) the IG and its field offices or (b) private audit firms, host country Supreme Audit Institutions, or the Defense Contract Audit Agency (DCAA), working with IG oversight or review, can conduct audits of USAID programs, grantees, and contractors.

The IG conducts audits to assist USAID management by providing insight into how well the Agency is operating, making recommendations for improvement when problems are found, and acknowledging when a USAID activity is doing well. The IG maximizes audit coverage by developing its own audit strategy and an annual plan. Operating Units and SO Teams should be aware of these plans and of the schedule of recipient-contracted financial audits of grantees and contractors. Operating Units and SO Teams may use Certified Public Accountant (CPA) firms for consulting services, such as financial services reviews and evaluations, when such services are outside the scope of formal audits.

202.3.9.5   *Using the Annual Management Control Review
           Effective Date: 03/19/2004

*Annually, each Operating Unit conducts a management control review to comply with the Federal Managers Financial Integrity Act (FMFIA). Although the operating unit is required to produce a report at the end of the fiscal year, it must conduct the risk assessment vulnerability and evaluation on an on-going basis throughout the year, to identify issues when and where they are found, to maintain effective management control. This Agency-wide review is completed to identify potential problems and vulnerabilities, and to develop, implement, and report on corrective actions being taken. Subject matter for the assessment is wide-ranging, covering all areas where accountability might be at risk. Where there is a common pattern of vulnerability across the Agency, it is brought to the attention of senior management for attention. Problems reported by the responsible Assistant Administrator are brought to the attention of the

Agency's Management Control Review Committee (MCRC), which is chaired by the Deputy Administrator. The AA determines whether problems reported by Operating Units either individually or collectively are significant enough to be reported to the MCRC. **ADS 596**, Management Accountability and Control, details official Agency policies. In the planning and design phase, the operating unit should consider and incorporate management controls that ensure that (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; (3) and revenues and expenditures are properly recorded and accounted for. Operating Units and SO Teams should use the annual exercise to evaluate the implementation to highlight and address vulnerability issues.

*202.3.9.6   Certifying Linkages between SOs and Agency Goals
Effective Date: 03/19/2004

*Operating units must certify on an annual basis that their strategic objectives are properly assigned to the appropriate Agency goals as defined in the most current Agency strategic plan. (Please refer to the mandatory internal reference, **DOS and USAID Strategic Plan**). See **201.3.4.5** for linking SOs exempted from strategic planning and **201.3.7.1** for linking uni- and multi-dimensional SOs. This certification is required by the OIG in order to ensure that the Agency's statement of net costs complies with federal accounting and financial standards. The procedures for obtaining these certifications are described in the Agency's Annual Report Guidance.

202.3.10   Closing Out SOs and Obligating Instruments
Effective Date: 01/31/2003

When a Strategic or Special Objective or instrument concludes, USAID Operating Units or SO Teams, as appropriate, must execute formal SO close out procedures. Country and SO close out reporting focuses more on programs, while instrument close out reporting is more oriented towards transactions and outputs. Close out reports allow the Agency to "close the file" officially on an SO or instrument from a procurement and financial sense. For more information on SO close out reports, see **ADS 203.3.11**.

202.3.10.1   Closing Out Instruments Governed by FAR
Effective Date: 01/31/2003

Close out of direct USAID contract and grant instruments, in addition to recording major programmatic and performance issues affecting performance, must comply with close out procedures either in the Federal Acquisition Regulations (FAR) or as issued by the Office of Procurement for both USAID/W and overseas' issued instruments. (see the mandatory reference **FAR 4.804**, and **22 CFR 226** section 71.) The Contracting or Agreement Officer is responsible for closing out these instruments and will provide guidance to CTOs and SO Teams on their roles in the instrument close out process.

Even though the Contracting/Agreement Officer handles a close out for direct USAID contracts and grants, the CTO, supported as needed by the SO Team, plays an important role in closing out the files.

202.4   MANDATORY REFERENCES

202.4.1   External Mandatory References

The external mandatory reference documents mentioned in this ADS chapter are listed below. Due to the interrelated nature of ADS chapters 200-203, please also consult the comprehensive list of documents in **ADS 200.4.1**.

