USTDA

U.S. Trade and Development Agency

Performance and Accountability Report

Fiscal Year 2018

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U.S. TRADE AND DEVELOPMENT AGENCY

FY 2018 Performance and Accountability Report

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Director's Message

I am pleased to present the U.S. Trade and Development Agency's (USTDA or Agency) Performance and Accountability Report for Fiscal Year (FY) 2018. This report describes the results of the Agency's strong program performance and sound fiscal management. Over the past fiscal year, USTDA has continued building upon its consistent history of connecting U.S. businesses to new export opportunities in emerging markets, while advancing the infrastructure development goals of its partner countries.

USTDA's efforts have produced the highest return on investment for U.S. taxpayers in the history of the Agency: for every dollar programmed, USTDA generates on average over $104 in exports of U.S.-manufactured goods, services and technologies. This unprecedented success reflects the mutually-beneficial commercial partnerships USTDA facilitates between U.S. companies and project sponsors in high-growth emerging economies.

In FY 2018, USTDA continued to deliver results for its U.S. and overseas partners by launching and pursuing key strategic programs.

Collaborating with Japan to Develop Quality Infrastructure

In November 2017, during President Donald J. Trump's State Visit to Japan, USTDA concluded the first of its type Memorandum of Cooperation with Japan's Ministry of Economy, Trade and Industry. The agreement established a framework for aligning programmatic and financial resources to advance quality infrastructure solutions across the Indo-Pacific region. As a first step, USTDA and Japan's Ministry of Economy, Trade and Industry (METI) launched the *Indo-Pacific LNG Supply and Natural Gas Cooperation Training Program,* which is advancing value-based natural gas infrastructure planning and technical capacity building in the Indo-Pacific region.

Implementing the U.S.-Indo-Pacific Strategy

USTDA activities have long opened markets for U.S. companies and unlocked infrastructure development in the Indo-Pacific, a fast-growing region critical to the United States' long-term economic and security interests. This year, USTDA was actively engaged in the planning and launching of three new initiatives that will advance the Administration's Indo-Pacific Strategy. These initiatives include the Digital Connectivity and Cybersecurity Partnership (DCCP), Infrastructure Transaction and Assistance Network (ITAN), and Asia EDGE: Enhancing Development and Growth through Energy. In FY 2018, over half of USTDA's Indo-Pacific portfolio was focused on energy investments. The Agency also supported Reverse Trade Missions in cybersecurity and digital infrastructure, as well as technical assistance to support the development of a new emergency communications system in Vietnam.

Supporting Greater Gas Utilization

In November 2017, USTDA along with U.S. industry launched the U.S. Gas Infrastructure Exports Initiative to connect American companies to export opportunities across the gas value chain in emerging economies. Among those projects financed by USTDA as a result of the Initiative was a feasibility study in South Africa for a 450 megawatt (MW) gas-fired power station and a combined cycle power plant in Egypt. Additionally, this fiscal year, the Agency hosted multiple reverse trade missions for more than 60 public and private sector delegates that represent the entire gas value chain, including officials from Angola, Benin, Cameroon, China, Cote D'Ivoire, Mozambique, South Africa, and Turkey.

Powering Africa

In response to increased interest from African project sponsors to engage U.S. companies and utilize innovative U.S. energy solutions, USTDA's Africa portfolio continues to meet demand of the Agency's partners both in the United States and across the African continent. As an implementing agency of Power Africa, USTDA has supported project preparation activities and reverse trade missions that aim to expand electricity access across Africa that are opening new markets for U.S. companies in the energy sector. Important to USTDA's efforts is its ability to open doors for small businesses to engage in Africa's growing power market. It is notable that many of the U.S. beneficiaries of the Agency's work in sub-Saharan Africa continue to be small businesses that offer unique and innovative solutions demanded by African developers.

Promoting Value-Based Procurement

USTDA's *Global Procurement Initiative: Understanding Best Value* (GPI) continues to educate public officials in emerging markets on how to establish procurement practices and policies that integrate life-cycle cost analysis and best value determination in a fair, transparent manner. The GPI works to level the playing field for U.S. firms competing in international tenders. This past year saw the Government of Brazil begin to make changes as a result of its engagement with GPI program by launching a nationwide procurement network that will allow Brazilian procurement officials to exchange best practices across the federal, state, and municipal levels. Also, with the support of USTDA's GPI program, Ethiopian Electric Power (EEP) adopted Standardized Procurement Documents and a Procurement Manual for the company. These documents will enable EEP staff to utilize best-value procurement determinations, which will ultimately level the playing field for international competition.

In closing, we look forward to continuing to build on the Agency's success supporting American jobs and advancing infrastructure projects overseas through U.S.-manufactured goods, services and solutions. This success would not be possible, however, without the outstanding USTDA staff. USTDA has a lean, experienced and innovative team that works collaboratively to achieve the Agency's mission. Their extraordinary commitment enables USTDA to leverage its resources to produce remarkable results.

Director (Acting)
U.S. Trade and Development Agency

U.S. Trade and Development Agency
Management's Discussion and Analysis

USTDA at a Glance

USTDA is an independent U.S. government agency established under the Jobs Through Exports Act of 1992, Section 661 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. § 2421).[1] The Agency's mission is to help companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project preparation and partnership building activities that develop sustainable infrastructure and foster economic growth in partner countries.

USTDA carries out its mission through a variety of tools including project preparation activities, such as grants to overseas project sponsors who, in turn, select U.S. companies to perform the USTDA-funded feasibility studies, technical assistance or pilot projects. USTDA also organizes reverse trade missions (RTMs), which bring decision-makers from emerging markets to the United States to introduce them to the design, manufacture and operation of U.S. goods, services and technologies that can advance the infrastructure development goals of the participants. While USTDA activities can address a wide variety of sectors, the Agency primarily focuses on energy, transportation, and telecommunications sectors.

USTDA funds projects that have a high probability of implementation, generating U.S. exports and achieving positive infrastructure development benefits. USTDA also considers a project's potential adverse environmental impacts by ensuring that, where applicable, provision is made for a preliminary environmental impact analysis.

Essential to USTDA's success is outreach to the U.S. business community, with a particular focus on helping small businesses take advantage of trade and investment opportunities in emerging markets.

Organizational Structure

The Agency's Executive Team consists of the Director, Deputy Director, General Counsel, Chief of Staff, Senior Advisor to the Director, and Director of Congressional and Public Affairs. Program staff, organized by geographic region, prioritize their investments in markets and sectors with strong U.S. export potential and positive development impacts for the host country.

In order to develop actionable recommendations for effective programming, USTDA's Office of Program Monitoring and Evaluation (M&E Office) continuously monitors performance. Additionally, the Agency's size and structure allows the Director of the M&E Office to review every dollar of program funding before it is obligated – thus ensuring empirical, evidence-based decisions across all funding commitments.

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[1] The Trade and Development Program, USTDA's predecessor organization, was established by 1981 within the U.S. Agency for International Development. In 1992, USTDA was established as an independent federal agency.

Programmatic, operational and administrative support is provided by the Offices of General Counsel, Congressional and Public Affairs, Finance, Acquisition Management, Information Technology, Administration, and the M&E Office. Additionally, to maximize efficiency, USTDA utilizes shared service providers for support functions, wherever possible. This structure allows USTDA to maximize its resources in support of its statutory mission.

Performance Goals, Objectives and Results

Consistent with the Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010, USTDA developed a five-year Annual Strategic Plan for fiscal years 2013 – 2018. The Strategic Plan was amended in FY 2016 and as amended, covers fiscal years 2016 – 2018. The Agency's strategic plan contains the following performance targets:

- Support U.S. exports for priority development projects in emerging economies by generating an average of $74 in U.S. exports for every dollar appropriated to, and programmed by, the Agency.
- Foster opportunities for U.S. small businesses by exceeding the applicable U.S. Small Business Administration (SBA) benchmark for percentage of applicable contracts under the Federal Acquisition Regulations (FAR) awarded to U.S. small businesses.

