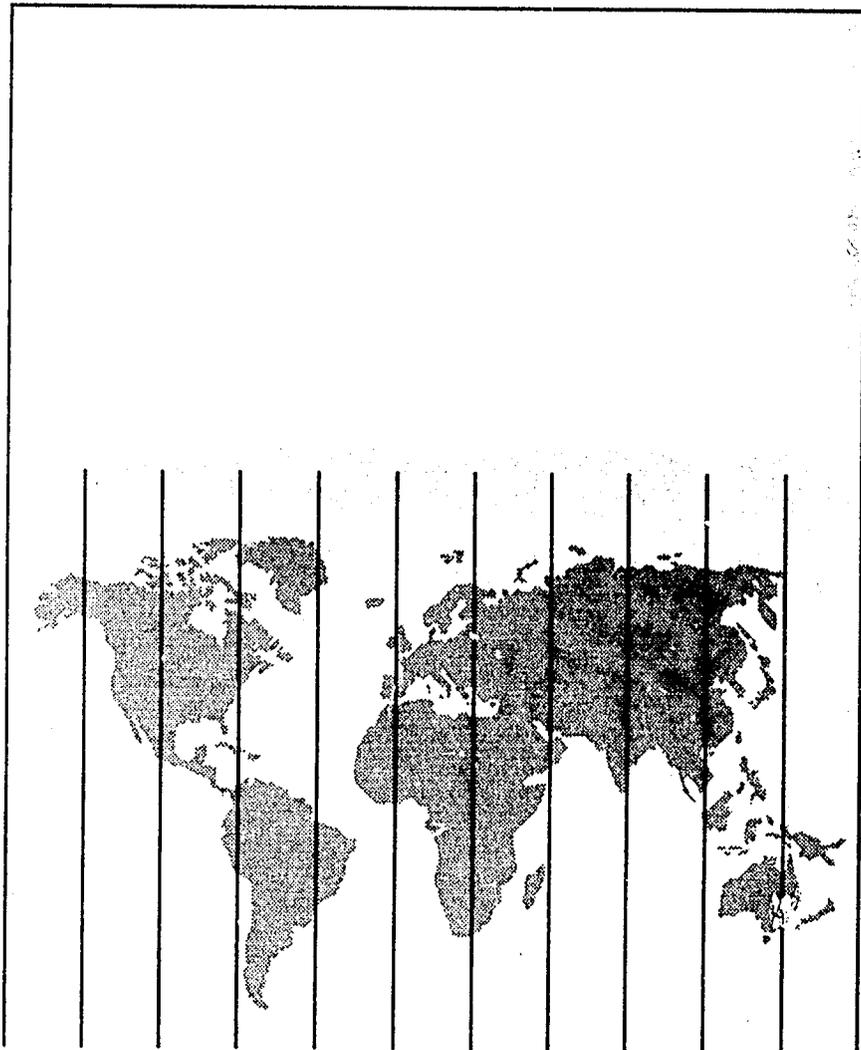


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Assistant Inspector General for Audit

PD-ABD-129

**Audit of the Recorded Deposits and
Disbursements to the Agency's
Gifts and Donations Trust
Fund Account**

**Audit Report No. AR-0-000-91-02
August 30, 1991**

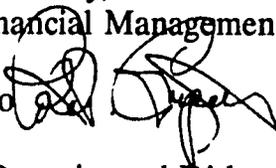
The Agency's Gifts and Donations Trust Fund Account for the period October 1, 1986 through September 30, 1990 fairly presented, in all material respects, the recorded deposits and disbursements in accordance with a cash basis of accounting and the deposits and disbursements complied with applicable laws, regulations, and Agency policies.

Agency for International Development
Washington, D.C. 20523

August 30, 1991

MEMORANDUM FOR Executive Secretary, David G. Mein
Office of Financial Management/Controller, Michael Usnick

FROM: AIG/A, John Competello



SUBJECT: Audit of the Recorded Deposits and Disbursements to the
Agency's Gifts and Donations Trust Fund Account.

In accordance with Executive Secretary David G. Mein's request, the Office of the Inspector General has conducted an audit of the recorded deposits and disbursements to the Agency's Gifts and Donations Trust Fund Account during the period October 1, 1986 through September 30, 1990. The report does not contain any recommendations and no response is required. We appreciate the cooperation and courtesy extended to our staff during the audit.

Background

Section 635(d) of the Foreign Assistance Act of 1961, provides the principal authority authorizing the Agency to accept and use, in furtherance of A.I.D. program objectives, money, funds, property and services of any kind made available by gift, devise, bequest, and grants. In accordance with Treasury Regulations, the Agency has established a Gifts and Donations Trust Fund (Account 72X8824) which records cash expenditures against deposit of funds held in trust.

