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# SEMIANNUAL REPORT TO THE CONGRESS

October 1, 1988—March 31, 1989



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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# TABLE OF CONTENTS

	<i>Page</i>
OVERVIEW.....	v
OFFICE OF INVESTIGATIONS .....	1
Significant Investigations .....	2
OFFICE OF AUDIT .....	8
Audits of Economic Support Fund.....	9
Audits of Local Currency .....	13
Audits of Agriculture, Rural Development and Nutrition ...	16
Audits of Health .....	22
Audits of Population Planning .....	23
Audits of Selected Development Activities .....	25
Reviews of Major Management Systems/Programs.....	26
Mandated and Miscellaneous Audits .....	28
Reviews of Contract/Grant Incurred Cost, Overhead, or Preawards .....	32
Audits of Federal Awards to Nonprofit Institutions .....	33
Non-Federal Audits .....	34
Audit Recommendations, Follow-up and Resolution .....	37
Status of Previously Highlighted Reports .....	41
OFFICE OF SECURITY .....	50
Physical Security Program .....	50
National Security Information Program .....	52
Personnel Security Program .....	52
Administrative Programs .....	52
OFFICE OF ADMINISTRATION .....	55
OFFICE OF INSPECTOR GENERAL ORGANIZATION AND STAFFING.....	56
AUDIT REPORTS ISSUED .....	60
Internal Reports .....	60
External Reports .....	64

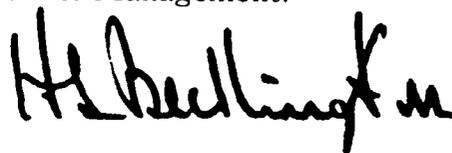
## OVERVIEW

A.I.D.'s delivery of U.S. foreign aid to more than 70 countries through more than 2,300 projects is a difficult task. The diversity of delivery methods, geographic dispersal and third world environment create severe challenges for A.I.D. managers. To ensure integrity, A.I.D. managers establish and enforce the same standards of accountability in the foreign assistance programs as are established for our domestic assistance programs. *Effective financial management, with good accountability for funds and commodities, is vital to the success of our foreign aid programs. The A.I.D. Inspector General's oversight role is also difficult, but we continue to make contributions towards improving financial management and the administration of foreign aid.* Highlights of our activities and accomplishments for this reporting period include:

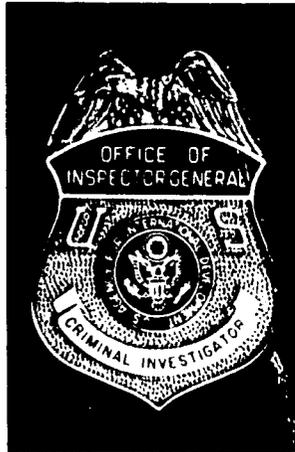
- The Office of Investigations achieved significant results: eight convictions or confinements; 34 disciplinary or administrative sanctions; \$808,221 in recoveries; and \$20,311 in savings or avoidance of unnecessary expenditures. In cooperation with the U.S. Customs Service, an *A.I.D. employee was convicted of misusing his diplomatic passport* in connection with a smuggling scheme; he was sentenced to 6 months' incarceration and a \$15,050 fine. Another conviction involved the president (foreign national) of a U.S. electronics firm who was sentenced to 5 years' probation, fined \$60,000 and deported from the country for submitting false statements.
- The Office of Audit issued 183 reports which *identified about \$90 million in A.I.D. funds which should be deobligated or reprogrammed.* These reports also identified \$6.6 million in

costs that should be recovered and \$4.7 million which could be put to better use. About *\$19 million was actually recovered or deobligated* during this reporting period. About \$12 million sustained by A.I.D. during this and prior periods was awaiting collection or deobligation at March 31, 1989.

- During this reporting period, *the Office of Audit closely monitored the delivery of \$47.9 million of humanitarian aid to the Nicaraguan Democratic Resistance forces.* At the request of the A.I.D. Administrator, expenditures for humanitarian aid were audited as the expenditures were incurred to ensure integrity in this highly vulnerable program. The Office of Inspector General is pleased to report that the concurrent auditing of the delivery of this aid identified no significant problems.
- During this reporting period, the Office of Security conducted 26 security inspections of A.I.D. overseas facilities; security communication systems were upgraded in San Salvador and Suva; and six vehicles received armoring prior to shipment overseas. *More than 200 A.I.D. employees received instruction in the protection of National Security Information* and requirements to report hostile contacts. A Memorandum of Understanding which grants A.I.D. the authority to conduct personnel security investigations was renegotiated with the Office of Personnel Management.



Herbert L. Beckington  
Inspector General



## OFFICE OF INVESTIGATIONS

The Office of the Assistant Inspector General for Investigations has investigative oversight responsibility in over 70 countries. The Office has one domestic and six overseas regional offices, and an authorized personnel ceiling of 32 U.S. and 7 foreign national inspectors. Investigations of criminal, procurement fraud, and serious administrative violations are conducted within A.I.D.'s worldwide operations. The investigative universe includes over 2,300 active development assistance projects, and about 3,572 U.S. and 1,121 local national direct hire employees. In addition, A.I.D. has several thousand contractors with over 6,600 foreign national and 1,600 U.S. employees.

### RESPONSIBILITIES

International investigations require extensive foreign travel, coping with language and cultural differences, mediating varied administrative and judicial requirements, and understanding differing political and security sensitivities. Within this context, we have continued to achieve meaningful investigative results, especially in connection with investigations involving fraud and employee misconduct.

The Office of Investigations is tasked with detecting, investigating, and preventing criminal activity within A.I.D. programs and operations. The office depends primarily upon the Department of Justice to prosecute offenders and various offices within A.I.D. to take appropriate administrative action against malfeasant employees and unethical contractors.

### STATISTICAL SUMMARY

During the past six-month period, the following results were achieved:

Convictions/Confinements . . . . .	8
Debarments/Suspensions . . . . .	0
Disciplinary/Administrative Sanctions . . . . .	34
Recoveries . . . . .	\$808,221
Savings/Avoidance of Unnecessary Expenditures . . . . .	\$20,311

## SIGNIFICANT INVESTIGATIONS

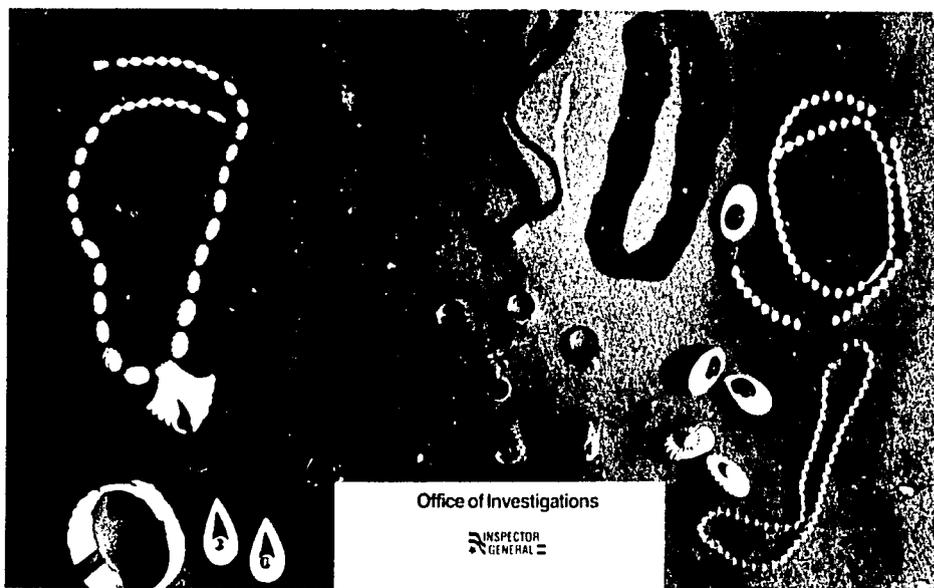
### A.I.D. EMPLOYEE PLEADS GUILTY TO MISUSE OF DIPLOMATIC PASSPORT

An A.I.D. Foreign Service Officer while on temporary duty assignments to India, entered into an agreement with an Indian jeweler *to sell the jeweler gold, which he smuggled into India using his diplomatic passport.* The jeweler paid the A.I.D. employee in hard currency, (U.S. dollars and German deutsche marks) in violation of Indian law. *The employee purchased gold worth nearly \$175,000 on three occasions in Hong Kong.* On the last transaction, the Indian jeweler did not have all the cash needed to pay the subject who then prevailed upon another A.I.D. employee to accept the money, approximately \$40,000, and send it to him by unknowing Americans returning to Washington, D.C. Two packages containing \$29,800 were intercepted and seized. The subject also *smuggled \$30,000 worth of jewelry into the United States* and, on several occasions, requested and received dummy invoices to understate the value of jewelry he had mailed to himself. *Jewelry worth approximately \$3,000 was seized during the investigation.*

When confronted with the overwhelming evidence against him, the employee pled guilty on November 3, 1988, to one count of misuse of his diplomatic passport. The subject was sentenced on February 10, 1989 to 6 months' incarceration and a \$15,050 fine. On February 14, 1989, A.I.D. advised him of the final decision to terminate his employment; a preliminary administrative hearing is scheduled for May 1989.