As referenced in greater detail below, USTDA exceeded its performance targets in FY 2018.

For the last nine years, USTDA has embarked upon an annual strategic planning process to examine the effectiveness and responsiveness of the Agency's program to U.S. industry, U.S. foreign policy priorities, and emerging market needs. USTDA reviews its past performance by country and sector and examines its export successes and the developmental impacts of its program. Using this information, the Agency adjusts its priorities annually to be responsive to the U.S. business community and its partners overseas in achieving its trade and development missions.

For FY 2018, USTDA demonstrated its ability to pursue a strategic agenda that balanced infrastructure development priorities with the need to support U.S. exports and jobs. In FY 2018, the Agency targeted 24 priority countries across five geographic regions, along with three priority sectors. The results of pursuing a focused strategy once again exceeded the Agency's expectations. Apart from the developmental benefits resulting from USTDA projects, the Agency's success is quantitatively measured by the "export multiplier," a ratio of exports generated per appropriated USTDA dollar programmed, measured as a ten-year rolling average. At the close of FY 2018, the Agency's export multiplier was $104 to $1. The Agency also identified over $4.9 billion in new U.S. exports supporting an estimated 28,415[2] U.S. jobs as a result of USTDA's funding.

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[2] Rasmussen, "Jobs Supported by Exports 2016: An Update." http://www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_005543.pdf

104	$4.9B	28,415
Multiplier	New Exports Found in 2018	U.S. Jobs Supported

In FY 2018, USTDA remained closely aligned with the evolving needs of the U.S. business community to assist them in responding to challenges faced in emerging economies. USTDA also further aligned its programmatic resources to advance the Administration's foreign policy priorities. For example, in November 2017 USTDA and Japan's Ministry of Economy, Trade and Industry (METI) concluded an agreement to jointly support the development of energy infrastructure and strengthen procurement capacities in the Indo-Pacific region. As a first step, during the Indo- Pacific Business Forum in July 2018, USTDA and METI launched the *Indo-Pacific LNG Supply and Natural Gas Cooperation Training Program*. Beyond operationalizing the U.S.-Japan partnership, the Training Program advanced USTDA's broader U.S. Gas Infrastructure Exports Initiative. The Initiative, launched in November 2017 with over 50 U.S. companies, trade associations and U.S. government entities, ensured the prioritization of USTDA funding to open markets for the development of gas infrastructure along the entire gas value chain. Under the broader Initiative, USTDA committed funding in FY 2018 to support the extraction, transportation, and utilization of natural gas in economies around the world.

Beyond its cooperation with Japan, USTDA continued to prioritize investments in the Indo-Pacific, a region critical to the United States' long-term economic and security interests. USTDA was actively engaged in the launch of three new initiatives that advance the Administration's broader Indo-Pacific strategy. These initiatives include the Digital Connectivity and Cybersecurity Partnership (DCCP), Infrastructure Transaction Assistance Network (ITAN), and Asia EDGE – Enhancing Development and Growth through Energy. In FY 2018, over half of USTDA's Indo-Pacific portfolio was focused on energy investments. The Agency also supported RTMs in cybersecurity and digital infrastructure, as well as technical assistance to create a new emergency communications system in the region.

Further, the Agency prioritized investments in sub-Saharan Africa, where the Agency is helping companies to build the continent's energy, transportation, and telecommunications infrastructure amid growing global competition. Many U.S. companies involved with the Agency's work in sub-Saharan Africa are small businesses where USTDA's program often helps these companies demonstrate their innovative technologies and solutions across the African continent.

Also, in FY 2018, the Agency continued its expansion of the *Global Procurement Initiative: Understanding Best Value* (GPI), which is helping emerging markets establish procurement practices and policies that integrate life-cycle cost analysis (LCCA) and best-value determination in a fair, transparent manner. This year USTDA added Brazil, the Dominican Republic, and the state of Maharashtra in India as new GPI partners, bringing the total number of partners to 11. The Agency continued to see results this past year in partner countries following GPI engagement. For example, Ethiopian Electric Power (EEP) adopted Standardized Procurement Documents and a Procurement Manual for procurements at EEP and Brazil created a nationwide procurement network.

FY 2018 Strategic Investments	**Overall Success Rates**
(for core program obligations)	**Export Multiplier: 104 to 1**
Total Obligations: $52.9M	**New Exports Identified: $4.9B**
Priority Countries: $46.2M (87%)	**Total Exports since 1992: $66B**
Energy: $23.8M (45%)	
Transportation: $7.3M (14%)	
Telecommunications: $6.5M(12%)	

One of USTDA's core strengths is its ability to use data to inform its funding decisions. Using this data, the Agency targeted 24 priority countries, along with three priority sectors, and the results of pursuing a more focused strategy have built a model for success and generated the highest rate of return on USTDA's investments in the history of the Agency. The Agency's export multiplier increased this year from a ratio of 95 to 1 in FY 2017 to 104 to 1 for FY 2018, which means that for every dollar USTDA invests, it generates on average 104 dollars in U.S. exports. USTDA also identified approximately $4.9 billion in new exports in FY 2018 and in total has helped generate over $66 billion in U.S. exports since 1992.

By focusing its resources, USTDA has been able to strengthen ties with the U.S. companies operating in these priority markets and customers in the priority countries, as well as host country governments.

USTDA is committed to creating opportunities for U.S. small businesses and relies on small businesses for technical expertise. In FY 2018, approximately 59 percent of the total value of all prime contracts awarded by USTDA went to U.S. small businesses, well above the SBA target of 23 percent.

Analysis of Financial Statements

USTDA prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The financial statements and notes are presented on a comparative basis in the format required by U.S. GAAP and OMB Circular A-136, *Financial Reporting Requirements*.

The following table summarizes the significant changes in USTDA's financial position, net costs of operations, and budgetary resources as of and for the years ended September 30, 2017 and 2018:

Financial Indicator	FY 2018	FY 2017	Increase/ (Decrease)	Percentage Change
Total Assets	$169,385,157	$146,966,398	$22,418,759	15.2%
Total Liabilities	$13,110,559	$12,675,897	$434,662	3.4%
Net Position	$156,274,598	$134,290,501	$21,984,097	16.4%
Net Cost of Operations	$58,895,868	$60,114,226	($1,218,358)	(2.02%)
Budgetary Resources	$101,756,713	$105,425,526	($3,668,813)	(3.5%)

Below is a brief description of the nature of each required financial statement and its relevance. Certain significant balances or conditions are explained, to elaborate on the impact on USTDA's operations. Readers are encouraged to gain a deeper understanding by reviewing USTDA's financial statements and related notes presented in the Financial Section of this report.

Balance Sheet

The accompanying balance sheet as of September 30, 2018 reports a net position of approximately $156.3 million. USTDA's total assets are approximately $169.4 million, primarily comprised of fund balance with Treasury of approximately $166.0 million. The total assets increased by approximately $22.4 million from September 30, 2017 to September 30, 2018. The increase was primarily due to an increase in fund balance with Treasury of 20.8 million, due to increased appropriations of $4.5 million and an increase in unexpended appropriations.

Total liabilities reported are approximately $13.1 million and are comprised of approximately $11.5 million of accounts payable, of which approximately $10.3 million relates to grant payments owed, but unpaid, as of September 30, 2018. Total liabilities increased by approximately $0.4 million during FY 2018. The increase was primarily due to an increase in deferred rent as a result of entering a new occupancy agreement for office space in FY 2018 that included a period of free rent that is to be amortized over the life of the agreement.

Statement of Net Cost

USTDA's net cost of operations for the year ended September 30, 2018 amounted to approximately $58.9 million. Net cost of operations decreased by approximately $1.2 million in FY 2018, due to a decrease in grant program and operation costs.

Statement of Budgetary Resources

The budgetary resources for FY 2018 decreased by approximately $3.7 million from FY 2017, due primarily to a decrease of $2.8 million in transfer funds.