A.I.D. Handbook 19, Appendix 4a provides the Agency guidance for receiving, recording and disbursing funds from the Gifts and Donations Trust Fund Account.

A.I.D. Handbook 19 provides that unconditional cash gifts and donations, i.e. donations made without restrictions on their use, will be accounted for by the Office of Financial Management. Conditional donations are donations made for a specific purpose or with other conditions upon their use. Conditional donations are accounted for by the Office of Financial Management, but the conference and/or program activities are monitored by the respective AID/Washington Bureau or USAID Mission receiving the donation. Before accepting a conditional donation, the concerned office or USAID reviews the proposed document to ensure that:

- (1) the Agency can comply with the conditions of the donation and still use the donation in furtherance of the purposes of the Foreign Assistance Act;
- (2) the Agency can comply with conditions of the donation in a reasonable and cost efficient manner; and
- (3) acceptance of the donation will not result in, or create the appearance of, a conflict of interest.

The Office of General Counsel's opinion dated May 15, 1990, indicated that A.I.D. may accept donations and use them for official functions involving entertainment. In planning an official programmatic or general entertainment function involving the use of trust funds, the requestor must prepare an approval document that formally justifies the expenditure, its purpose, and lists the proposed attendees, if the function involves entertainment.

The balances reflected in the Gifts and Donations Trust Fund Account at any given point in time represent the cash deposits that have not been applied to a specified obligation and/or expenditure. For example, as of September 30, 1990 the reported balance in the Gifts and Donations Trust Fund Account was \$25,714, which represented \$8,150 in contributions received during Fiscal Year 1990, \$10,060 remaining unobligated and unexpended from a National Cash Register Corporation Gift and Donation Allowance managed by USAID/Lagos, \$5,514 in unliquidated obligations, and \$1,990 carried over from prior period contributions.

Audit Objectives, Scope and Methodology

We have conducted a financial related audit of recorded deposits and disbursements to the Agency's Gifts and Donations Trust Fund Account during the period October 1, 1986 through September 30, 1990 to answer the following audit objective:

1. **Does the Agency's Gifts and Donations Trust Fund Account fairly present, in all material respects, the recorded deposits and disbursements during the period October 1, 1986 through September 30, 1990 and were the deposits and disbursements in compliance with applicable laws, regulations and Agency policies?**

To accomplish the audit objective we: (1) assessed the Agency's internal control structure to determine the levels of control risk, (2) examined supporting documentation, such as copies of checks and disbursement invoices for selected deposits and disbursements, and (3) evaluated whether the transactions complied with the requirements stipulated in the Foreign Assistance Act of 1961, as amended and A.I.D. Handbook 19. We held discussions with officials from the Offices of the Executive Secretary and Financial Management concerning the Agency's system of financial controls and oversight over the official Gifts and Donations Trust Fund authorizations, approvals and disbursements. We also contacted USAID/Lagos and USAID/Kinshasa officials to verify their corporate gifts and donations in the amount of \$150,060 and \$14,900, respectively.

In accomplishing our objective, we examined authorizations, approvals, and supporting documentation for \$42,971 of disbursements which, represents 24 percent of the \$178,995 cash gifts and donations deposited into the Agency's Gifts and Donations Trust Fund during the period October 1, 1986 through September 30, 1990. Included in our testing of transactions was \$36,075 of expenditures incurred by African American Institute under a \$150,060 contribution from the National Cash Register Corporation which is administered by USAID/Lagos. Because of time and staff limitations we did not attempt to verify that the Agency may have received donations which may not have been recorded, nor did we attempt to retrieve stored records of disbursements prior to October 1, 1986.

Our audit was conducted in accordance with generally accepted government auditing standards. We performed our audit work at AID/Washington and the African American Institute in New York during the months of February and March 1991.

Audit Findings

- **Does the Agency's Gifts and Donations Trust Fund Account fairly present, in all material respects, the recorded deposits and disbursements during the period October 1, 1986 through September 30, 1990 and were the deposits and disbursements in compliance with applicable laws, regulations and Agency policies?**

In our opinion the Agency's Gifts and Donations Trust Fund Account presents fairly, in all material respects, the recorded deposits and disbursements during the period October 1, 1986 through September 30, 1990, in accordance with the cash basis of accounting.

The results of our audit indicate that, with respect to the items tested, the recorded deposits and disbursements during the period complied with applicable laws, regulations and Agency policies as set forth in section 635(d) of the Foreign Assistance Act and Agency Handbook 19. With respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with applicable laws, regulations, and Agency policies. Our opinion on the Summary of Recorded Deposits and Disbursement of the Agency's Gifts and Donations Trust Fund Account, and Reports on Internal Controls, and Compliance are contained in Appendices I, II, and III of this report.