### U.S.—SUPPLIER ARRESTED FOR SUBMITTING FALSE/FORGED BID AND PERFORMANCE BONDS

An investigation was initiated after learning that the *Company submitted altered and/or forged manufacturer's certificates of warranty for motor vehicles as a part of their bid* on contracts under the Jordanian Commodity Import Program. Investigation revealed that the supplier printed, endorsed, and submitted to A.I.D., *false bid and performance*



*Jewelry items confiscated from the subject convicted of misusing his diplomatic passport.*

*bonds. Additionally, an insurance fraud, in which inflated losses on an A.I.D.-financed commodity shipment were claimed by the supplier, was identified during the course of the investigation. The case was referred to the Assistant U.S. Attorney, Northern District of Illinois who accepted prosecution. On September 22, 1988, the subject was arrested by agents of the FBI for violations of Title 18 USC 494 (falsification and forgery of contractor's bond). He was arraigned before a U.S. Magistrate and subsequently released on a \$4,500 bond and his travel restricted to the Northern District of Illinois. Trial date has not yet been set.*

A firm was indicted for submitting a false statement to A.I.D. in March 1987 in connection with a \$30,000 Commodity Import Program shipment of radio equipment. *The firm reported Japanese equipment as U.S. origin. This was a joint investigation with the U.S. Customs Service which was investigating the same firm for arms export violations when they attempted to ship semi-military radio equipment to Iran. In March 1989, the company and two principal officers were sentenced following their guilty pleas. The company president received five years' probation and was fined \$10,000. He was also given six months to conclude all business in this country and at that time be deported from the U.S. (he is a West German national). His wife, also a company official, received a \$5,000 fine and is restricted from doing export business in this country for five years. The company was fined \$50,000 and is restricted from doing business with the U.S. Government for five years.*

**U.S. ELECTRONICS FIRM  
GUILTY OF EXPORT  
VIOLATIONS AND  
FALSE STATEMENTS TO  
A.I.D.**

A firm had a \$3.0 million contract with A.I.D. to provide assistance to the Government of Liberia in improving the management of their budget. *The company allegedly submitted false claims to A.I.D. for post differential allowances and other costs not actually or legally incurred totaling approximately \$300,000. After nearly four years of legal battle, including three years of Grand Jury investigation, A.I.D. accepted on March 21, 1989, a \$100,000 check from the company as part of a final settlement. In addition to the settlement check, the firm issued a "Quality Control Memoranda" with respect to its practices in implementing and overseeing contracts with the U.S. Government. Finally, the company assured A.I.D. that certain individuals who previously had final administrative authority with respect to proposing, negotiating, pricing, etc., are either no longer with the firm or will not be involved with U.S. Government contracts. No criminal charges were brought because a civil settlement was thought to be more appropriate.*

**U.S. ACCOUNTING FIRM  
PAYS \$100,000 AND  
MAKES OTHER  
CONCESSIONS**

The prime contractor on an A.I.D.-funded project in Pakistan entered into a subcontract with a Pakistani firm. That firm submitted billings to the prime contractor charging line item amounts for various employees. Investigation revealed that the *employees were receiving less than the salaries billed* in virtually every case. Early detection by

**PAKISTAN—  
SUBCONTRACTOR  
SUBMITS FALSE CLAIMS  
BY UNDERPAYING  
EMPLOYEES**

the prime contractor prevented larger losses. USAID/Pakistan withheld \$12,856 in payments and terminated the contract.

**NIGER—EMPLOYEE  
JAILED AFTER MAKING  
\$1,189,725 IN  
UNAUTHORIZED  
PROCUREMENTS**

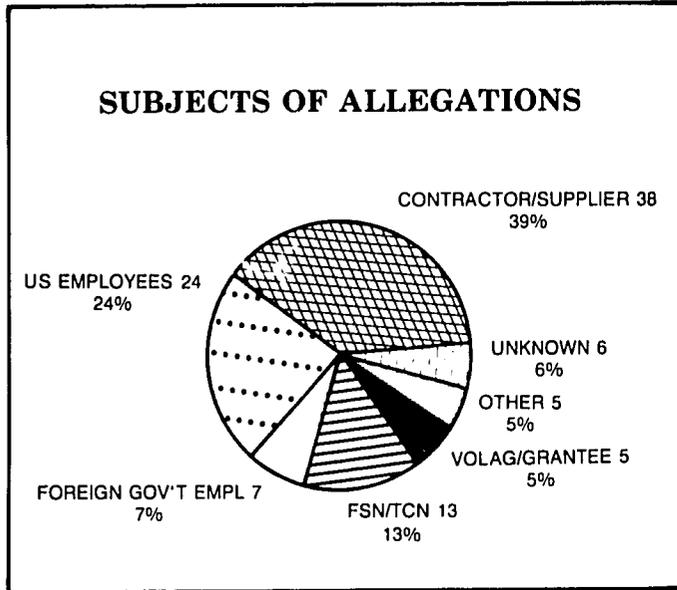
A USAID/Niger local national employee assigned as project liaison assistant for three A.I.D./Washington centrally funded projects in Niger *made \$1,189,725 in fraudulent procurements*. He obtained false project letterhead stationery, forged a project stamp (seal), and then signed a fictitious project officer's name on bogus computer-generated purchase order forms. The procurements included 25 vehicles, 4 tractors and other household items. The bogus purchase orders had promised payment within 30 to 60 days after receipt of the goods. However, the employee failed to pay. The duped vendors eventually filed a criminal complaint with the local police and he was arrested. The police have confiscated the vehicles and other items. *The employee also embezzled approximately \$14,142 in project funds advanced to him to pay for project expenses*. In several cases he was given checks with the payee name left blank, and he inserted the name of a USAID driver who cashed the checks for him. In other instances he inflated amounts on receipts or provided no receipts. The subject's employment was terminated and he was arrested and jailed in July 1988. He remains in custody based on the vendor's initial action.



*Vehicles fraudulently procured, now in the custody of the Judicial Police in Niamey, Niger.*

# STATISTICAL SUMMARY

During the six-month period, 98 complaints were received and processed and one proactive inspection was initiated. Of the total, 24 concerned A.I.D. U.S. employees, 13 concerned A.I.D. foreign national employees, and 38 concerned A.I.D. contractors or suppliers.



Notes: \*VOLAG/GRANTEE includes Voluntary Agencies and grantees, both foreign and domestic, which are recipients of A.I.D. funding.  
 \*U.S. Employees includes U.S. Direct Hires  
 \*FSN/TCN includes Foreign Service National and Third Country National employees.

Of the 98 complaints received, 70 concerned allegations of fraud or procurement violations, including cases such as bribery, embezzlement, conflict of interest and false claims, related to procurement; 19 pertained to allegations of criminal violations, such as theft of property, blackmarketing, and customs violations, not directly related to procurement; and 9 involved administrative irregularities.

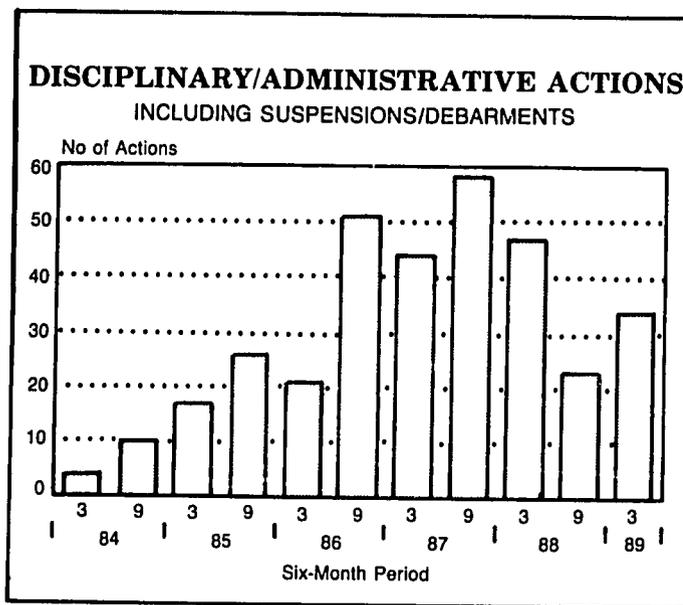
Of the allegations received, 63 resulted in formal criminal investigations, 11 were referred to A.I.D. management for resolution and action after initial evaluation, 22 were referred or closed after a preliminary inquiry, and 2 were declined.

Allegations which do not involve serious criminal or civil violations are referred for resolution and action to the appropriate A.I.D. management officials. Allegations referred in this manner generally involve administrative irregularities, mismanagement and non-prosecutable civil and criminal violations of a minor nature. The Office of Investigations provides guidance and advice to assist the bureaus

**ADMINISTRATIVE AND  
MINOR OFFENSES**

and missions in conducting the necessary inquiries; and it reviews the final reports of actions taken.

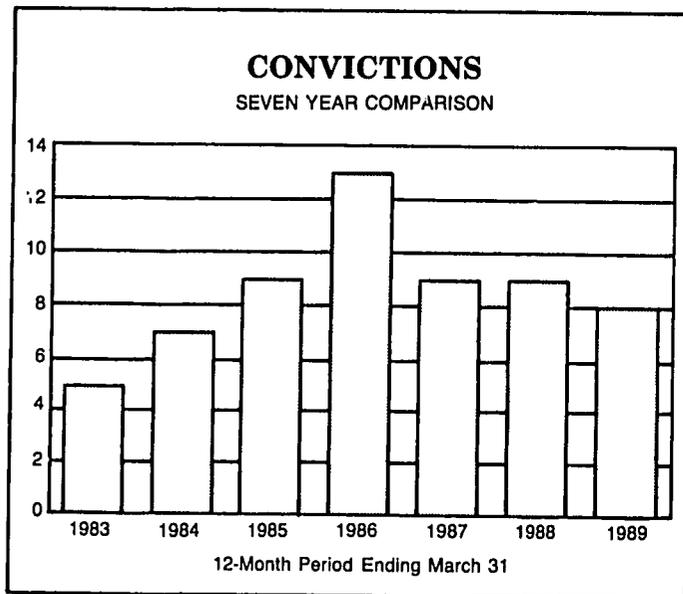
The following chart shows that the number of disciplinary/administrative sanctions has dropped for the last two reporting periods, although it remains at a relatively high level compared to earlier years.



The increased level of administrative and disciplinary actions by A.I.D. officials mirrors a new tougher stance being taken by management. A.I.D. employees, contractors, and suppliers are held more accountable for their deeds and misdeeds. With a focus on ethics, this trend is likely to continue.

## SEVEN-YEAR COMPARISON

In the seven years since we published our first Semiannual Report to Congress, we have consciously refined our approach to what we do and how we do it. Through better screening and analysis of complaints early in the investigative process, we are referring a greater number of matters to bureaus and missions for resolution and action. Working more closely with prosecutors, our focus on those activities which pose the most serious actual or potential criminal threat to Agency programs has resulted in 60 convictions. The graph below shows that compared to seven years ago, the annual rate of convictions has averaged more than eight per annum, almost double the 1983 rate of five convictions.