Analysis of USTDA's Systems, Control and Compliance with Statutes and Directives

Data and Financial System Assessment

USTDA develops and promulgates accounting policies and procedures for use by its staff to maximize accountability; promote standardization and cost effectiveness; monitor Agency compliance with these policies and procedures; implement corrective actions to address control deficiencies raised by independent auditors; monitor the activities of the Agency's programs; and perform analysis of required changes in procedures that affects the financial reporting of the Agency.

In addition, the Agency conducts program audits throughout the year and provides oversight of decentralized accounts payable processing and payroll activities. The Agency also performs internal control reviews on financial, management, and information systems, and conducts fact-finding activities to support decisions impacting revisions to the Agency's accounting and financial reporting systems.

The Interior Business Center (IBC) of the U.S. Department of the Interior provides payroll, personnel, and accounting systems and services to the Agency pursuant to service level agreements. The Agency's financial management system strategy is to continue to use a shared service provider. The operating effectiveness of the IBC's Oracle Federal Financials (OFF) and IBC's Federal Personnel and Payroll System (FPPS), General Information Technology and Accounting Operations Controls were examined under Statements on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*, issued by the American Institute of Certified Public Accountants (AICPA). IBC's independent auditor issued unmodified opinions on the SSAE 18 reports for OFF and FPPS for the period August 1, 2017 through June 30, 2018. Accordingly, IBC was able to provide USTDA with assurance that IBC controls were in place as of June 30, 2018, as they relate to key controls relied upon by USTDA and are operating effectively. The results of this report in conjunction with user controls USTDA has put in place provide reasonable assurance that USTDA's financial management systems complied substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

Analysis of Entity's Systems, Controls and Legal Compliance

Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) is implemented by OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The objectives of the FMFIA are to ensure that USTDA's controls and systems provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

USTDA management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. Accordingly, USTDA conducts risk assessments and internal control reviews to ensure the objectives mentioned above are achieved.

Section 2 of the FMFIA requires Federal agencies to report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The reviews that took place during FY 2018 provide unqualified assurance that USTDA's systems and management controls comply with the requirements of the FMFIA.

Section 4 of the FMFIA requires that agencies annually provide assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting. USTDA evaluated its financial management systems in accordance with the FMFIA. The results of management reviews provide unqualified assurance under Section 4 of the FMFIA that USTDA's financial systems controls generally conform to the principles and standards required.

Finally, in accordance with the Accountability of Tax Dollars Act of 2002 (ATDA), the Agency's financial information is audited annually. The results of the audit are considered by USTDA in its assessment of whether or not the objectives of the FMFIA are being met.

Annual Assurance Statement on Internal Control

USTDA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). USTDA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016 ("OMB Circular A-123"). Based on the results of this evaluation, USTDA can provide reasonable assurance that its internal control over operations, reporting, and compliance with applicable laws and regulations were operating effectively as of September 30, 2018, and no material weaknesses were found in the design or operation of the internal controls.

In addition, USTDA conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, USTDA can provide reasonable assurance that its internal control over financial reporting as of June 30, 2018 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

/s/ Thomas R. Hardy

Acting Director

October 18, 2018

Date

Accountability of Tax Dollars Act

The Accountability of Tax Dollars Act of 2002 (ATDA) requires the preparation of financial statements by the Federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular A-136, *Financial Reporting Requirements*, enables agencies to consolidate their audited financial statements and other financial and performance reports into one report, the PAR. This report meets the requirements of the ATDA.

Government Performance and Results Act (GPRA) and GPRA Modernization Act

The Government Performance and Results Act of 1993 (GPRA) as amended, including as amended by the GPRA Modernization Act of 2010, requires the Agency to make available, on the Agency's public website, a 5-Year Strategic Plan, an Annual Performance Plan, and an Annual Performance Report. USTDA's 5-Year Strategic Plan for FY 2016 – 2018, as amended, and combined Annual Performance Plan (FY 2016 – 2017) and Annual Performance Report (FY 2015) are available on the Agency's website, ustda.gov.

Federal Information Security Modernization Act

The Federal Information Security Modernization Act of 2014 (FISMA) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. The Agency's information security program includes a process for planning, implementing, evaluating, and documenting existing information security policies, procedures, and practices, as well as remedial action to address deficiencies in such policies, procedures, and practices.

During FY 2018, USTDA maintained its information security program by (1) providing annual information security and insider threat awareness training to its user community, including contractors; (2) utilizing a Department of Homeland Security (DHS) Information Systems Security Line of Business (ISSLoB) federal shared service provider to perform annual assessments on the General Support System (GSS), incorporating the testing of management, operational, and technical security controls; (3) maintaining the process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in the information security policies, procedures, and practices; and (4) maintaining procedures for detecting, reporting, and responding to security incidents. This is accomplished consistent with standards and guidelines issued by the National Institute of Standards and Technology (NIST), including utilizing the NIST Framework for cybersecurity categories of identify, detect, protect, respond, and recover.

USTDA utilizes Federal Risk and Authorization Management Program (FedRAMP) authorized cloud-based solutions for email, and personal network drives. In FY 2018, USTDA also migrated the ustda.gov web site to a federal agency cloud shared service provider, which is also FedRAMP authorized. By using FedRAMP authorized providers we benefit from a government-wide standardized approach for information security and FISMA compliance.

Improper Payments Elimination and Recovery Act

The Improper Payments Information Act of 2002 (IPIA) requires Federal agencies to identify and report on significant payment programs that are susceptible to improper payments. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires the development of policies and procedures for the prevention and detection of improper payments in the Federal government. IPERA expands on IPIA by, among other things, requiring an initial assessment to identify those programs that are susceptible to significant risk of improper payments. The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) requires OMB on an annual basis to identify high-priority programs, establish performance targets and accelerates the "Do Not Pay" program.

USTDA reviewed its operations, identifying three categories of activities which the Agency undertakes:

(1) Project Development Program;
(2) International Business Partnership Program, and
(3) Agency Support Contracts (exclusive of payments to Federal agencies).

In FY 2018, USTDA assessed each of these categories of activities to determine which, if any, were susceptible to significant improper payments. USTDA's Office of Finance has also reviewed every transaction processed during FY 2017. Based on the review of 2017 transactions, the nature of USTDA's program and activities, and in view of USTDA's current recovery audit procedures, as well as USTDA's compliance with FMFIA as described above, the Agency has determined in accordance with IPERA that an expanded program of payment recapture audits would not be cost-effective within the meaning of IPERA.

Following the review and analysis of USTDA's transactions for FY 2017, the most recent year for which a review has been completed, the Agency did not find any significant improper payments that reached the level required for reporting by IPERA. In addition, in order to enhance its policies and procedures for the prevention and detection of improper payments, the Agency has entered into an agreement with IBC, its shared service provider; to utilize the Do Not Pay Business Center to check all invoices prior to payment in an effort to further reduce improper payments. The Do Not Pay Business Center provides data on whether or not an individual or company is eligible to receive Federal payments.

Limitations of the Financial Statements

These financial statements have been prepared to report the financial position and results of operations of USTDA pursuant to the requirements of 31 U.S.C. § 3515(b). While the financial statements have been prepared from the books and records of the Agency in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used by USTDA management to monitor and control budgetary resources that are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

U.S. Trade and Development Agency Performance

Performance Objectives and Results

USTDA helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project preparation and partnership building activities that develop sustainable infrastructure and foster economic growth in partner countries. USTDA divides its work into five geographic regions that represent the majority of USTDA's program funding commitments: Latin America and the Caribbean; East Asia; Sub-Saharan Africa; Middle East and North Africa and Eurasia; and South and Southeast Asia. In addition, the Global Programs Office manages program funding commitments across these five regions, as well as cross-cutting programs including the GPI.