**AGENCY'S GIFTS AND DONATIONS TRUST FUND
REPORT ON THE AGENCY'S SUMMARY OF
RECORDED DEPOSITS AND DISBURSEMENTS**

We have audited the accompanying Agency's Summary of Recorded Deposits and Disbursements under the Agency's Gifts and Donations Trust Fund Account during the period October 1, 1986 through September 30, 1990. The Gifts and Donations Trust Fund Account is the responsibility of the Office of Financial Management. Our responsibility is to express an opinion on the deposits and disbursements to the Gifts and Donations Trust Fund Account during the period audited.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounting and reporting of cash deposits and disbursements incurred and reimbursed by A.I.D. are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures reported in the Agency's financial records. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Summary of Recorded Deposits and Disbursements was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Agency's Summary referred to above presents fairly, in all material respects, the recorded deposits and disbursements during the period October 1, 1986 through September 30, 1990, in accordance with the cash basis of accounting.

**Gifts and Donations Trust Fund Account
 Summary of Recorded Deposits and Disbursements
During the Period October 1, 1986 through September 30, 1990**

	<u>Conditional</u>	<u>Unconditional</u>	<u>Total</u>
Deposits During The Period	\$164,960	\$ 14,035	\$178,995
Disbursements During The Period	<u>154,900</u>	<u>5,294</u>	<u>\$160,194</u>
Deposits in Excess of Disbursements	<u>\$ 10,060</u>	<u>\$ 8,741</u>	<u>\$ 18,801</u>

APPENDIX II

AGENCY'S GIFTS AND DONATIONS TRUST FUND **REPORT ON INTERNAL CONTROLS**

We have audited the Agency's Summary of Recorded Deposits and Disbursements to the Agency's Gifts and Donations Trust Fund Account for the period October 1, 1986 through September 30, 1990 and have issued our report thereon dated August 28, 1991. We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Agency's Gifts and Donations Trust Fund Account, Summary of Deposits and Disbursements is free of material misstatement.

In planning and performing our audit of cash deposits and disbursements incurred to the Agency's Gifts and Donations Trust Fund during the 4 year period ending September 30, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the Agency's Gifts and Donations Trust Fund Account, Summary of Recorded Deposits and Disbursements and not to provide assurance on the internal control structure.

The management of the Agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that funds are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Gifts and Donations Trust Fund Account, Summary of Recorded Deposits and Disbursements in accordance with the cash basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Request and Approval Policies**
- Reimbursement Practices**
- Financial Accounting System**

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. We also assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the recorded deposits and disbursements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Agency's Offices of the Executive Secretary and Financial Management. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

AGENCY'S GIFTS AND DONATIONS TRUST FUND
REPORT ON COMPLIANCE WITH APPLICABLE
LAWS AND REGULATIONS

At the request of the Executive Secretary David Mein, we have performed a financial related audit of the Agency's Summary of Recorded Deposits and Disbursements under the Agency's Gifts and Donations Trust Fund for the period October 1, 1986 through September 30, 1990.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the recorded financial information and statements are free of material misstatement.

Compliance with laws, regulations, and internal procedures is the responsibility of the Agency's management. As part of obtaining reasonable assurance that the recorded deposits and disbursement to the Agency's Gifts and Donations Trust Fund Account are free of material misstatement, we performed tests of the Agency's compliance with Section 635(d) of the Foreign Assistance Act of 1961, as amended, applicable appropriations acts, as well as applicable Agency policies stipulated in A.I.D. Handbook 19. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests of compliance indicate that, with respect to the items tested, the Agency complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with those provisions.

This report is intended for the information of the Agency's Offices of the Executive Secretary and Financial Management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The Agency's Gifts and Donations Trust Fund Account
Schedule of Gifts and Donations
For The Period October 1, 1981 Through September 30, 1990

Since the start of Fiscal Year 1982, the Agency has deposited \$297,643 in cash gifts and contributions. We limited our audit to the donations deposited and expended during Fiscal Years 1987 through 1990. For informational purposes, the contributions since the start of Fiscal year 1982 are summarized as follows:

Unaudited Gifts and Donations By Fiscal Year

<u>Fiscal Year</u>	<u>Amount</u>
1982	\$ 50,740
1983	6,590
1984	6,540
1985	52,228
1986	2,550
1987 [1]	170,070
1988 [1]	775
1989 [1]	-
1990 [1]	<u>8,150</u>
	<u>\$ 297,643</u>

Of the \$297,643 cash gifts and donations deposited during the period October 1, 1981 through September 30, 1990, \$276,660 (93% of total funds donated) were designated for specific conferences and programs. The total deposits during this period of time were for the following purposes:

