

RELEASE IN PART B6

From: Shah, Rajiv (AID/A) <[redacted]>
Sent: Wednesday, July 6, 2011 11:01 AM
To: H
Cc: Mills, Cheryl D
Subject: FW: WaPo: The Number of Contractors Barred by USAID has More than Doubled in this Year

B6

Madame Secretary,

Thank you for your guidance this morning.

Below is the article we discussed that ran in the Washington Post. It describes our efforts to crack down on contractors with a focus on the AED suspension and the fact that they went out of business and sold their assets to Family Health International. We continue to take your charge to be aggressive in this space very seriously. On July 28th, we have a comprehensive briefing with you on USAID Forward/QDDR implementation and will describe our efforts at procurement reform which remains the centerpiece of that program.

Best,
Raj

Please see below:

WASHINGTON POST

The number of contractors barred by USAID has more than doubled this year

By Michelle Jamrisko

Published July 3, 2011

The U.S. Agency for International Development, as it cracks down on vendor impropriety, has more than doubled the number of companies and nonprofit groups it has suspended or debarred from receiving new contracts.

The development agency has halted new contracting and grants with 39 entities this year, more than twice the 18 suspended or debarred last year, records show.

USAID on Dec. 8 suspended its 10th-largest partner, the Washington-based nonprofit Academy for Educational Development (AED). The organization held about \$640 million in USAID contracts and grants when it was restricted from receiving new government awards.

"We will hold all of our implementing partners to strict account, regardless of their size," USAID administrator Rajiv Shah said of the suspension in a speech at the Center for Global Development in Washington this year. "'Too big to fail' simply does not exist in development," he said.

The rise in actions follows an October 2009 audit by the USAID inspector general's office that found the agency's process for suspending and debarring contractors contained flaws and constraints. The audit report recommended the agency take more such actions as a matter of policy.

USAID spent \$5.1 billion on contracts in fiscal 2010. The agency does business with 3,500 companies and 300 nonprofit groups — known as “implementing partners” — in 90 countries.

‘Projects ending’

At the time of its suspension, AED had about 2,500 employees worldwide, including 1,400 posted abroad. Since the suspension, AED has reduced staffing by 430, to 2,070, with 1,250 overseas, as a result of “projects ending, downsizing to reduce overhead expenses and voluntary departures,” AED spokeswoman Misha Galley said in a June 27 e-mail.

The organization revised its 2011 revenue prediction from \$500 million to less than \$400 million, Galley said. She declined to comment on the USAID suspension.

AED maintains 300 programs in all 50 U.S. states and more than 150 countries. The organization has an annual budget of \$440 million, according to its Web site.

Under the terms of its suspension, AED cannot be awarded new contracts by any government agency. It’s allowed to finish work on existing USAID projects, James Charlifue, chief of staff for the inspector general’s office, said in an e-mail.

AED received \$101 million through 24 government procurements last year, almost half of it from 10 USAID contracts, according to data compiled by Bloomberg. The organization has received about \$2.8 million for work on USAID contracts since its suspension, according to the data.

Contracts make up about 10 percent of AED’s work for the agency, Galley said. The rest is conducted through grants and cooperative agreements.

The USAID inspector general’s office won’t make public its final report on the unfinished investigation that led to AED’s suspension, Charlifue said. An October report by the office cited allegations, later tied to AED, of collusion in procurement of household kits for internally displaced persons in Pakistan.

AED’s acquisition

Fifty years after it was founded in 1961, the same year USAID was created, AED is selling its assets to Durham, N.C.-based Family Health International (FHI) in an effort to continue its work under new ownership. AED was expected to complete the acquisition July 1, spokeswoman Galley said in an e-mail.

FHI’s eligibility to compete for AED’s expiring contracts will be determined by the agency, procurement lawyers said. USAID spokeswoman Gina Jackson declined to provide a copy of the AED suspension notice.

Competitors for USAID work are prepared for FHI’s potential bids on AED’s expiring contracts; company spokesmen said.

“We expect the same level of healthy competition from the combined organization,” Patrick Gibbons, spokesman for the Research Triangle Institute of Durham, said in a June 24 e-mail.

The nonprofit organization was the eighth-largest recipient of USAID contracting dollars last year, with \$205 million, according to Bloomberg data.

AED is “still in the marketplace in a different form” and is expected to continue its development work, Leah Quin, a spokeswoman for Arlington County-based rival Carana, said in a telephone interview.

Carana received all its \$32.3 million in contracting revenue last year from USAID.

Paul Murphy in Washington contributed to this report