USTDA's Monitoring Process and Evaluation Measurements and Targets

USTDA maintains a robust M&E Office that is integrated into all individual project, management and policy decisions. Monitoring is a key pillar in the stewardship of federally funded programs. At USTDA, monitoring ensures the efficacy of program delivery, compliance with federal requirements, and continual collection of data to strengthen in-depth evaluation efforts, while simultaneously helping to increase the commercial impact of USTDA's programs. USTDA employs a rigorous, systematic process to ensure compliance through standardized tools such as multi-phase reviews of all final work product for all grant activities. USTDA also undertakes programmatic and/or financial audits of selected activities. In cases where non-compliance is identified, the Agency works to bring those activities into compliance or takes appropriate action when funding recipients cannot meet compliance requirements.

The M&E Office participates in each stage of USTDA's project life-cycle by providing data and feedback regarding past results, anticipated outcomes, and proposed evaluation strategies when projects are being designed; conducting internal evaluation of prior projects to inform USTDA's evaluation strategies and policies; and overseeing the work of outside evaluation contractors that gather data and document the outcomes of USTDA's program.

USTDA has extensive experience measuring the effectiveness of its programming in achieving its export promotion goals. There is no indication from either the Agency's internal evaluations staff or its outside evaluation teams that there are any material inadequacies that would significantly impede the use of performance data by the Agency's management and government decision-makers.

The measurements used by the Agency to determine whether its commercial objectives are being achieved include:

- Total Cumulative Exports: the amount of exports associated with USTDA-funded activities in any given time period.

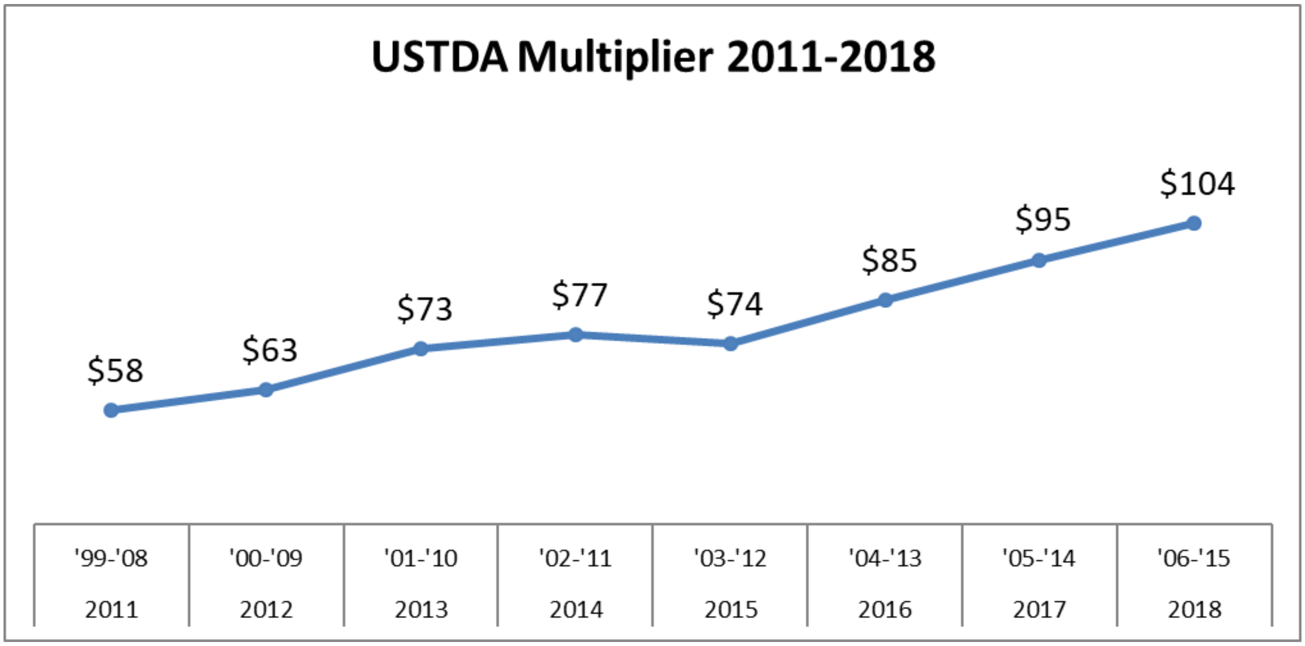
- Export Multiplier: quantifies the amount of exports generated for every appropriated USTDA dollar programmed and thus is the export return on USTDA investments. At the close of FY 2018, USTDA had generated, on average, $104 in U.S. exports for every $1 in program funding. The multiplier is calculated using the Ten-Year Rolling Average (TYRA). For FY 2018, the TYRA is comprised of projects completed from January 1, 2006 through December 31, 2015. The TYRA is explained in greater detail in the *Procedures to Ensure Performance Reporting* section.

Total Cumulative Exports
This figure is generated by calculating the sum of total exports documented in the USTDA database. Since 1992, USTDA's programs have helped generate more than $66 billion in U.S. exports. In FY 2018, USTDA identified an additional $4.9 billion of U.S. exports attributed to USTDA-supported projects.

Export Multiplier Calculation
The export multiplier quantifies the amount of exports generated for every appropriated USTDA dollar programmed. It is calculated by dividing the dollar value of U.S. exports USTDA identifies by the dollar value of USTDA's program funding commitments. For the current TYRA period, which contains projects completed from January 1, 2006 through December 31, 2015, USTDA has obligated $326.4 million of program funding, which has helped to generate $34 billion in U.S. exports. Thus, for every $1 dollar of USTDA program funding, $104 in U.S. exports are generated. This return on investment demonstrates the Agency's ability to open markets for quality U.S. infrastructure solutions that meet the needs of developing and middle-income countries.

U.S. Trade and Development Agency Performance

Export Multiplier:	*$34 billion* / *$326.4 million*	=	*$104*



Other Measurements

Small Business Impact

The SBA set a benchmark for Federal agencies to meet the statutory goal of awarding 23 percent of federal prime contracting dollars to small businesses.[3] USTDA far surpassed that mark – in FY 2018, approximately 59 percent of the total value of all prime contracts awarded by USTDA went to small businesses. USTDA remains committed to exceeding the SBA benchmark and will do so by maintaining its ambitious outreach efforts to U.S. small businesses.

Procedures to Ensure Performance Measurement Reporting

Multiple factors lead to USTDA's results. USTDA's M&E Office strives to obtain information that validates whether and how USTDA's funding affected the outcomes identified. The M&E Office utilizes proven evaluation methods, in line with industry best practice, to measure outputs, outcomes and impacts against original project goals. These methods are grounded in broader

[3] U.S. Small Business Administration, Strategic Plan Fiscal Years 2014–2018 https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_2014_-2018_Strategic_Plan-1.pdf, p. 6.

evaluation practice to objectively, systematically, and consistently assess the impact of USTDA's programming.

The information collected by the M&E Office supports organizational learning within USTDA and assists the Agency in documenting the relationship between its activities and project outcomes. Performance and results data are shared consistently with internal and external audiences to provide transparency on the Agency's impact and support continual performance improvement. Evidence gathered by the M&E Office forms the basis of annual strategic planning efforts and is used throughout the year to inform program funding and program management decisions. The following parameters are used when compiling and generating export measures:

U.S. Exports and U.S. Content: U.S. exports attributed to USTDA's funding must have a credible and significant linkage to the USTDA-funded activity. USTDA defines U.S. exports as (i) the U.S. content associated with goods manufactured in the United States or (ii) the services provided by U.S. companies.[4] This definition enables USTDA to make the best estimation of its impact on U.S. jobs based on the U.S. exports attributed to its funding. This data supports the direct benefit that USTDA-funded activities bring to U.S. companies and their employees.