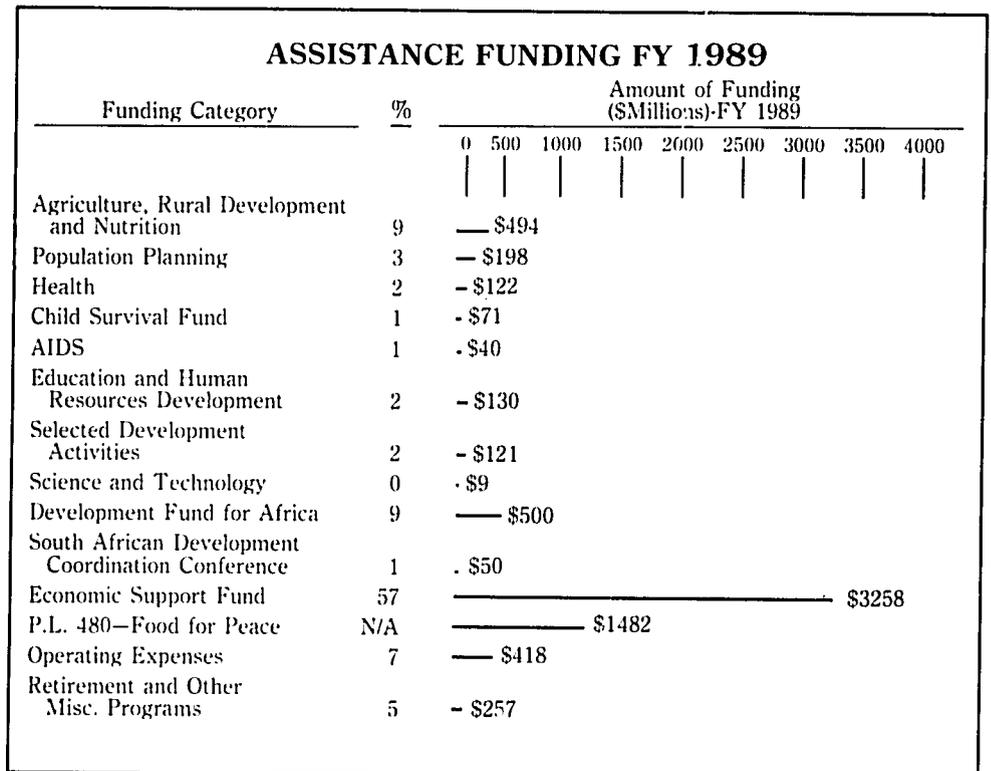


# OFFICE OF AUDIT

## AUDIT RESPONSIBILITIES

The Office of the Assistant Inspector General for Audit is responsible for making audits of A.I.D.'s worldwide, foreign aid activities. Foreign aid assists developing countries in meeting the basic human needs of their people through sustained, broadly based economic growth. The programs and projects funded by A.I.D. can generally be grouped into six major categories: Agriculture, Rural Development and Nutrition; Health; Population Planning; Education and Human Resources; Energy and Selected Development Activities; and Economic Support Fund Assistance which generally includes Cash Grants and/or Commodity Import Programs. A major program category not funded by A.I.D. is Public Law 480—Commodity Exports (PL 480). Though this program category is funded by the Department of Agriculture, A.I.D. has been assigned responsibilities for certain aspects of its administration. In addition, the IG performs audits of A.I.D.'s missions/facilities' operations, programs/systems reviews and legislated subjects.

In fiscal year 1989, A.I.D.'s economic assistance budget, as presented to the Congress, is estimated at \$5.7 billion, of which \$2.4 billion will be provided from the Development Assistance appropriation and \$3.3 billion from the Economic Support Fund appropriation. In addition, funding for PL 480 in fiscal year 1989 is estimated at \$1.5 billion. The following bar graph illustrates the composition of this assistance:



**AUDIT  
ACCOMPLISHMENTS**

During this semiannual reporting period, the Office of Inspector General and other governmental audit organizations' audit reports of A.I.D. programs and administration were instrumental in recovering or reprogramming significant sums of money and identifying waste, abuse and noncompliance with established policies and regulations.

The Office of Audit issued 86 internal audit reports and processed 97 reports performed by non-Federal auditors or other government audit organizations during this reporting period. *These reports recommended \$90 million in deobligations and possible reprogrammings of funds, and recovery of \$6.6 million.* The reports also identified \$4.7 million in economy and efficiency savings.

The Inspector General's Audit Follow-up and Closure System monitored the action taken on audit reports issued during this and prior reporting periods. Highlights of A.I.D. actions taken on Inspector General recommendations during this period follow:

- A.I.D. management reached determinations on \$32,938,331 in recoveries and deobligations recommended by Inspector General audit reports. Of this total, \$18,717,379 or 56.8 percent was sustained by A.I.D.
- A.I.D. management reached determinations on \$2,050,567 in recoveries recommended by non-Federal auditors or other governmental agencies' audit reports. Of this total, \$1,003,408 or 48.9 percent was sustained by A.I.D.
- A total of \$18,828,849 (\$18,567,469 from Inspector General audit reports and \$261,380 from external audit organizations' audit reports) was actually recovered or deobligated as a result of audit work in this and prior periods.
- As of March 31, 1989, \$97.5 million in recommended recoveries, deobligations, or reprogramming were awaiting A.I.D. determination, of which \$15.2 million (15.5 percent) represented recommendations in excess of six months old.
- As of March 31, 1989, \$12.0 million in recommended recoveries or deobligations had been sustained by A.I.D. but had not been collected, of which \$11.8 million (98.4 percent) represented recommendations in excess of six months old.

**A.I.D. RECOVERED OR  
DEOBLIGATED \$18.8  
MILLION AS A RESULT  
OF AUDIT  
RECOMMENDATIONS**

## **AUDITS OF ECONOMIC SUPPORT FUND**

The Economic Support Fund (ESF) provides flexible economic assistance to address economic structural and development problems in countries of particular security and political interests to the United

**ESF GRANTS AND  
LOANS SUPPORT U.S.  
FOREIGN POLICY  
OBJECTIVES**

States. Much of the assistance in this category is provided through cash grants and/or commodity import programs. As of September 30, 1988, the Economic Support Fund included grants, programs and projects with obligations totaling \$7.7 billion, of which \$3.7 billion had been expended. Highlights of significant audits performed during this reporting period follow:

### **—ECONOMIC SUPPORT FUND CASH TRANSFER BUDGET SUPPORT PROGRAM, PHILIPPINES—**

#### **A.I.D. NEEDS TO IMPROVE CONTROLS OVER \$150 MILLION IN LOCAL CURRENCY**

In May 1987 A.I.D. granted the Government of the Philippines \$150 million in Economic Support Fund cash transfer assistance through the Budget Support Program II. These funds were to assist the Government of the Philippines' economic recovery and long-term development. This cash would lessen the Government of the Philippines' continuing financial problems and encourage the adoption of economic policy reforms. The dollar funds were to be used to pay the Government of the Philippines' debts with the International Monetary Fund. An equivalent amount of local currency was to be deposited by the Philippine Government in a special account and used to finance a portion of the Government's health and education sector budgets in 1987.

The audit objectives were to confirm that the funds provided were used to pay U.S. dollar debts owed to the International Monetary Fund, trace disbursements of local currencies to the Government of the Philippines' implementing agencies, and verify that the proceeds were used for agreed upon purposes.

*The audit found that the local currency equivalent of the \$150 million provided under the program, although initially deposited in a special account, could not be traced to its end use. The local currency was transferred to and commingled with the Government of the Philippines' general fund. This happened because A.I.D. did not require an accountability trail of the local currency from the special account to the Government of the Philippines' health and education accounts approved for receiving budgetary support. A.I.D. only required that local currency be tracked on an attribution basis. As a result, there was inadequate assurance that the \$150 million in local currency was used for agreed upon purposes.*

A.I.D. policy and the terms of the grant agreement required that dollars and local currency be deposited in interest-bearing accounts with any interest earned programmed in the same manner as the principal. The audit found that *local currency was not deposited for interest earned on the dollar deposits*. Insufficient policy guidance contributed to these problems. As a result, *about \$1.6 million in additional local currency was not made available for program use.*

The audit report recommended that further guidance and interpretation of program agreements be obtained from A.I.D. General Counsel and other senior management officials. Clarifications were needed on issues related to dollar interest earned on local currency and local currency programming and accountability. A.I.D. management was acting on the recommendations. (Audit Report No. 2-492-89-6, March 6, 1989)

## —ECONOMIC SUPPORT FUND PROGRAM IN BOLIVIA—

A.I.D. provided the Government of Bolivia an Economic Support Fund grant of \$7.2 million in both 1986 and in 1987. The two grants were to assist Bolivia's economic recovery by providing dollars to finance needed imports. Under the terms of the grants, the Government of Bolivia was to deposit to a special account, in accordance with an agreed time schedule, an amount of local currency equivalent to the U.S. assistance dollars provided each year. The local currency was then to be disbursed for development purposes jointly agreed to by A.I.D. and the Government of Bolivia.

**\$7.2 MILLION IDLE IN  
HOST COUNTRY  
ACCOUNTS**

*None of the \$7.2 million disbursed to the Government under the 1987 grant had been used to finance imports. The Government had also not deposited local currency within agreed time frames. The Government had not deposited the equivalent of \$1.6 million in local currency under the 1986 program and \$4.2 million in local currency deposits required under the 1987 program. Inadequate A.I.D. monitoring and the Government of Bolivia's limited administrative capacity were the primary causes of these problems. The report recommended that A.I.D. (1) reassess the need for the program, in light of the implementation difficulties, (2) withhold approval of additional Economic Support Funds until the Government has used funds previously provided, and (3) fix responsibility for and improve A.I.D. oversight.*

To reduce the possibility of inappropriate use of dollars, A.I.D. guidance required that when dollars are used to reimburse import transactions, the reimbursements must be part of a timely sequence for completing the transactions. This means procedures can not permit a country to finance imports and then obtain after the fact approval from A.I.D. Nevertheless, *in July 1988 A.I.D. approved procedures which would allow reimbursement of transactions which took place as early as August 1987. The Mission in Bolivia approved these procedures to overcome slow disbursements of dollars from the separate account. However, if procedures which allow retroactive attribution of import transactions were to be implemented, A.I.D. would not be able to determine the actual use of \$7.2 million in Economic Support Fund dollars.* The report recommended that the Mission modify its dollar accounting procedures to make them consistent with applicable guidance.