[1] Years audited

The Agency's Gifts and Donations Trust Fund Account
Schedule of Gifts and Donations
For The Period October 1, 1981 Through September 30, 1990

<u>Purpose for Contribution</u>	<u>Amount</u>
<u>Specific Conferences and Programs</u>	
Disbursements II Conference	\$ 55,500
IBM AID/Peace Corps Fisheries	14,900
NCR USAID/Nigeria Training	150,060
IRRI Photographic Capabilities	50,000
20th Anniversary of Agriculture Program	200
Presidents Conference on Emerging Technology	1,000
Research	<u>5,000</u>
Subtotal	<u>\$276,660</u>
<u>General Use Gifts and Donations</u>	
Brady's Account	\$ 3,928
General Use	<u>17,055</u>
Subtotal	<u>\$ 20,983</u>
Total Gifts and Donations	<u>\$297,643</u>

Out of a total of \$297,643 gifts and donations received during this nine year period, A.I.D. served as a conduit for \$214,960 (\$14,900 from IBM, \$150,060 from NCR and \$50,000 from Kodak) whereas the funds flowed through A.I.D. for payment to other organizations.

The Agency's Gifts and Donations Trust Fund Account
Schedule of Gifts and Donations
For The Period October 1, 1981 Through September 30, 1990

Gifts and Donations By Contributor

<u>Fiscal Year</u>	<u>Name of Contributor</u>	<u>Amount</u>
1982	William Underwood Co.	\$ 500.00
	Hoffman-La Roche, Inc.	2,500.00
	Castle Cook, Inc.	2,500.00
	Ralston Purina Co.	2,500.00
	General Foods, Inc.	5,000.00
	Coca Cola Co.	5,000.00
	Rohm and Hass Co.	5,000.00
	Carnation Co.	5,000.00
	Hershey Food Corp.	5,000.00
	McCormick and Co., Inc.	5,000.00
	Contributors unknown	12,500.00
	Stanley Stumpenhous	25.00
	Cox (25.00) and Davis (5.00)	30.00
	Jamie de Paz	25.00
	Wineblatt	10.00
	Craig & Patricia Larson	50.00
	Miscellaneous	<u>100.00</u>
		<u>\$50,740.00</u>
1983	Contributor Unknown	\$ 6,500.00
	Christian Science Publications	<u>90.00</u>
		<u>\$ 6,590.00</u>
1984	Cornell University	\$ 200.00
	General Foods Corp.	1,000.00
	Rockefeller Foundation	5,000.00
	Christian Science Publication	90.00
	New York Times	150.00
	Miscellaneous Contributions	<u>100.00</u>
		<u>\$ 6,540.00</u>

The Agency's Gifts and Donations Trust Fund Account
Schedule of Gifts and Donations
For The Period October 1, 1981 Through September 30, 1990

Gifts and Donations By Contributor

1985	Eastman Kodak Co.	\$50,000.00
	Texas A & M	328.00
	Illinois Wesleyan University	500.00
	Brigham University	300.00
	University of Evansville	1,000.00
	Miscellaneous	<u>100.00</u>
		<u>\$52,228.00</u>
1986	University of Notre Dame	\$ 1,000.00
	Oregon State University	250.00
	Columbia University	300.00
	Consortium for Int'l Devel	<u>1,000.00</u>
		<u>\$ 2,550.00</u>
1987 [1]	Consortium for Int'l Devel	\$ 2,000.00
	University of Illinois	1,000.00
	Glenmede Trust Co.	500.00
	Michigan State University	300.00
	Int'l Union of Forestry Res.	1,000.00
	New York Times	100.00
	Miscellaneous Contributions	200.00
	Arlene G. Nelson	10.00
	IBM	14,900.00
	National Cash Register Co.	<u>150,060.02</u>
		<u>\$170,070.02</u>
1988 [1]	Glenmede Trust Co.	\$ 500.00
	Cornell University	250.00
	Arizona State University	<u>24.67</u>
		<u>\$ 774.67</u>

The Agency's Gifts and Donations Trust Fund Account
Schedule of Gifts and Donations
For The Period October 1, 1981 Through September 30, 1990

Gifts and Donations By Contributor

1989 [1]		<u>- 0 -</u>
1990 [1]	Commonwealth of Virginia	\$ 1,050.00
	Wallace E. Duff	500.00
	Western Security Bank	300.00
	Mid City Bank	300.00
	Mark T. Concannon	1,000.00
	Clifton K. Hilligass	4,000.00
	R. J. Mapes	<u>1,000.00</u>
		<u>\$ 8,150.00</u>
	Grand Total	<u>\$297,642.69</u>

[1] Years audited

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