Ten Year Rolling Average: The TYRA is a ten-year interval of time used to report the outcomes resulting from USTDA's program. The TYRA currently consists of all USTDA activities completed in the ten-year period from January 1, 2006 through December 31, 2015. Because USTDA finances early-stage project preparation activities, it typically takes years for the Agency's activities to produce U.S. exports. As such, this interval of time is used to capture a meaningful and relevant representation of the results of USTDA's program funds. The last year of the TYRA (2015) is recent enough to influence Agency planning and long enough to ensure that USTDA-funded activities have been evaluated at least once by USTDA's external evaluation contractors.

Type of Funding: USTDA funds projects by using its core funds (those funds that Congress appropriates directly to USTDA) and, in some instances, transfer funds provided by other government agencies such as U.S. Agency for International Development (USAID) and the Department of State (DOS). Transfer funds often carry restrictions with respect to the use of the funding (e.g., country limitations, industry priorities, or specific activities). Accordingly, the evaluation process considers the type of funding used to support each project in order to appropriately reflect the specific goals, objectives, and restrictions of each activity. Transfer-funded projects receive thorough evaluations throughout the life-cycle of the project; however, due to the differing objectives and restrictions associated with transfer-funded projects, they are treated separately from core-funded projects and omitted from calculations of aggregate results, in accordance with OMB guidance.

[4] USTDA obtains U.S. content data most commonly from U.S. contractors, suppliers, host country project sponsors, financiers, and U.S. agencies involved in implementing projects.

External Evaluation and Validation: USTDA uses external contractors - outside evaluation teams (OETs) - to evaluate approximately 350 USTDA activities annually. OETs provide an assessment of project outcomes, in terms of both exports and developmental impact. OETs provide these assessments in individual project reports that present details about such matters as:

- the specific U.S. companies that exported to the project;
- the specific U.S. goods and services supplied to the project;
- how the USTDA-funded work contributed to implementation of the project;
- the source of financing that was used for the project; and
- if the project did not move forward, an assessment of why it did not.

Each report contains information about the entities that were contacted during the evaluation. In addition to these reports on individual projects, the OETs provide a comprehensive final report that summarizes the findings associated with the cohort of approximately 350 activities. After several annual assessments by the OETs, any remaining questions are handled directly by USTDA's M&E Office. USTDA is currently using two separate companies to provide outside evaluations.

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Independent Auditors' Report

The Acting Director
U.S. Trade and Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the U. S. Trade and Development Agency ("USTDA") which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USTDA as of September 30, 2018 and 2017, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Director's Message, Performance section, Other Information section, and information in referenced websites, included in the USTDA Performance and Accountability Report, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2018, we considered USTDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USTDA's internal control. Accordingly, we do not express an opinion on the effectiveness of USTDA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Appendix A, we did identify one deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Appendix A to be a material weakness. USTDA management did not report this material weakness in its Statement of Assurance, included in the Management's Discussion and Analysis section of the accompanying USTDA Performance and Accountability Report.

KPMG

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USTDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-01.

USTDA's Response to Finding

USTDA's response to the finding identified in our audit is described in the accompanying Appendix B. USTDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of USTDA's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington DC
November 8, 2018

Material Weakness

Review of Accounts Payable and Other Journal Entries

Criteria:

GAO-14-704G, United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government, Principle 10.03, *Appropriate Documentation of Transactions and Internal Control* states, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

Condition:

In our review of the journal entry process in fiscal year 2018, we found that the U.S. Trade and Development Agency's (USTDA) financial staff did not fully document or apply sufficient controls over the review and approval of manual and on-top journal entries prior to sending them to the service organization for processing. Specifically, we noted that there was no documented approval of the journal entries prior to submission, and in some cases, the journal entries were not reviewed by a secondary reviewer because they were submitted by the preparer (indicating a segregation of duties issue). Further, since May 2018, USTDA's financial staff have not documented their review of the trial balance after the journal entries were posted by the service organization, to verify accurate posting. Specifically, at September 30, 2018, we identified that:

1) The service provider incorrectly recorded the budgetary impact of the rent abatement adjustment, which was not detected by USTDA.

2) The Accounts Payable (AP) calculation, which results in a significant journal entry, included the following errors because the USTDA financial staff did not:

   - Update the 2017 Undelivered Order (UDO) amount in the calculation and instead used the 2016 amount.
   - Reconcile the UDO amount related to reimbursable agreements to the supporting reimbursable agreements schedule and used an incorrect amount.
   - Use information from the Implementation Manager to calculate specific item accruals for reimbursable transactions and, instead, applied the standard rate to all UDOs, incorrectly resulting in accruals for UDOs that needed to be de-obligated and agreements where work has not yet started.
   - Properly deduct the system accrual from the total AP entry submitted to Interior Business Center (IBC), the service organization, to record into the general ledger.
   - Agree the system AP amount used in the calculation to the general ledger and used an incorrect amount.
   - Document its analysis of the reasonableness of the AP methodology as a result of the difference identified in the AP lookback procedures, which showed more than a 10 percent variance between the prior year estimate and the prior year actual AP, as required in the USTDA's AP policy.

Cause:

There is no standard operating policy in place regarding the journal entry process, to document the nature and frequency of journal entries that need to be recorded and the associated controls that should be in place to approve journal entries and to ensure that they are posted correctly. USTDA has experienced turnover in its finance staff during the year. Specifically, the Director of Finance and Deputy Director of Finance positions are currently vacant. The turnover in personnel and the lack of documented procedures over journal entries and the lack of understanding of the AP methodology used in prior years contributed to our finding. When the previous Director of Finance left the Agency in May 2018, she did not inform the interim staff of the process she had been using to review journal entries or fully explain the AP calculation process.

Effect:

There is an increased risk that journal entries could include errors that would go undetected or that journal entries processed by the service organization are not complete and accurate. These matters could lead to a misstatement in the financial statements. Our audit procedures identified that undelivered orders were overstated by $1.8 million and delivered orders were understated by this amount, as of September 30, 2018, prior to our recommended adjustment. Further, the AP calculation included errors that were not detected by USTDA financial staff and the resulting journal entry processed by the service organization to record AP as of September 30, 2018, overstated AP by $1.2 million, prior to our recommended adjustment.

Recommendations:

We recommend that USTDA document and implement procedures for preparing, reviewing, and approving journal entries prior to submission to the service organization, as well as controls for ensuring that these journal entries are properly posted in the general ledger. We also recommend that USTDA financial staff improve the adherence to the current AP calculation procedures and controls.

Appendix B

USTDA's Response to Finding

To address the concerns raised by the auditors, USTDA management will ensure that procedures for preparing, reviewing, and approving journal entries prior to submission to the service organization, as well as controls for ensuring that these journal entries are properly posted in the general ledger are documented and implemented.

USTDA management will also ensure that its AP calculation procedures are reviewed and updated. In addition, USTDA management will ensure that the agency improves its adherence to its procedures for preparing, reviewing and approving accounts payable entries prior to submission to the service organization for posting into USTDA's general ledger.