A.I.D.'s guidance on managing local currency requires placing it in interest-bearing accounts until it is disbursed, unless the Mission Director determines in writing that interest should not be earned. The Central Bank of Bolivia was offering certificates of deposit which provided interest, plus maintenance of local currency value relative to the U.S. dollar. However, A.I.D. had not asked the Government of Bolivia to invest the Economic Support Fund generated local currency in these certificates. No determination justifying a deviation from A.I.D.'s preference for interest-bearing accounts had been prepared, even though estimates indicated that interest equivalent to about \$500,000 could have been earned during the year. The report recommended that interest be earned on the local currency, or that a determination be prepared explaining why interest should not be earned. (Audit Report No. 1-511-89-7, January 20, 1989)

## —POLICY REFORM PROGRAM IN RWANDA—

### A.I.D. DID NOT IDENTIFY USES FOR \$10 MILLION IN LOCAL CURRENCY

The Rwanda Policy Reform Initiatives in Manufacturing and Employment Program was authorized by A.I.D. in September 1985, to assist the Government of Rwanda in making structural and policy changes in the manufacturing sector. The program was designed to stimulate production and employment in small and medium manufacturing by (1) liberalizing price controls, (2) modifying the tariff structure, and (3) providing tax incentives and credit guaranties to small and medium enterprises. The local currency generated by the program was to be used primarily to promote the privatization of Government-owned corporations (parastatal agencies). The program's grant agreement provided a total of \$12 million from 1986 through 1988 with \$2 million to be used for technical assistance including economic studies and training.

The program was successful in several areas. The investment code was revised to give small and medium enterprises more preferential treatment and some price controls were relaxed. Also, the technical assistance component of the program produced studies of manufacturing sub-sectors such as finance, textiles, wood and employment. Conversely, the audit found implementation problems.

The program grant agreement provided that *A.I.D. would release \$10 million by December 31, 1987. As of that date A.I.D. had disbursed only \$3.5 million.* The delays in disbursing funds stemmed from day-to-day management problems and A.I.D. had since addressed these problems. Program design problems also contributed to delays which had not been resolved. The program design did not clearly establish an agreement between A.I.D. and the Government of Rwanda as to how the local currency accruing from the program would be used. The design also did not sufficiently take into account the lack of capability of the host country institution to implement the program. Unless

the program design was modified, further delays would occur in disbursing local currency, and there would be no assurance that needed policy reforms would be undertaken by the host government. The report recommended A.I.D. modify the design of the program. A.I.D. agreed with the recommendation.

The Government had placed in a non-interest-bearing account about \$3.5 million of unused local currency deposits. A.I.D. policy requires that local currency be deposited in interest-bearing accounts until needed. However, due to an oversight, the Mission did not include a provision in the program's grant agreement requiring that an interest-bearing account be used. *Over \$300,000 of interest could have been earned and used to finance additional program activities.* The report recommended that A.I.D. ensure that funds are placed in an interest-bearing account. (Audit Report No. 3-696-89-1, October 31, 1988)

## AUDITS OF LOCAL CURRENCY

A.I.D. must determine that the local currency components of Economic Support Fund and PL 480 Food for Peace programs operate as intended. The local currency components usually require the host governments to deposit to a special account local currency equal in value to the dollar transfers or food assistance received, and to disburse the local currency for development purposes agreed to by both parties. Highlights of audits of local currency follow:

**A.I.D. REQUIRES HOST  
GOVERNMENTS TO  
DEPOSIT LOCAL  
CURRENCY IN SUPPORT  
OF DEVELOPMENT**

### —LOCAL CURRENCY IN BOLIVIA—

Since 1978, \$172 million in Public Law 480, Title I and III, and Economic Support Fund assistance were provided to the Government of Bolivia. These programs required \$134.5 million in Government of Bolivia local currency deposits. Program agreements required the local currency be used to fund mutually agreed upon development initiatives. Program management responsibilities were shared between A.I.D. and two Bolivian government agencies.

**POOR ACCOUNTING  
OVER THE USE OF \$93  
MILLION IN LOCAL  
CURRENCY**

The audit found that accounting and internal controls of the Government of Bolivia's program management agencies generally needed improvement. The Government's administration was ineffective and its responsibilities were not clearly defined. A.I.D. needed to assume a more active role in monitoring the program in order to better detect problems and ensure the accuracy of reporting.

Independent external auditors engaged by the Government of Bolivia had recently issued an adverse opinion on the financial statements of the implementing agencies. *The independent auditors found the government agencies' accounting records did not conform to generally ac-*

*cepted accounting principles because balance sheets did not account for significant amounts of funding, and accounts generally classified as expenses, such as exchange rate losses, were recorded as assets and vice versa. Furthermore, controls to prevent unauthorized alteration of accounting records were lacking. The audit showed that A.I.D. needed to more effectively utilize its controller staff to monitor and review fiscal data pertaining to the program. The Government of Bolivia should establish adequate accounting and internal controls to ensure that \$93 million in local currency proceeds are disbursed for the agreed upon purposes.*

*The audit found that the Government of Bolivia had not deposited the local currency equivalent of \$15.3 million into special accounts as required by Public Law 480, Title I and III agreements. This was due to cumbersome deposit procedures, exchange rate errors, an inability to collect a \$7.8 million debt from the Bolivian military, and, most importantly, because the Government did not adhere to negotiated schedules for bringing delinquent deposits up to date. Development projects were disrupted and delayed because the needed local currency funds were not available. The report recommended that A.I.D. require the Government of Bolivia to deposit into special accounts the equivalent of over \$800,000 resulting from exchange rate errors, and increase pressure on the recipient government to make up deposit arrearages.*



*Silos used by Santa Cruz rice farmers. Due to local currency delays, the rice association only financed and marketed 19 percent of its 1988 goal.*

*A.I.D. was considering forgiving a \$90.7 million Bolivian debt related to a 1978 PL 480, Title III program. The 1978 program agreement permitted full forgiveness of debt when local currency equal in value*

to the dollar debt had been disbursed from a special account for agreed upon purposes. The dollar value of the local currency disbursed was to be computed at the highest legal exchange rate applicable on the dates of disbursement. However, A.I.D. was considering granting full forgiveness based on the dollar value of the Bolivian peso on the dates it was deposited to, rather than disbursed from, the special account. Approval of the proposal would have the effect of significantly reducing the Government of Bolivia's contributions to agreed upon development initiatives. *The report recommended that the 1978 PL 480 Title III program debt not be fully forgiven until an additional \$34.5 million in local currency have been disbursed from the special account for agreed upon purposes.* A.I.D. management generally agreed with this and other report recommendations, and was taking action to implement them. (Audit Report No. 1-511-89-9, February 13, 1989)

### —A.I.D. ASSISTANCE TO GHANA—

In Fiscal Year 1988 about \$19.6 million had been expended for food assistance under the Fiscal Year 1988 P.L. 480, Title I and II programs. To ensure that local currency generated through P.L. 480, Title I food assistance results in improved development assistance, A.I.D. requires that the currencies be used for purposes agreed upon by A.I.D. and the host country. A.I.D. and the Government of Ghana, in fact, had agreed local currency would be used to finance self-help measures and projects in agriculture and in health.

**A.I.D. NEEDS TO  
ESTABLISH BETTER  
CONTROL OVER LOCAL  
CURRENCY USE**

The audit found, however, that (1) local currencies were spent to support projects not approved by A.I.D., (2) approved projects were not receiving required local currency, (3) local currency disbursements were not timely, and (4) local currency expenditures could not be tracked to approved projects. As a result, *important development projects were not undertaken or adequately funded and the equivalent of almost \$5 million of unused local currency had accumulated in a special account.* The management of local currency was not effective because A.I.D. had not established procedures requiring the host government to monitor and report on whether individual projects were receiving required local currency. The report recommended A.I.D. establish formal procedures to achieve better control. A.I.D. agreed with the finding and recommendations.

Section 109 of Public Law 480, Title I legislation required A.I.D. to know the extent self-help measures were contributing to development in poor rural areas. *However, A.I.D. did not know the extent the poor people of Ghana were benefiting from Title I self-help measures.* The reports submitted by the Government of Ghana did not provide the information required to make such a determination and were not timely. Also, A.I.D. did not prepare a required self-help measures progress analysis or include a review of the measures when preparing its project implementation reports. As a result, A.I.D. had little

assurance that the self-help measures undertaken between 1985 and 1987 were meeting the intent of the legislation. The report recommended A.I.D. improve reporting and review procedures. Management generally agreed with the finding and recommendation. (Audit Report No. 7-641-89-5, January 20, 1989)



*Measuring food for distribution at Catholic Relief Services' health clinic.*

## **AUDITS OF AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION**

**AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION PROGRAM OBLIGATIONS TOTAL \$8.4 BILLION**

Agriculture, rural development and nutrition is A.I.D.'s largest program category, both in terms of assistance dollars and number of projects. Through September 30, 1988, A.I.D. had obligated \$8.4 billion for 566 active projects, of which \$5.6 billion had been expended. The projects are designed to increase agricultural yield, improve diets and support agricultural research in developing countries where hunger and malnutrition are a major constraint to economic development.

Our audits in this area reviewed the integrity of A.I.D.'s administration of these projects and whether project objectives had been accomplished. Highlights of audits performed during this reporting period follow:

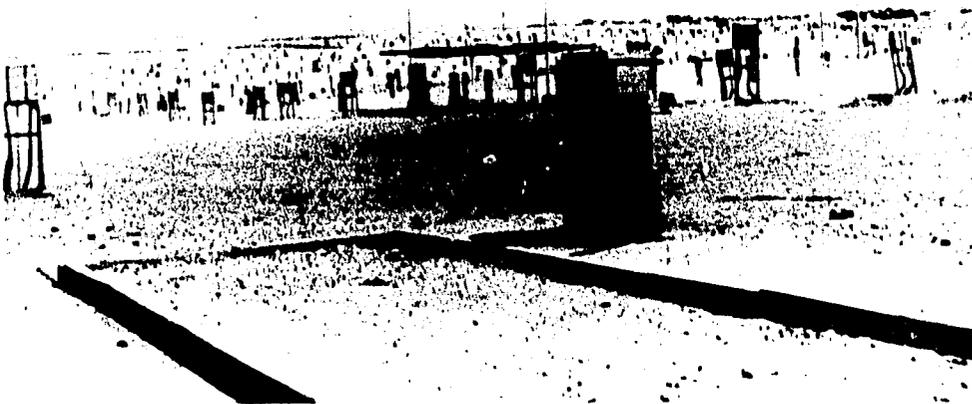
### **—HELWAN HOUSING AND COMMUNITY UPGRADING IN EGYPT—**

**AFTER 10 YEARS AND \$134 MILLION LOW-INCOME HOUSING STILL NOT AVAILABLE**

In August 1978, A.I.D. and the Government of Egypt signed the Helwan Housing and Community Upgrading Project grant agreement. The total cost of the project was to be \$160 million shared equally

by both governments. The project's purpose was to test the premise that basic housing and community facilities could be provided to low-income families for affordable payments which would enable the Government of Egypt to recover most of its investment. There were two major project components: development of a new community and the upgrading of seven existing low-income areas located about 30 kilometers south of Cairo. As of March 31, 1988, A.I.D. and Government of Egypt project expenditures were \$71 million and the Egyptian pound equivalent of \$63 million, respectively. The original project assistance completion date of August 31, 1983 had been extended to August 26, 1988.

