

Contract killer



**ASSIGN
BUSTER**

Contract Killer12? 8?, AEDAEDAEDAED In the fall of 2010, the Academy for Educational Development, then headed by president and CEO Stephen Moseley, sent a check for nearly \$1 million to the United States Agency for International Development. Money usually flows the other way” AED was one of USAID’s largest contractors” but AED had concluded it had overcharged the federal government by that amount for a project it was overseeing in Pakistan. Hence the check. If the payment was intended to settle the matter, it didn’t work. In November 2010, Moseley stepped down. Four other top executives followed him out the door.

On Dec. 8, USAID announced its decision to suspend AED because of “evidence of serious corporate misconduct, mismanagement, and a lack of internal controls,” as well as “serious concerns of corporate integrity.” That meant AED couldn’t receive new funds from the federal government.

Less than three months later, on March 3” after 50 years of spearheading thousands of development projects around the world” AED announced that it would sell its assets and dissolve itself. The sudden collapse of AED startled the development community. One moment, USAID’s inspector general had been investigating reported mismanagement in AED projects in Pakistan and Afghanistan, two projects out of scores that AED managed for USAID. The next, AED was suspended based on “initial findings” by the inspector general that weren’t being made public. Soon after that, AED was folding” and the inspector general hadn’t even released its report yet. According to USAID, the suspension of AED was evidence of the government’s careful stewardship of taxpayer dollars.

But to five current AED employees and three others in the development community” none of whom would speak on the record for fear of retribution by USAID” its the result of a recent crackdown on government contractors at a time when “ accountability” has become a byword of both political parties and the Obama administration, particularly when it comes to Iraq and Afghanistan. “ The American peoples money must be spent to advance their priorities, not to line the pockets of contractors or to maintain projects that dont work,” Obama said in March 2009. For some, the death of AED was evidence that its possible to take “ accountability” too far.

The fall of AED made waves in part because of its size and history. AED managed about \$500 million in grants and contracts every year. Until the suspension, it employed more than 700 people in Washington and about 2,000 people worldwide.

Since then, 180 employees have left or been laid off, according to Michelle Galley, a spokesperson for AED. As president and CEO for more than 20 years, Moseley turned AED into one of the biggest nonprofits in the country. He was compensated for it, too: In 2007, he was paid nearly \$900,000 in total. AEDs woes first began in the summer of 2009, when someone blew the whistle on an AED project in Pakistan. After the country was hit by a massive earthquake in October 2008, AED had scrambled to provide emergency relief and apparently overpaid for emergency supply kits, according to an AED employee close to the activity. AED hired the accounting firm Ernst & Young to investigate the problem, and looped in some USAID officials. But it didnt immediately involve the USAIDs inspector general. That turned out to be a mistake.

“ You need to engage with them fully as soon as possible, instead of pushing them off and making it look like youre obstructing justice,” says the AED employee. In the fall of 2009, USAIDs inspector general launched its own investigation into AEDs Pakistan project. From the start, AED and the inspector general disagreed on how much AED was required to cooperate, according to people familiar with the events. AED argued that because its project was technically a “ cooperative agreement” with USAID” a deal thats looser than a formal contract” it wasnt strictly required to report any problems to the I. G. When a new round of allegations emerged in July 2010 involving an AED higher education project in Afghanistan, the inspector general expanded its investigation.

AED dug in its heels. Instead of dealing with the inspector general directly, AED engaged its attorneys. “ We lawyered up,” says an AED source. In late 2010, AED gave back almost \$1 million to USAID” the amount that AEDs own audit had determined that it owed as a result of its mismanagement of the Pakistan project. It was Moseleys way of saying, “ I can handle this. Weve dealt with this issue,” says a longtime development official who has worked with Moseley. The final straw was the inspector generals discovery of emails that suggested AED wasnt fully cooperating with the investigation, according to sources within AED who admit they havent seen the emails.

On Nov. 16, 2010, Moseley stepped down, and three weeks later” the same week that the inspector general released an audit critical of USAIDs work in Pakistan” AED was suspended.