U.S. TRADE AND DEVELOPMENT AGENCY

Balance Sheet

As of September 30, 2018 and 2017

Assets	**FY 2018**	**FY 2017**
Intragovernmental:		
Fund balance with Treasury (Note 2)	$ 166,050,377	$ 145,273,475
Accounts receivable (Note 3)	664,546	1,019,077
Total intragovernmental	166,714,923	146,292,552
General property and equipment, net (Note 4)	2,670,234	673,846
Total assets	$ 169,385,157	$ 146,966,398
Liabilities		
Intragovernmental:		
Accounts payable (Note 5)	$ 275,848	$ 287,240
Other liabilities (Note 5)	7,426	1,800
Deferred rent (Notes 5 and 6)	901,841	—
Total intragovernmental	1,185,115	289,040
Accounts payable (Note 5)	11,204,023	11,562,742
Other liabilities (Note 5)	721,421	824,115
Total liabilities	13,110,559	12,675,897
Net position:		
Unexpended appropriations	154,033,529	134,146,994
Cumulative results of operations	2,241,069	143,507
Total net position	156,274,598	134,290,501
Total liabilities and net position	$ 169,385,157	$ 146,966,398

The accompanying notes are an integral part of these statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Net Cost

For the Years Ended September 30, 2018 and 2017

Cost of Operations:	**FY 2018**	**FY 2017**
Grants program costs	$ 61,048,355	$ 62,506,065
Less earned revenue	(2,152,487)	(2,391,839)
Net cost of operations (Note 10)	$ 58,895,868	$ 60,114,226

The accompanying notes are an integral part of these statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Changes in Net Position

As of September 30, 2018 and 2017

	FY 2018	FY 2017
Cumulative results of operations:		
Beginning balances	$ 143,507	$ 215,851
Budgetary financing sources:		
Appropriations used	60,602,846	59,776,077
Other financing sources:		
Imputed financing	390,584	265,805
Total financing sources	60,993,430	60,041,882
Net cost of operations	(58,895,868)	(60,114,226)
Net change	2,097,562	(72,344)
Total cumulative results of operations	2,241,069	143,507
Unexpended appropriations:		
Beginning balance	134,146,994	116,595,652
Budgetary financing sources:		
Appropriations received	79,500,000	75,000,000
Appropriations transferred in	3,213,860	6,000,000
Other adjustments (rescissions and cancellation of expired funds)	(2,224,479)	(3,672,581)
Appropriations used	(60,602,846)	(59,776,077)
Total budgetary financing sources	19,886,535	17,551,342
Total unexpended appropriations	154,033,529	134,146,994
Net position	$ 156,274,598	$ 134,290,501

The accompanying notes are an integral part of these statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Budgetary Resources

As of September 30, 2018 and 2017

	FY 2018	FY 2017
Budgetary resources:		
Unobligated balance, brought forward, October 1	$ 14,330,727	$ 14,041,513
Recoveries of prior years' unpaid obligations	5,169,246	9,827,190
Other changes in unobligated balance	989,437	2,327,419
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	20,489,410	26,196,122
Appropriations (discretionary and mandatory)	79,500,000	75,000,000
Spending authority from offsetting collections (discretionary and mandatory)	1,767,303	4,229,404
Total budgetary resources	$ 101,756,713	$ 105,425,526
Memorandum entries:		
Net adjustment to unobligated balances brought forward, Oct. 1	$ 6,158,683	$ 12,154,609
Status of budgetary resources:		
New obligations and upward adjustments (total) (Note 7)	$ 77,730,683	$ 91,094,799
Unobligated balance, end of year		
Apportioned, unexpired balances	16,646,619	8,995,900
Expired unobligated balance	7,379,411	5,334,827
Unobligated balance, end of year (total)	24,026,030	14,330,727
Total status of budgetary resources	$ 101,756,713	$ 105,425,526
Outlays:		
Outlays, net (total) (discretionary and mandatory)	$ 59,712,480	$ 58,212,057
Agency outlays, net (discretionary and mandatory)	$ 59,712,480	$ 58,212,057

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The U.S. Trade and Development Agency (USTDA) is an independent U.S. government agency administered under the authority of Section 661 of the *Foreign Assistance Act of 1961*, as amended (22 U.S.C. § 2421). The Agency is not subject to Federal, state or local income tax; therefore, no provision for income taxes has been recorded in the accompanying financial statements.

USTDA helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project preparation and partnership building activities that develop sustainable infrastructure and foster economic growth in partner countries.

The organization was established on July 1, 1981 as the Trade and Development Program (TDP) by delegation of authority as a component of the International Development Cooperation Agency (IDCA). In 1988, under the *Omnibus Trade and Competitiveness Act*, the organization was designated a separate component agency of IDCA. On October 28, 1992, Congress enacted the *Jobs through Exports Act of 1992*, which renamed TDP as the Trade and Development Agency and established USTDA as an independent executive branch agency under the foreign policy guidance of the Secretary of State.

(b) Basis of Presentation

These financial statements have been prepared to report the financial position, net costs, changes in net position, and budgetary resources of USTDA. These financial statements include all activity related to USTDA's appropriation and interagency agreements, whereby USTDA receives transfers from other Federal agencies for use in specific regions or sectors.

(c) Budgets and Budgetary Accounting

Congress annually adopts a budget appropriation that provides USTDA with authority to use funds from the U.S. Treasury to meet operating and program expense requirements. All revenue received from other sources, except for appropriations transferred from other Federal agencies, must be returned to the U.S. Treasury.

(d) Basis of Accounting

USTDA's Balance Sheets, Statements of Net Cost, and Statements of Changes in Net Position are prepared using the accrual basis of accounting. This basis requires recognition of the financial effects of transactions, events, and circumstances in the periods when those transactions, events, and circumstances occur, regardless of when cash is received or paid. USTDA also uses budgetary accounting to facilitate compliance with legal constraints and to track its budget authority at the various stages of execution, including commitments, obligation, and eventual outlay. The Statements of Budgetary Resources are prepared using budgetary accounting methods.

The standards used in the preparation of the accompanying financial statements are issued by the Federal Accounting Standards Advisory Board, which represent accounting principles generally accepted in the United States of America for U.S. government entities.

(e) Appropriations and Other Financing Sources

Appropriations are recognized as a financing source at the time they are authorized and apportioned. Appropriations used to fund grant activities and administrative expenses are recognized as expenses and revenue as the resultant related expenses are incurred.

During FY 2017 and FY 2018, USTDA received appropriations to be used for program and administrative expenses, which are available for obligation through September 30, 2018 and 2019, respectively. These funds were appropriated in accordance with Title VI of the *Department of State, Foreign Operations, and Related Programs Appropriations Act*, 2017 and Division K, Title VI of the *Consolidated Appropriations Act*, 2018. USTDA's appropriation acts allow de-obligated funds that were initially obligated prior to their expiration to remain available for re-obligation for an additional four years from the date on which the availability of such funds would otherwise have expired. In FY 2017, USTDA re-apportioned approximately $0.9 million of FY 2012 de-obligations, $0.4 million of FY 2013 de-obligations, and $2.4 million of FY 2014 de-obligations. In FY 2018, USTDA did not re-apportion any of its de-obligations.

Under Section 632(b) of the *Foreign Assistance Act of 1961*, as amended, (22 U.S.C. § 2392(b)) (the "FAA"), the Department of State ("DOS") entered into a series of interagency agreements with USTDA, in support of "Aligning Public Finance to Leverage Private Capital Investment: U.S.-Africa Clean Energy Finance Initiative (US-ACEF)," to increase access to clean energy for African countries by stimulating increased investments in clean energy generating capacity and related infrastructure. The interagency agreement signed in 2015 provided for $2.5 million from DOS to USTDA in FY 2016, which had been fully obligated by September 30, 2017. In FY 2017 and FY 2018, $0.7 million and $0.6 million, respectively, was disbursed by USTDA and invoiced to DOS. The interagency agreement signed in FY 2017, provides for $7.5 million from DOS to USTDA. During FY 2017 and FY 2018, $2.6 million and $1.4 million, respectively had been obligated, and $0.2 million and $0.3 million, respectively, was disbursed by USTDA and invoiced to DOS.

Under Section 632(a) of the *FAA and the Consolidated Appropriations Act*, 2016 (P.L. 114-113, Division K), USAID and USTDA entered into an agreement in FY 2017, under which USAID transferred $6.0 million to USTDA for project preparation assistance to advance cleaner energy projects in Africa. As of September 30, 2017, these funds were fully obligated. Under Section 632(a) of the *FAA and the Consolidated Appropriations Act*, 2017 (P.L. 115-31, Division J), USAID and USTDA entered into an agreement in FY 2018, under which USAID transferred $3.2 million to USTDA to continue its program in project preparation assistance that will advance cleaner energy projects in Africa. As of September 30, 2018, these funds were fully obligated.