*The audit found that, after 10 years and the expenditure of about \$134 million, the project was still far from reaching its objectives. As of June 1988, not a single low-income family occupied a house in the new community and many of the promised services in the upgraded communities were years from being delivered. This situation was caused by long delays and questionable management decisions regarding, among others, site selection, engineering, and the type and size of units to be built. The report recommended that A.I.D. analyze the project's complex implementation history and issue a "lessons learned" paper to help A.I.D. avoid similar deficiencies in future low-income housing projects.*



*After ten years, homes still are not built in the Helwan New Community, although infrastructure installation has progressed.*

The project agreement identified the total salary of the head of household as the basis for determining beneficiary eligibility. The project paper, on the other hand, identified household income as the basis.

In actual practice, the Government of Egypt used a third standard—the basic salary of the head of household, not to exceed 125 Egyptian pounds per month. The difference between the three measures could be substantial. The absence of definitive criteria to identify the target group limited the assurance that the beneficiaries contemplated in the project agreement would actually be reached or that those selected would be able to afford the loan payments and also meet other financial obligations. The report recommended that A.I.D. and the Government of Egypt reexamine the income data and assumptions underlying the eligibility criteria to better identify the target group.

According to the project design, the Government of Egypt's implementing agency was to administer a revolving loan fund. However, this was not being done because, under existing Government of Egypt regulations, service agencies were not authorized to retain any funds collected from the beneficiaries. Project designers apparently never considered the regulations governing service agencies. The audit report recommended that A.I.D. ensure the issuance of the appropriate authorization to allow for both the collection and use of project revenues. A.I.D. generally agreed with this and other report recommendations, and was taking action to implement them. (Audit Report No. 6-263-89-1, October 31, 1988)

### **—ASWAN HIGH DAM POWER STATION REHABILITATION AND MODERNIZATION—**

#### **A.I.D. SUCCESSFUL IN ASWAN DAM TURBINE PROJECT**

The Aswan High Dam Power Station Rehabilitation and Modernization Project was initially authorized at \$100 million in April 1982, by a grant agreement between the Government of Egypt and A.I.D. The dam was originally constructed and equipped as a Soviet aid project to Egypt during the 1960's. The A.I.D. project was intended to accomplish the design, manufacture and replacement of 12 hydro-turbine runners, circuit breakers, and relay and control instrumentation at the High Dam power station. In September 1987, the project was authorized an additional \$40 million, mainly to complete instrument modernization, circuit replacement, and gate rehabilitation. Throughout the project life, a Government of Egypt implementing agency was supposed to pay all local currency costs, which were expected to total over 28 million Egyptian pounds, or about \$12 million. As of December 31, 1988, project expenditures were about \$73 million.

*The audit found this project to be well managed and proceeding on schedule. Six new turbine runners had been installed, and the hydro-turbine generating units had been rehabilitated and returned to operation.*

The grant agreement required the implementing agency to submit copies of accounting records for host country contributions to the project. The Government of Egypt had not submitted the required

quarterly reports and A.I.D. could not determine if the implementing agency had complied with its host country contribution obligations to the project. The report recommended that A.I.D. formally notify the agency that it had not complied with the grant's financial reporting requirements and obtain the required reports. (Audit Report No. 6-263-89-4, February 21, 1989)

## —SHABA REFUGEE ASSISTANCE PROJECTS IN ZAIRE—

The Shaba region of southwestern Zaire was ravaged by war in 1977 and 1978. Over half of the population suffered displacement to other parts of the country and was later repatriated. In addition, the area was host to tens of thousands of refugees from neighboring Angola. In an attempt to integrate repatriates and refugees into the region, A.I.D. authorized three projects to rehabilitate and improve the rural infrastructure: Shaba Refugee Health, Shaba Refugee Roads, and Shaba Refugee Water. The Health Project planned to renovate and re-equip 45 rural dispensaries, 2 health centers and 3 hospitals. The Road Project proposed to rehabilitate some 3,000 kilometers (later reduced to about 1,000 kilometers) of dirt roads. The Water Project was to sink 430 new wells, cap 500 water springs and construct piped water systems. A.I.D. authorized grants totaling over \$12 million for the three projects. The host country agreed to contribute about \$13 million in cash or in-kind for personnel, fuel, and commodities.

HOST COUNTRY  
CONTRIBUTION  
SHORTFALLS AND  
POOR ASSET CONTROLS  
DETER PROJECT  
PROGRESS



*A Project water well and hand pump in Sandoa.*

The audit found that the *projects had made progress in achieving objectives despite delays in the early stages of implementation*. Satisfactory performance, however, was inhibited by inadequate controls over Road Project and Health Project vehicles and delays in host country provision of resources to the Road Project.

A.I.D. guidance required that A.I.D.-funded equipment be used substantially for project purposes and recommended charging user fees when it was used for other purposes. Road Project and Health Project personnel used project vehicles, often after working hours, to transport people and goods unrelated to the project. For the Road Project, A.I.D. did not charge these personnel fees for the use of the vehicles. The Health Project, on the other hand, did charge user fees, but in at least three cases, the nonproject use was substantial—ranging from 66 to 85 percent of total kilometers driven. As a result, certain vehicles were unavailable for project activities. The report recommended that A.I.D. strengthen controls over after-hours use of project vehicles and charge user fees for nonproject use of vehicles.

The grant agreement with A.I.D. required the Government of Zaire to provide \$1.6 million in fuel and \$1.1 million in workers' salaries in an effective and timely manner as part of its contribution to the Road Project. However, the Office of Roads neither provided fuel as required nor paid workers on time. As a result, almost four months of work were lost because of lack of fuel and worker output decreased because of the late payment of Office of Roads workers. The report recommended that A.I.D. develop a plan of action to ensure that the Government of Zaire fulfilled its obligations. In all, the report contained four recommendations. One was closed upon report issuance and three remain open, but resolved. (Audit Report No. 7-660-89-3, December 9, 1988)



*Delays occurred in resurfacing the road between Kasaji and Kolwezi.*

## **—KENYA RURAL PRIVATE ENTERPRISE PROJECT—**

The goal of the Kenya Rural Private Enterprise Project was to increase rural production, employment and income. The project began in August 1983, with the signing of the project agreement between the Government of Kenya and A.I.D., and was to be completed by March 1989. The project agreement established total project funding at \$62 million, with A.I.D. providing \$24 million of loan funds and \$12 million of grant funds, commercial banks providing \$24 million of loan funds, and others providing the remaining \$2 million. As of October 18, 1988, A.I.D. had expended \$1.9 million of loan funds and \$5.3 million of grant funds.

**MILLIONS OF DOLLARS  
IN LOAN FUNDS NOT  
USED**

The project agreement required establishment and expansion of rural private enterprises through provision of credit and technical assistance to commercial banks which in turn were to make loans and provide business advice to entrepreneurs. However, the Government of Kenya and the Kenyan commercial banks were initially hesitant about some accounting and loan liability aspects involved in implementing the project agreement. Also, a complex, legalistic program brochure and other factors detracted from the project's marketability. As a result, the project made little progress toward establishing and expanding rural private enterprise in Kenya. The loan program had resulted in loans of only about \$3.3 million. Additional loans by the project's planned termination date could not be expected to exceed \$6.8 million. The report recommended that A.I.D. impose time limits for making loans under the project and deobligate project funds if the time limits are not met. The report also recommended that A.I.D. take specific actions to increase the marketability of the loan program.

According to the project agreement, the project's purpose at the small business level was to be achieved through a \$7.1 million grant to a private voluntary organization, which would provide management advice and extend loans to small-scale entrepreneurs. The private voluntary organization's agreements with its subgrantees required appropriate internal control measures, including accounting system reviews, financial monitoring, and periodic independent audits. However, the private voluntary organization did not utilize some of the controls nor did it always take actions to correct known problems. As a result, controls over funds provided to subgrantees did not provide adequate safeguard against fund misuse, excessive cash advances or the risk of fraud or abuse. The report recommended A.I.D. require the private voluntary organization to take specific actions to improve financial controls over its subgrantees. A.I.D. management generally agreed with this and the other report recommendations. (Audit Report No. 3-615-89-11, February 24, 1989)

## AUDITS OF HEALTH

**A.I.D. HEALTH  
PROGRAM HAS  
OBLIGATIONS OF \$2.9  
BILLION**

The objectives of A.I.D.'s Health sector activities are to reinforce comprehensive child survival initiatives such as immunizations and prenatal screening; improve the management and logistics in implementing primary health care and environmental sanitation programs; and support biomedical research and field testing of important new technologies such as malaria vaccine. Through September 30, 1988, A.I.D. had obligated about \$2.9 billion for 172 health projects, of which \$1.7 billion had been expended. Highlights of audit follow:

### **—WATER SUPPLY AND SANITATION PROJECT IN SRI LANKA—**

**\$1 MILLION IN  
COMMODITIES NOT  
USED EFFECTIVELY**

The Water Supply and Sanitation Sector Project in Sri Lanka was approved by A.I.D. in August 1984. A.I.D. was to provide \$12.3 million for the project and the Government of Sri Lanka \$7.3 million. The project's objectives were (1) to strengthen the National Water Supply and Drainage Board by generating a revised organizational structure for the Water Board, (2) construct workshops and offices, and (3) complete six water systems. However, political problems in Sri Lanka and local resistance to the restructuring of the Water Board delayed project progress. Although the project was nearing its August 1989 completion date, only \$5.2 of the \$12.3 million had been expended.



*A.I.D.-financed equipment in Colombo laboratory was not clearly marked or properly secured, and was partly exposed to the elements.*

The audit found that the Mission could not assess project accomplishments because quantitative indicators were not clearly established and target dates for completing tasks were not fixed. The audit also found that *over \$1 million of commodities were not used effectively and efficiently* because (1) the facilities where the commodities were to be used were not constructed or renovated as planned, (2) insurance claims were not filed for missing and damaged items, (3) commodities were not inspected or inventoried, and (4) commodities needed repairs and were improperly stored.