202 EXTERNAL MANDATORY REFERENCE TITLE	AVAILABLE AT
22 CFR 226, Administration of Assistance Awards to U.S. Non-Governmental Organizations	**http://www.access.gpo.gov/nara/cfr/waisidx_02/22cfr226_02.html**
22 CFR 216, Environmental Procedures	**http://www.access.gpo.gov/nara/cfr/waisidx_02/22cfr216_02.html**
*Executive Order 13279, Equal Protection of the Laws for Faith-Based and Community Organizations	**http://www.whitehouse.gov/news/releases/2002/12/20021212-6.html**
*Executive Order 13280, Responsibilities of the Department of Agriculture and the Agency for International Development With Respect to Faith-Based and Community Initiatives	**http://www.whitehouse.gov/news/releases/2002/12/20021212-5.html**
Federal Acquisition Regulation	**http://www.arnet.gov/far/**
OFPP Policy Letter 97-1, Procurement System Education, Training and Experience Requirements for Acquisition Personnel	**http://www.arnet.gov/Library/OFPP/PolicyLetters/Letters/PL97-01.html**
OMB Circular, A-11, Preparation, Submission, and Execution of the Budget, Part 4, Section IV	**http://www.whitehouse.gov/omb/circulars/a11/03toc.html**
OMB Circular A-76, Performance of Commercial Activities	**http://www.whitehouse.gov/omb/circulars/a076/a76_incl_tech_correction.pdf**
31 U.S.C. 39, Prompt Pay (Federal Prompt Payment Act)	**http://www.usaid.gov/policy/ads/uscode.html#31usc**

202.4.2   Internal Mandatory References

The internal mandatory reference documents mentioned in this ADS chapter are listed below. Due to the interrelated nature of ADS chapters 200-203, please also consult the comprehensive list of documents in **ADS 200.4.2**.

202 INTERNAL MANDATORY REFERENCE TITLE	AVAILABLE AT
*ADS 596 - Management Accountability and Control	http://www.usaid.gov/policy/ads/500/596.doc
*ADS 621 – Obligations	http://www.usaid.gov/policy/ads/600/621.doc
*ADS 631 – Accrued Expenditures	http://www.usaid.gov/policy/ads/600/631.doc
*DOS and USAID Strategic Plan	http://www.usaid.gov/policy/ads/200/200mba.pdf.
Contract Information Bulletin (CIB) 99-17, Organizational Conflict of Interest	http://www.usaid.gov/procurement_bus_opp/procurement/cib/pdf/cib9917.pdf
Past Performance Handbook, Contractor Performance Report Card	http://www.usaid.gov/policy/ads/300/30259m1.pdf
Program Assistance (USAID Policy Paper)	http://www.usaid.gov/policy/ads/200/prog_asst/proasst.pdf
Records Disposition Schedule—Agency Wide (USAID/W and Missions)	http://www.usaid.gov/policy/ads/500/50255dm.pdf
Series 400, Interim Update #2, Appropriate Use and Funding of USAID's Non-Direct Hire Workforce	http://www.usaid.gov/policy/ads/400/updates/iu4-02.pdf
Series 400, Interim Update #3, Implementation of Policy Guidance Concerning Fellows	http://www.usaid.gov/policy/ads/400/updates/iu4-03.pdf
Strategic Objective Document Disposition Schedule	http://www.usaid.gov/policy/ads/500/502mab.pdf
*USAID Political Party Assistance Policy	http://www.usaid.gov/policy/ads/200/200maz.pdf

202.5   ADDITIONAL HELP

The additional help documents mentioned in this ADS chapter are listed below. Due to the interrelated nature of ADS chapters 200-203, please also consult the comprehensive list of documents in **ADS 200.5**.

202 ADDITIONAL HELP TITLE	AVAILABLE AT
*A Practical Framework: Ten Steps for Analyzing and Integrating Public-Private Alliances Into USAID Strategic Planning	http://www.usaid.gov/policy/ads/200/201saa.pdf
Legal and policy considerations when involving partners and customers on strategic objective teams and other consultations	http://www.usaid.gov/policy/ads/200/2016s1.pdf
Tools for Alliance Builders	http://www.usaid.gov/gda/tab.doc

202.6 DEFINITIONS
Effective Date: 01/31/2003

(See comprehensive list contained in **ADS 200.6**)

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Endnote 1: Figure 202A, SO Team Membership – This figure illustrates membership in an SO Team, showing that the SO Team includes both USAID staff and those partners involved with achieving the SO. The figure also shows that USAID employees who carry out governmental functions are "core members" of the SO Team, but are not separate from, or more important than, the other members of the Team. The figure shows a rectangle representing the structure of SO Team membership, with a line dividing the rectangle in half. The left half of the rectangle is colored white and is labeled, "USG staff," and includes the words "USDH, PSC, FSNDH & FSNPSC, TCN, and other USG Members." The right half is shaded gray and is labeled, "partners," and includes the words "USAID-funded and non-USAID funded partners." In the middle of the rectangle are two concentric ovals representing the SO Team. The larger circle straddles both sides of the rectangle. This larger oval is labeled "SO Team" and is striped with both the white color of the left side of the box ("USG Staff") and the gray color of the right side of the box ("Partners"). Nestled inside the large oval is a smaller oval, labeled "Core Members." This smaller oval is only white, the color of the "USG Staff" side of the rectangle. The major takeaways from the diagram are as follows: partners can be on SO Teams but not a core team; and any USG staff member can be a core member of an SO Team.