In FY 2016 under Section 632(b) of the FAA, USAID and USTDA entered into a "Participating Agency Program Agreement" that provides $2.8 million to USTDA to establish a four-year program for personnel to support the Power Africa Roadmap. As of September 30, 2017, $0.8 million had been obligated and $0.6 million disbursed by USTDA and invoiced to USAID. As of September 30, 2018, an additional $0.5 million had been obligated and $0.5 million disbursed by USTDA and invoiced to USAID under this agreement.

(f) Fund Balance with Treasury

USTDA does not maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. The balance of funds with Treasury primarily represents appropriated funds that are available to pay current liabilities and finance authorized purchase commitments relative to goods or services.

(g) Accounts Receivable

USTDA regards amounts due from other Federal agencies as 100 percent collectible.

Federal accounts receivable consist of amounts due from DOS for its reimbursable program. Consistent with accounting standards, USTDA records an accounts receivable from DOS in the same amount as the accounts payable to contractors for services provided under the interagency agreement.

(h) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. USTDA capitalizes property and equipment with an acquisition cost greater than $5,000 and useful life exceeding one year. Depreciation is calculated using the straight-line method and is based on an estimated useful life of 10 years for all assets, except computer equipment and software, which is depreciated over 5 years. Leasehold improvements are amortized over the estimated period of occupancy or the life of the improvement, whichever is less. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

(i) Liabilities

Liabilities represent amounts owed by USTDA as the result of transactions or events that have occurred as of fiscal year end. Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts owed. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available, congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no certainty that Congress will appropriate funds to satisfy such liabilities.

(j) Undelivered Orders

Undelivered orders represent the amount of orders for goods and services outstanding for which funds have been obligated, but the liabilities have not been incurred.

(k) Accrued Leave

Annual leave is accrued as a liability as it is earned. The liability is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates. To the extent that the current or prior year appropriations are not available to fund annual leave earned, but not taken, funding will be obtained from future appropriations. USTDA's accounting for annual leave earned, but not taken is compliant with established regulations. Sick leave and other types of non-vested leave are charged to expense as the leave is used.

(l) Cumulative Results of Operations

Cumulative results of operations represent the difference between net property and equipment and unfunded annual leave, plus the net difference between expenses and financing sources since the inception of an activity.

(m) Retirement Plan

USTDA's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees participating in CSRS contribute 7.0 percent of their gross pay to the plan, and USTDA contributes 8.51 percent. The Office of Personnel Management (OPM) has calculated that the cost of providing a CSRS benefit is 37.4 percent of an employee's basic pay. This exceeds the amounts contributed to the plan by USTDA and its employees. In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, USTDA reports the full cost of providing pension benefits to employees in the CSRS.

On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and the Social Security Act. Employees hired prior to January 1, 1984 could elect either to join FERS and the Social Security Act or remain in CSRS. A primary feature of FERS is that it offers a savings plan in which USTDA automatically contributes 1 percent of employees' pay and matches any employee contribution up to an additional 4 percent of basic pay. For most employees hired since December 31, 1983, USTDA also contributes the employer's matching share under the Social Security Act. Public Law 112-96, Section 5001, the Middle-Class Tax Relief and Job Creation Act of 2012, divided FERS participants into two categories, FERS employees and FERS-Revised Annuity Employees (FERS-RAE). Employees hired on or after January 1, 2013, with some exceptions, are required to contribute 2.3% more to FERS than FERS employees hired prior to January 1, 2013. Section 401 of the Bipartisan Budget Act of 2013, made another change to FERS: beginning January 1, 2014, new employees (as designated in the statute) pay higher employee contributions, an increase of 1.3 percent of salary above the percentage set for FERS-Revised Annuity Employees. Section 8401 of Title 5, United States Codes, was amended to add a new definition of a FERS-FRAE employee.

The following chart highlights contribution rates for FERS employees:

FERS Retirement System	Agency Contribution Rate	Employee Contribution Rate
FERS – Regular	13.7%	0.8%
FERS – RAE	11.9%	3.1%
FERS – FRAE	11.9%	4.4%

The total amount of imputed financing for retirement and other post-retirement benefits paid by OPM for FY18 amounted to $390,584 which includes $97,058 for pension costs for CSRS and FERS; $293,212 for the Federal Employees Health Benefits (FEHB) program; and $314 for Federal Employees Group Life Insurance (FEGLI). In FY 2017, OPM funded $265,805 for pension, health, and life insurance benefits on behalf of USTDA's employees. These amounts are included in USTDA's FY 2018 and FY 2017 financial statements, respectively.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is therefore not disclosed by USTDA. The reporting of these amounts is the responsibility of OPM.

USTDA paid approximately $736,965 and $759,011 for retirement system coverage for its employees during FY 2018 and FY 2017, respectively.

(n) Use of Estimates

Management has made certain estimates and assumptions when reporting in these financial statements on assets and liabilities. Management's estimates and assumptions are also used in expenses and note disclosures. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include depreciable lives of property and equipment with no residual value, and the grants payable accrual. USTDA used a ratio of the average of accounts payable to unpaid obligations over a three-year period and applied the resulting percentage to calculate the current year's estimate of accounts payable.

(2) Fund Balance with Treasury

Fund Balance with Treasury represents USTDA's undisbursed budgetary authority and funds to be returned to Treasury at September 30, 2018 and 2017, as follows:

	2018	2017
Fund Balance:		
Appropriated funds	$ 166,050,377	$ 145,273,475
Total	$ 166,050,377	$ 145,273,475
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 16,646,619	$ 8,995,900
Unavailable	7,379,411	5,334,827
Obligated balance not yet disbursed	142,024,347	130,942,748
Total	$ 166,050,377	$ 145,273,475

Unobligated fund balances are either available or not available. Amounts are reported as not available when they are no longer legally available to USTDA for obligation. However, balances that are currently reported as not available can change over time, because they may be used to increase the amount of the initial obligation to cover additional expenditures that relate to these obligations.

(3) Accounts Receivable

Accounts receivable as of September 30, 2018 and 2017 consist of the following components:

		2018		2017
Accounts receivable – Intragovernmental:				
U.S. Department of State	$	664,546	$	1,019,077
Total	$	664,546	$	1,019,077

The accounts receivable from the Department of State related to services provided by the Agency under the US-ACEF agreements.

(4) General Property and Equipment, Net

General property and equipment and related accumulated depreciation balances at September 30, 2018 and 2017, are as follows:

September 30, 2018

Class of Asset	Service life		Acquisition value		Accumulated depreciation/ amortization		Net book value
Computer Equipment	5 years	$	975,830	$	450,655	$	525,175
Furniture and Fixtures	10 years		416,747		252,529		164,218
Computer Software	5 years		107,857		55,487		52,369
Other Equipment	10 years		382,302		200,092		182,210
Leasehold Improvements	10 years		1,838,170		91,908		1,746,262
		$	3,720,906	$	1,050,671	$	2,670,234

September 30, 2017

Class of Asset	Service life		Acquisition value		Accumulated depreciation/ amortization		Net book value
Computer Equipment	5 years	$	708,409	$	398,851	$	309,558
Furniture and Fixtures	10 years		348,356		223,358		124,998
Computer Software	5 years		107,856		36,459		71,397
Other Equipment	10 years		372,568		204,675		167,893
Leasehold Improvements	5 years		113,182		113,182		—
		$	1,650,371	$	976,525	$	673,846

Depreciation expense for fiscal years ended September 30, 2018 and 2017 is $298,336 and $180,774, respectively.

During FY 2018 and 2017, USTDA purchased property and equipment in the amount of $2,306,815 and $150,608, respectively. The FY 2018 additions primarily relate to leasehold improvements and furniture and fixtures resulting from a March 2018 move to a new office building. In addition, during FY 2018, USTDA retired $236,281 in property and equipment with related accumulated depreciation amounting to $224,189, representing a loss on disposals of $12,092. During FY 2017, USTDA retired $254,900 in property and equipment with related accumulated depreciation amounting to $234,690, representing a loss on disposals of $20,210.