The audit also found that *only about \$1.1 million had been provided of the required \$7.3 million host country contribution. Furthermore, \$198,000 of the \$1.1 million provided was for unallowable items, such as customs duties and other taxes.* Inadequate A.I.D. monitoring of host country contributions contributed to this problem. To correct these problems, the report made recommendations to improve the monitoring and reporting of specific quantitative indicators, increase controls over project commodities, and strengthen oversight over host country contributions. A.I.D. management generally concurred with the recommendations. (Audit Report No. 5-383-89-2, February 20, 1989)

## **AUDITS OF POPULATION PLANNING**

The purpose of A.I.D.'s population planning assistance is to enhance the freedom of individuals in lesser developed countries to voluntarily choose the number and spacing of their children and encourage population growth consistent with the growth of economic resources and productivity. Through September 30, 1988, A.I.D. had obligated \$1.7 billion for 142 active population planning projects of which \$1.3 billion had been expended. Highlights of a population planning audit follow:

**A.I.D. POPULATION  
PLANNING PROGRAM  
HAS OBLIGATIONS OF  
\$1.7 BILLION**

### **—FAMILY PLANNING PROJECT IN INDONESIA—**

The Family Planning Development and Services II Project was implemented in 13 of Indonesia's 27 provinces. The project's purpose was to reduce the annual birth rate to less than 23 births per 1,000 members of the population by 1990. This was to be achieved by increasing the use of contraceptive methods by married couples of reproductive age from 43 percent in 1982 to 69 percent by 1992. A.I.D. provided \$36.4 million for the project. The project began in June 1983 and was to be completed by December 1992.

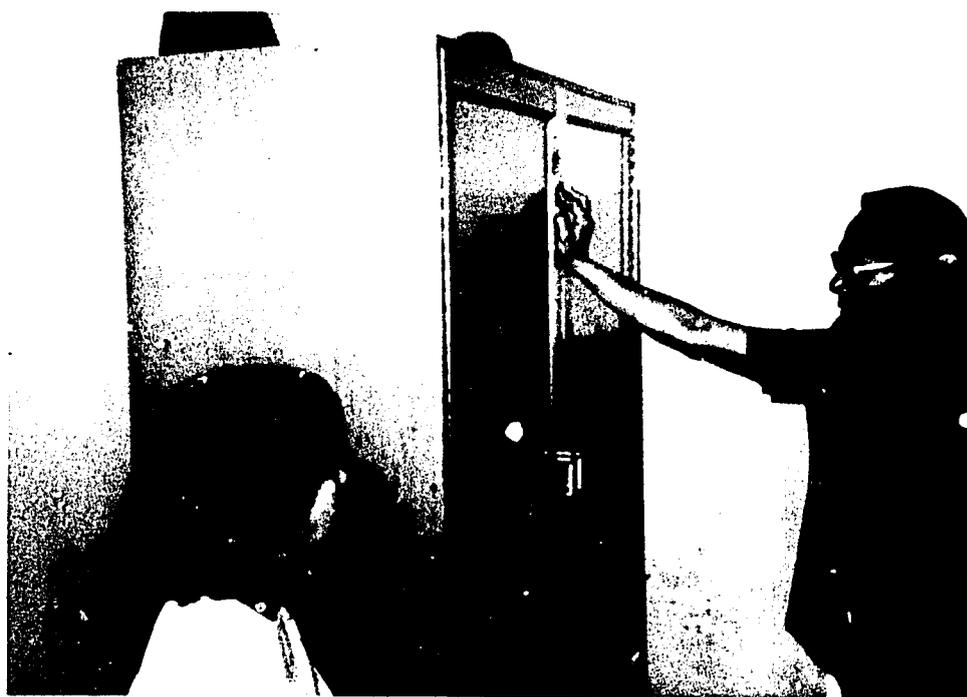
**BETTER PLANNING AND  
MONITORING NEEDED  
TO PREVENT WASTE IN  
UPGRADING AND  
FURNISHING  
HOSPITALS**

The project had six components. The Village Family Planning component increased the numbers of family planning posts in rural villages. The Urban Family Planning component sponsored contraceptive promotional activities in urban areas. The Voluntary Steriliza-

tion component upgraded hospitals and clinics to do voluntary sterilizations. The Training component provided short-term and long-term training to Government of Indonesia family planning officials. The Modern Management Technology component improved the computer capabilities of the family planning implementing agency. The Research and Development component sponsored family planning related research and workshops.

The Voluntary Sterilization component did not adequately consider potential demand, as required by the project paper, in the selection of hospitals and clinics to be upgraded. Instead, the component focussed on even geographic distribution. Thus, *A.I.D. could not be sure 470 upgraded facilities costing \$3.2 million were needed, or that plans for new facilities were justified.*

Also, *renovations made to hospitals and clinics under the Voluntary Sterilization component were of poor quality, and equipment and furniture supplied were being used for other than intended purposes.* This occurred because, contrary to A.I.D. guidance, site visits were not made to identify problems while renovations were in progress and the furniture specifications which A.I.D. approved did not meet local needs. An additional factor was that the equipment and furniture needs of hospitals and clinics changed as a result of long delays between needs assessments and actual delivery. As a result, *\$2.5 million was inefficiently used for poor quality building renovations and for equipment and furniture which did not promote family planning.*



*A clothes cabinet supplied to a hospital would not fit through the doors of patients' rooms. Plans called for purchasing 195 of these cabinets.*

Contrary to A.I.D. requirements, indicators had not been established for three project components to adequately measure the impact on achieving the project's purpose. Unless indicators are established which link the outputs of these components with the project's purpose, A.I.D. will not know how useful the \$7 million spent on the components were in increasing the contraceptive use rate and reducing the birth rate.

The report recommended A.I.D. take steps to better (1) identify potential demand for upgraded hospitals and clinics, (2) plan for and monitor renovations, and equipment and furniture purchases, and (3) measure the impact of several project components. A.I.D. responded that steps had been taken. All recommendations have been closed. (Audit Report No. 2-497-89-1, October 7, 1988)

## **AUDITS OF SELECTED DEVELOPMENT ACTIVITIES**

This category of projects is designed to implement A.I.D. priorities such as: promoting the private sector's role in development; policy dialogue; institution building; and technology transfer. Through September 30, 1988, A.I.D. had obligated \$2.2 billion for 779 active projects, of which \$1.7 billion had been expended. Highlights of audit follow:

**A.I.D. SELECTED  
DEVELOPMENT  
ACTIVITIES HAVE  
OBLIGATIONS OF \$3.7  
BILLION**

### **—ENERGY PLANNING AND DEVELOPMENT PROJECT IN PAKISTAN—**

The purposes of the Energy Planning and Development Project were to strengthen the energy analysis and planning capabilities of the Government of Pakistan, establish a national energy conservation program, and develop Pakistan's energy resources. The project was authorized in 1983 and was to be completed by June 1991. A.I.D. was to provide \$105 million and Pakistan about \$7.4 million. Two subcomponents, the development of coal briquettes and the studies relating to the coal mine and coal-fired power generation complex, were nearing completion. Another subcomponent, entailing institutional improvement of the Ministry of Planning and Development's Energy Wing, was meeting with general success. There were problems, however, with a \$50 million procurement program, and with the renewable energy and the energy conservation subcomponents.

**REVIEW RECOMMENDS  
A.I.D. NOT USE \$50  
MILLION UNLESS NEED  
ESTABLISHED**

*A.I.D. authorized \$50 million and obligated \$12 million of that amount for commodities without establishing a clear project need. This occurred because A.I.D. did not develop a procurement plan specifying the types of commodities needed. A.I.D.'s regulations require that project commodities be used for discrete development problems and that*

the project design include a procurement plan. Since the project is primarily for institution building and project commodities were already procured, it is doubtful that \$50 million in additional commodities are needed and can be effectively used for project purposes.

The project agreement required the Government of Pakistan to carry out the project efficiently and to provide qualified staff and experienced management. The energy conservation and renewable energy sub-components made slow progress in meeting their objectives. This occurred because A.I.D. was not successful in assuring that the Government of Pakistan provided the management support and personnel needed to complement the A.I.D.-funded energy conservation technical assistance. Also, they did not assure that the Government assessed technologies required to start implementation of the renewable energy subcomponent. As a result, needed savings in energy resources were delayed.

*The report recommended that the \$50 million authorized for project commodities not be used unless project specific needs can be identified and a procurement plan established.* Also, the report recommended that a plan be prepared to accelerate the energy conservation subcomponent's progress, and another plan be prepared to assess and develop renewable energy technologies. Absent this action, A.I.D. should deobligate the \$2.6 million allocated for the subcomponent. A.I.D. generally concurred with the recommendations. (Audit Report No. 5-391-89-3, March 14, 1989)

## **REVIEWS OF MAJOR MANAGEMENT SYSTEMS/PROGRAMS**

### **REVIEWS OF THE EFFICIENCY AND EFFECTIVENESS OF MAJOR AGENCYWIDE SYSTEMS AND PROGRAMS**

The reviews of major management systems are designed to determine the efficiency and effectiveness of foreign assistance programs or the systems used to administer assistance dollars in a broad, Agency-wide context. Highlights of significant audits performed this reporting period follow:

### **—PROJECT CASH ADVANCES BY MISSIONS SERVICED BY THE REGIONAL FINANCIAL MANAGEMENT CENTER, NAIROBI, KENYA—**

#### **A.I.D. MAKES EXCESSIVE CASH ADVANCES**

A.I.D.'s Regional Financial Management Center in Nairobi, Kenya provided financial services to support A.I.D. activities in 14 countries in Eastern and Southern Africa and the Indian Ocean. Among the various financial transactions handled by the Center were cash advances to underwrite the costs of implementing development projects in the various countries. Cash advances were made on the basis that project implementing organizations did not have the working

capital needed to pay project costs. Accordingly, A.I.D. provided funds in advance of its actual disbursements to pay project costs.

The U.S. Treasury and A.I.D. required that cash advances not exceed the amount the recipient would spend during a 30-day period. However, cash advances were allowed to cover a longer period, up to 90 days, if project implementation would be seriously interrupted by the 30-day rule. For A.I.D. to grant project cash advances exceeding 30-day cash disbursement needs, A.I.D. procedure required written justification as well as a waiver approved by oversight level A.I.D. officials. Nevertheless, the audit determined that the standard practice was to give continuous 90-day advances. Furthermore, *project files revealed that very little documentation was available to support the 90-day cash advances and few waivers had been provided.* Where a waiver had been provided, the justification was generally limited to a statement that 90-day advances were needed to support the project. Thus, the justification did not include any analysis supporting the waiver. Most mission officials incorrectly believed it was standard practice to give continuous 90-day advances in African countries. In addition, most officials were unaware of the requirement for written justification and a waiver. The audit estimated that, as a result, *more than \$155,000 of unnecessary interest costs were incurred annually. In addition, the excess cash in the hands of recipients unnecessarily exposed A.I.D. to potential losses through fraud and misuse.* The audit recommended that A.I.D. issue guidance to missions clarifying the 30-day disbursement needs basis for cash advances, and the requirement for written justification and waiver when advances exceeding 30 days are needed.

A.I.D. requires that its accounting and reporting systems provide reliable information, and effective control over funds. As of September 11, 1987, the Center's official *accounting records showed that \$9.2 million in cash advances were outstanding. However, the audit found that the actual outstanding balance was \$8.2 million.* In addition, 37 percent of all projects being serviced by the Center with cash advances had balances that were either overstated or understated. The inaccurate balances were caused by transaction coding errors by staff accountants in the Center and by various mission staff accountants. Some coding errors resulted in increasing recorded cash advances even though the transaction was intended to eliminate or reduce the cash advance balances. As a result of the accuracy problem, staff time was inefficiently devoted to maintaining and reconciling duplicative systems, and cash advance funds were unnecessarily exposed to loss. The audit report recommended that A.I.D. provide additional guidance to staff accountants on the proper accounting treatment for recording cash advance transactions and remind supervisors of the need for detailed review of cash advance vouchers. A.I.D. management generally agreed with the report's recommendations. (Audit Report No. 3-698-89-7, January 20, 1989)

## —ACCOUNTS RECEIVABLE SYSTEM—

### \$5.2 MILLION IN RECEIVABLES OUTSTANDING OVER 9 MONTHS

The Federal Claims Act and the Debt Collection Act establish the requirements for the control, collection, and disposition of A.I.D.'s accounts receivables. The receivables include bills for collection due from employees, foreign governments, cooperating sponsors, contractors, suppliers, participants, and other U.S. Government agencies. As of September 30, 1987, A.I.D. had 612 outstanding bills for collection amounting to \$7.3 million. *The audit disclosed that 71 percent of the bills, amounting to \$5.2 million, had been outstanding more than nine months.*

The audit included a detailed examination of a sample of 236 of the 612 total outstanding bills at eight of the nine A.I.D. Washington billing and collection offices. The sample represented \$1.1 million of the \$7.3 million in total outstanding bills. The examination found that the files at the billing offices were not effectively maintained or controlled. In one office, 7 of the 46 files to be reviewed could not be located. In addition, the billing offices did not make quarterly reconciliations of their detailed records to the control records. In one billing office the detailed records totaled \$340,185 while the quarterly report showed a balance of \$415,780, a difference of \$75,595.

The audit also found that amounts owed were not periodically reviewed for adjustment. For example, outstanding bills for collection with received payments resulting in negative or positive balances of less than \$1 were not regularly reviewed and written off. About 680 such items had remained in the accounts receivable inventory up to five years. Finally, the accounts receivable collection effort was sporadic and minimal. The files at one office indicated the bills had not received any collection or termination action for six years, the period beyond which most debts become uncollectible under the Statute of Limitations.

The audit report concluded that these problems occurred because collection of accounts receivable was considered less important than other billing office functions. Thus, accounts receivables were reviewed only when time was available. In response to the audit report's recommendations, A.I.D. agreed to consolidate the accounts receivable function into three offices and to give the function priority in those offices. (Audit Report No. 9-000-89-4, January 17, 1989)

## MANDATED AND MISCELLANEOUS AUDITS

### CONGRESS AND OMB MANDATE SOME AUDITS

There are six specific subjects which the IG has been mandated to audit on an annual basis. These mandated subjects include, among others, reporting on consultant contracts, internal control systems and

year-end spending. These audits, as well as audits of such programs as the Housing Investment Guaranty and American Schools and Hospitals Abroad, are conducted to assess the effectiveness of program implementation, determine compliance with applicable laws, and/or review the propriety of the use of Agency funds. Highlights of significant audits performed during this period follow:

### **—EMERGENCY REHABILITATION PROJECT IN JAMAICA—**

Hurricane Gilbert hit Jamaica September 12, 1988, and was the island's worst disaster in this century. Forty-six persons were killed according to Jamaica news reports, 40 to 60,000 were left homeless, and the homes of another 100,000 persons were severely damaged. Winds of up to 140 miles per hour cut telephone and electric service, destroyed roofs and damaged the international airports. Water supplies were severely disrupted and heavy rains led to flash flooding and mudslides which damaged agriculture. A.I.D. responded to the disaster by immediately sending to Jamaica necessities valued at \$1.5 million.

**\$25 MILLION  
OBLIGATED AND \$3.8  
MILLION DISBURSED  
FOR EMERGENCY  
ASSISTANCE PROJECT**

To help restore basic services, housing, and agricultural production, A.I.D. also granted \$25 million to the Government of Jamaica for the Emergency Rehabilitation Project. The purpose of the project was to restore essential services, to supply roofing materials for shelter rehabilitation, to provide medical supplies, to restore agricultural production by reseeding damaged fields, and to support similar efforts by non-governmental organizations.

*The 1989 Foreign Assistance Appropriations Act required the A.I.D. Inspector General to closely monitor the uses of Jamaica disaster assistance and to provide an accounting for the use of the funds. To meet this requirement, the Inspector General recommended that A.I.D. contract the audit services of a private accounting firm to audit the disaster assistance financial transactions related to the delivery of hurricane relief and rehabilitation services. The Office of the Inspector General determined the scope of work for the private accounting firm and supervised the audit to ensure the quality of the audit work.*

The Office of the Inspector General issued an interim audit report covering the period September 28, 1988, to January 30, 1989. The Office of Inspector General relied heavily on the non-Federal audit firm's field work, although it supervised and reviewed the work for completeness and accuracy. Since the audit was still underway, the Office of the Inspector General could not give a positive assurance on the uses of the funds. However, *nothing arose during the course of extensive audit tests to indicate that the \$25 million obligated and \$3.8 million disbursed under the project was used in any material way other than for its intended purposes, except as discussed below.*

The audit did identify some minor implementation problems. The September 1988 project grant agreement required that the Government sell grant-supplied roofing materials to private Jamaican wholesalers for distribution through commercial retail channels. Although the trading company nominated by the Government of Jamaica to sell the roofing materials received three shipments of commodities valued at approximately \$4.3 million, the commodities were still in stock, unsold. Subsequent action required by the project's grant agreement, i.e., to use funds from these sales to fund a program of vouchers for hardware and building supplies, had not been initiated as of February 25, 1989, the project assistance completion date.

Agricultural seeds were not distributed in accordance with the project's implementation plan. This occurred because of a clerical mistake by a Government of Jamaica employee. As a result, farmers in seven parishes did not receive their allocation of Texas Early Grano onion seed, farmers in one parish received only part of their allocation, and farmers in five parishes did not receive their allocation of Granex Hybrid onion seed.

Most of the loans made by the National Development Foundation under the project did not satisfy the criteria established in the agreement between A.I.D. and the Foundation. This occurred because the Foundation made loans on the basis of their own evaluation of clients' needs rather than on the criteria outlined in the agreement. The audit found that about \$79,000 of \$108,000 in loans reviewed did not entirely satisfy the criteria previously agreed to by A.I.D. and the Foundation. To ensure effective use of the loan assistance, A.I.D. needed to establish a better understanding with the Foundation on the importance of the various criteria. The report recommended A.I.D. take steps to correct the problems with roofing sales, seed distribution and loan criteria. A.I.D. agreed to take action. A.I.D. management generally agreed with all the report's recommendations. (Audit Report No. 1-532-89-14, March 22, 1989)

### **—HUMANITARIAN ASSISTANCE TO THE NICARAGUAN DEMOCRATIC RESISTANCE IN HONDURAS—**

#### **EXTENSIVE AUDIT OF NICARAGUAN HUMANITARIAN AID**

The Nicaraguan Democratic Resistance against the Sandinista regime is composed of the Nicaraguan Resistance Army and the Yatama Indians in Honduras and the Southern Opposition in Costa Rica. Public Law 100-276 authorized \$47.9 million to provide assistance in support of peace, democracy and reconciliation in Central America. This included \$17.7 million in humanitarian assistance to the Resistance to be used only for food, clothing, shelter, medical supplies, and medical services. The balance of the \$47.9 million was to be used for medical care and other relief to children, support to the Verifica-

tion Commission established by the April 1988 cease fire agreement, and A.I.D. operational expenses.

*The law assigned A.I.D. responsibility for administering the \$17.7 million in humanitarian assistance.* It also required the General Accounting Office to audit the expenditure of funds provided under the act. The GAO had audited previous humanitarian assistance funds provided to the Resistance through the Department of State in 1986. The GAO reported then that the Department of State procedures were not adequate to ensure that the funds were used for authorized purposes and that some of the funds had actually been used for unauthorized purposes.

*In the context of this risk, the A.I.D. Administrator requested the assistance of the A.I.D. Office of the Inspector General to better ensure that assistance to the Resistance was used for its intended purposes.* The Inspector General recommended that A.I.D. contract the audit services of a private accounting firm to assist in auditing the financial transactions and the delivery of humanitarian assistance. The Inspector General suggested this approach to ensure timely identification and correction of possible problems. The Inspector General would write the scope of work for the private accounting firm, supervise the audit, and be responsible for the quality of the firm's work.

In December 1988, the Inspector General issued two interim audit reports, with one report covering assistance to the Resistance in Honduras, and the other covering assistance in Costa Rica. In March 1989, the Inspector General issued a final report, covering obligations and expenditures in Honduras and Costa Rica for the period April 1 to September 30, 1988. The final report addressed (1) the fairness of the fund accountability statement of the Humanitarian Assistance Program, (2) the internal control structure, and (3) compliance with Public Law 100-276 and other applicable laws, regulations and agreements.