(5) Liabilities

Total liabilities represent the sum of liabilities not covered by budgetary resources and those covered by budgetary resources. As of September 30, 2018, and 2017, total liabilities were as follows:

	2018	2017
Intragovernmental:		
Accounts payable	$ 275,848	$ 287,240
Deferred rent	901,841	—
Other liabilities	7,426	—
Unemployment compensation	—	1,800
Total intragovernmental	1,185,115	289,040
Liabilities with the public:		
Accounts payable	11,204,023	11,562,742
Accrued annual leave	429,219	491,629
FECA actuarial liability	—	36,909
Accrued payroll	292,203	295,577
Total liabilities with the public	11,925,444	12,386,857
Total liabilities	$ 13,110,559	$ 12,675,897
Total liabilities not covered by budgetary resources	$ 1,338,486	$ 530,338
Total liabilities covered by budgetary resources	11,772,073	12,145,559
Total liabilities	$ 13,110,559	$ 12,675,897

All liabilities other than the FECA actuarial liability and the unfunded accrued leave are considered to be current liabilities. Approximately $10.3 million of the accounts payable balance as of September 30, 2018 relates to grant payments owed but unpaid. This balance was $9.3 million as of September 30, 2017.

As discussed in Note 6, USTDA took occupancy of its current building space in March 2018, from which point it received a rental abatement for six months through August 2018. The impact of straight lining the rent expense is $901,841 and is recorded as deferred rent and will be amortized over the life of the lease agreement.

(6) Leases

USTDA has no capital leases. Regarding its building lease, the General Services Administration (GSA) entered into a lease agreement for USTDA's rental of its current building space with the lease term commencing on February 24, 2018. USTDA also entered into an Occupancy Agreement with GSA for a ten-year term, with a five-year renewal option period. USTDA pays GSA a standard-level users' charge for the annual rental which, approximates the commercial rental rates for similar properties.

USTDA took occupancy of its current building space in March 2018, from which point it received a rental abatement for six months, through August 2018. Accordingly, under its new Occupancy Agreement for its new space, USTDA paid a total of $142,973. At the beginning of FY 2018, USTDA continued to make lease payments under its old lease through February 2018. The total amounts paid under the old lease was $676,802. Accordingly, in FY 2018 USTDA paid a total of $819,775 in rental payments and recorded a total of $1.7 million in rent expense considering the value of the deferred rent discussed in Note 5. In FY 2017 USTDA paid approximately $1.3 million in rent expense. Future lease payments will be made in accordance with the Occupancy Agreement between USTDA and GSA.

Below is a schedule of future payments for the terms of the lease.

Fiscal Year		Total
FY 2019	$	1,814,296
FY 2020		1,830,935
FY 2021		1,848,073
FY 2022		1,865,725
FY 2023		1,883,907
FY 2024 and beyond		8,525,182
Total future lease payments	$	17,768,118

(7) Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations

New Direct and Reimbursable obligations and upward adjustments reported on the Statement of Budgetary Resources for the years ended September 30, 2018 and 2017, consisted of the following:

		2018		2017
Category A–Direct obligations for operating expenses	$	19,469,800	$	20,586,435
Category A–Reimbursable obligations for operating expenses		—		—
Category B–Direct obligations for program expenses		56,302,116		66,277,259
Category B–Reimbursable obligations for program expenses		1,958,767		4,231,105
Total obligations and upward adjustments	$	77,730,683	$	91,094,799

(8) Undelivered Orders

At September 30, 2018 and 2017, undelivered orders balances consisted of the following:

		2018		2017
Federal	$	9,386,467		
Non-Federal		124,835,960		
Total undelivered orders	$	134,222,427	$	118,797,189

Prior year amounts were not required to be disclosed between Federal and non-Federal.

(9) Permanent Indefinite Appropriation

No-year funds as of September 30, 2018 and 2017 exist for the following purposes:

		2018		2017
General program activities	$	475,959	$	475,959
Support for feasibility studies and activities (NIS and SEED)		46,667		46,667
Total permanent indefinite appropriations	$	522,626	$	522,626

(10) Reconciliation of Net Cost to Budget

The following schedule reconciles resources available to USTDA to finance operations and the net cost of operating for fiscal years ended September 30, 2018 and 2017:

	2018	2017
Resources used to finance activities:		
New obligations and upward adjustments	$ 77,730,683	$ 91,094,799
Recoveries of prior year unpaid obligations:	(5,169,246)	(9,827,190)
Spending authority from offsetting collections	(1,767,303)	(4,229,404)
Imputed financing for costs absorbed by others	390,584	265,805
Total resources used to finance activities	71,184,718	77,304,010
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods and services ordered, but not	(9,806,103)	(19,099,692)
Resources that finance the acquisition of assets	(2,306,815)	(148,254)
Change in uncollected customer payments from federal sources	(747,141)	2,238,947
Change in unfilled customer orders	7,369	—
Loss on disposition of assets	12,092	20,210
Total resources used to finance items not part of the net cost of operations	(12,840,598)	(16,988,789)
Costs that do not require resources:		
Depreciation	298,336	180,774
(Increase)/decrease in accounts receivable	354,531	(376,669)
Costs that require resources in a future period:		
(Decrease)/increase in accrued leave liability	(62,410)	(5,946)
(Decrease)/increase in unemployment compensation liability	(1,800)	1,800
Change in FECA actuarial liability	(36,909)	(954)
Total costs that do not require resources	551,748	(200,995)
Net cost of operations	$ 58,895,868	$ 60,114,226

U.S. Trade and Development Agency
Other Information
As of and for the year ended September 30, 2018

Summary of the Financial Statement Audit and Management's Assurances

Table 1: Summary of Financial Statement Audit:

Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Review of Accounts Payable and Other Journal Entries	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

Table 2: Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	**Unqualified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	**Unqualified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	**Systems conform to financial management system requirements**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

U.S. Trade and Development Agency
List of Acronyms and Abbreviations
September 30, 2018

ATDA	Accountability of Tax Dollars Act of 2002
AICPA	American Institute of Certified Public Accountants
CSRS	Civil Service Retirement System
DCCP	Digital Connectivity and Cybersecurity Partnership
DHS	Department of Homeland Security
DOS	Department of State
EDGE	Enhancing Development and Growth through Energy
EEP	Ethiopian Electric Power
FAA	Foreign Assistance Act of 1961
FAR	Federal Acquisition Regulations
FECA	Federal Employees' Compensation Act
FEHB	Federal Employees Health Benefits
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FERS-RAE	FERS-Revised Annuity Employees
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FPPS	Federal Personnel and Payroll System
FedRAMP	Federal Risk and Authorization Management Program
FY	Fiscal Year
GSA	General Services Administration
GSS	General Support System
GAAP	Generally Accepted Accounting Principles
GPI	Global Procurement Initiative: Understanding Best Value
GPRA	Government Performance and Results Act of 1993
IBC	Interior Business Center

U.S. Trade and Development Agency
List of Acronyms and Abbreviations
September 30, 2018

IDCA	International Development Cooperation Agency
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
ISSLoB	Information Systems Security Line of Business
LCCA	Life-Cycle Cost Analysis
M&E Office	Office of Program Monitoring and Evaluation
METI	Ministry of Economy, Trade and Industry
NIS	New Independent States
NIST	National Institute of Standards and Technology
OETs	Outside Evaluation Teams
OFF	Oracle Federal Financials
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	Performance and Accountability Report
RTM	Reverse Trade Mission
SBA	Small Business Administration
SEED	Support for East European Democracy Act
SFFAS	Statement of Federal Financial Accounting Standard
SSAE	Statements on Standards for Attestation Engagements
TDP	Trade and Development Program
TYRA	Ten Year Rolling Average
US-ACEF	U.S.-Africa Clean Energy Finance Initiative
USAID	U.S. Agency for International Development
USTDA	U.S. Trade and Development Agency