*In the opinion of the non-Federal audit firm engaged by A.I.D. and supervised by the Office of Inspector General, the program complied with Public Law 100-276 and other applicable laws, regulations, and agreements for the items tested.* Except for \$1,253,000 in expenditures that were not able to be audited for security reasons, *the program's fund accountability statement fairly presented the program's obligations and expenditures.* The final audit report contained no recommendations. (Audit Report Nos. 1-522-89-2, December 9, 1988; 1-515-89-3, December 9, 1988; 1-522-89-29-N, March 10, 1989)

## REVIEWS OF CONTRACT/GRANT INCURRED COST, OVERHEAD, OR PREAWARDS

CONTRACT/GRANT  
COST AUDITS  
RECOMMEND  
RECOVERIES OF  
\$1,246,065

The Office of the Regional Inspector General for Audit, Washington, D.C. performs financial audits of A.I.D. contracts/grants to determine compliance with Agency contract/grant provisions and Federal procurement regulations. In addition, this Office receives requests from A.I.D.'s Office of Acquisition and Assistance Management for audits of contract termination claims. These reviews are required by the Federal Acquisition Regulations when the termination settlement proposal is \$25,000 or more. During this reporting period, 17 reviews of contract/grant costs were performed. These reviews resulted in recommendations to recover \$1,246,065, reduce proposed costs by \$82,686, and deobligate \$121,122. Highlights of a cost incurred audit follow:

### —FOOD DISTRIBUTION IN BOLIVIA AND ETHIOPIA—

REPORT RECOMMENDS  
\$1 MILLION IN COSTS  
BE SUSPENDED

A.I.D. provided assistance to a private voluntary organization, through 18 grants valued at \$18.5 million, to distribute food to drought-stricken areas in Bolivia and Ethiopia. The grantee claimed \$14.5 million in costs under the grants through June 1988. A non-Federal financial and compliance audit was made of the claimed costs. The audit firm selectively tested evidence supporting the financial statement, evaluated the overall financial statements presentation, and assessed the accounting principles and significant estimates used. In the audit firm's opinion, the statement of costs claimed presented fairly the costs claimed under the grants. Nevertheless, the audit report made recommendations to strengthen internal controls, including better review and cancellation of invoices supporting purchases, maintenance of a fixed asset register and annual inventory counts, and updating of bank accounts signature cards.

*The audit report also recommended suspending \$1,072,000 in costs which required additional support by the grantee, or interpretation as to allowability by A.I.D. The private voluntary organization agreed at the end of the audit to reimburse A.I.D. about \$186,000, resolving that amount of the total suspended costs. The total suspended costs included about \$349,000 in unallowable depreciation charges, \$334,000 costs in excess of grant budget limitations, \$224,000 in unsupported claims, and \$110,000 of personally-owned vehicle charges. (Audit Report No. 0-000-89-2-N, February 10, 1989)*

## **—PREAWARD REVIEWS OF CONTRACTS/GRANTS—**

Preaward reviews are vitally important to the Agency because the validity of estimated costs and potential problem areas can be identified before contracts/grants are awarded. During this reporting period, seven preaward reviews were performed by the staff of the Regional Inspector General for Audit, Washington, D.C.. These reviews *may result in reductions of about \$244,474 in proposed costs.*

**PREAWARD REVIEWS  
REVEAL PROBLEM  
AREAS BEFORE  
CONTRACTS ARE  
AWARDED**

## **AUDITS OF FEDERAL AWARDS TO NONPROFIT ORGANIZATIONS**

The OMB Circular A-110, "Grants and Requirements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations," requires grant recipients to have periodic audits made by independent non-Federal auditors. These audits are to test the fiscal integrity of financial transactions and compliance with the terms and conditions of the Federal contracts, grants and other agreements. The Office of the Regional Inspector General for Audit, Washington, D.C. has the primary responsibility for ensuring that A-110 audits are performed and meet generally accepted government auditing standards. This is done through desk reviews and the more detailed quality control reviews of auditor's workpapers.

**IG REVIEWS  
INDEPENDENT AUDITS  
OF NONPROFIT  
ORGANIZATIONS**

During this reporting period, 16 A-110 audit reports were desk reviewed; 14 were issued without change and 2 were rejected because required schedules of Federal awards were incomplete and/or reports on internal control and compliance were omitted. One report contained a qualified opinion on the financial statements because of the limited scope of the audit, and two reports cited material internal control weaknesses and/or compliance problems. For example, one report covering A.I.D. grant funds of over \$4 million cited the following internal control problems:

- Accurate investments, fixed asset, and pension subsidiary records were not maintained and reconciled to the general ledger on a timely basis;
- The payroll register was not regularly reconciled to the general ledger; and
- Estimates used for posting monthly depreciation and vacation leave accruals were not adequate.

The audit report made 22 recommendations to improve internal controls and compliance. These recommendations have been included

in the IG formal tracking system. (Report No. LTR-89-11, dated February 17, 1989)

## NON-FEDERAL AUDITS

**NON-FEDERAL AUDITS  
RECOMMEND \$3.9  
MILLION IN COST  
RECOVERIES**

*The Office of Audit continues to expand a worldwide program for using non-Federal auditors to conduct financial and compliance audits of Agency projects, contracts, and grants. The objectives of the non-Federal audits were to express opinions on the auditees' compliance with A.I.D. agreements, the adequacy of the auditees' internal controls, and the fairness of the auditees' financial statement presentation. During this reporting period, 34 non-Federal audit reports, and 21 preaward reviews, were issued through the Regional Inspectors General for Audit located around the world. These reports included recommendations for the recovery of costs totaling over \$3.9 million, as well as numerous procedural recommendations to improve A.I.D. projects, contracts and grants.*

*Only eight of the 33 reports that gave an opinion on the financial statements expressed a favorable opinion (less than 25 percent). Even fewer favorable opinions were given regarding internal controls and compliance with A.I.D. regulations. The table below provides an analysis by type of opinion and audit area.*

<u>Type of Opinion</u>	<u>Audit Area</u>		
	<u>Financial Statements</u>	<u>Internal Controls</u>	<u>Compliance</u>
Unqualified (Favorable)	8	5	7
Adverse	4	6	0
Disclaimer	7	3	8
Qualified	<u>14</u>	<u>38</u>	<u>36</u>
Subtotal	33	52	51
Opinion not applicable	<u>22</u>	<u>3</u>	<u>4</u>
Total Audits and Preawards	<u>55</u>	<u>55</u>	<u>55</u>

*Adverse opinions were given when the financial statements were materially misstated or when internal controls were not adequate to prevent fraud, waste and abuse. Disclaimer opinions were given usually due to inadequate records and qualified opinions were given whenever material exceptions were noted. These very disturbing problems in financial management reflect a definite need for an integral audit requirement in all aspects of foreign aid expenditures.*

Highlights of non-Federal audit reports follow:

### **—NUTRITION PROJECT IN EL SALVADOR—**

On January 23, 1985, A.I.D. signed a cooperative agreement with a private voluntary organization for \$6.9 million to supply food and nutritional services to families displaced by civil war. The project provided (1) food baskets, (2) daily small meals in conjunction with educational activities for the undernourished members of families located in slum areas, (3) an intensive feeding and referral program for children and gravely undernourished adults, and (4) a system to survey nutritional needs.

**RECOVERY OF \$2.1  
MILLION  
RECOMMENDED**

A non-Federal financial and compliance audit was made of the costs reimbursed to the voluntary organization from January 1, 1987 through June 30, 1988. *The non-Federal audit firm disclaimed an opinion on the fund accountability statement due to the unavailability of supporting documentation, inadequate inventory records and controls, indications of conflicts of interest, and irregular accounting procedures. The audit report recommended A.I.D. recover \$2.1 million in questioned costs unless the costs could be properly documented.* The audit report also recommended A.I.D. suspend funding to the voluntary organization until it could demonstrate the adequacy of its accounting, financial management, procurement, and internal control systems to account for A.I.D. funds.

The audit firm's assessment of the voluntary organization's internal control and procurement practices disclosed serious weaknesses. The weaknesses included lack of controls over (1) documentary support for project expenditures, (2) segregation of employee functions in the procurement of goods and services, (3) inventories of project commodities distributed to the recipient communities, and (4) optimum and economical use of rented vehicles and freight service. There was also a lack of controls and policies to prevent possible conflict of interest involving project employees and relatives of employees.

The audit firm also determined that the grantee had not complied with grant requirements for (1) obtaining A.I.D. approval of purchases over \$4,000, (2) soliciting competitive bids, and (3) withholding of Salvadoran taxes from employees' salaries. Furthermore, the audit revealed the organization, contrary to applicable regulations, made local purchases from current and former employees, and contracted with relatives of grantee officials for transportation services and vehicle rentals. (Audit Report No. 1-519-89-21-N, January 19, 1989)

## **—YEMEN AMERICAN LANGUAGE INSTITUTE—**

### **\$86,653 IN UNALLOWABLE COSTS**

A non-Federal financial and compliance audit was made of costs claimed by Oregon State University/Yemen-American Language Institute under a cooperative agreement. The cooperative agreement supported language training for U.S. bound Yemeni Nationals. The non-Federal audit firm audited about \$3.7 million in costs submitted by Oregon State University covering the period July 19, 1985 through June 30, 1988. The audit objectives were to: (a) determine whether the financial statements and costs claimed by Oregon State University/Yemen American Language Institute presented fairly costs resulting from program operations; (b) ensure propriety and reasonableness of costs incurred under the cooperative agreement; and (c) determine whether the auditee complied with applicable laws, regulations, and agreement provisions.

In the opinion of the auditors, subject to certain qualifications, the financial statements supporting claims against the cooperative agreement fairly presented the expenditures of the project and the University complied with most of the agreement terms. The audit focussed on testing internal controls related to payroll, purchases and disbursements, and cost reimbursements received. This limitation precluded expressing an opinion on the internal accounting control system taken as a whole. The auditors stated, however, that with respect to the work that was performed, no material control weakness was disclosed.

The audit report recommended, however, that A.I.D. recover \$86,653 in unallowable costs. These costs generally were related to expenditures for travel, per diem, housing, and payroll that were not consistent with A.I.D. policies and the cooperative agreement. The audit report also recommended A.I.D. recover an additional \$39,556 in questioned costs unless the costs can be properly documented. (Audit Report No. 3-279-89-5-N, February 28, 1989)

## **—SMALL AND MEDIUM ENTERPRISE DEVELOPMENT PROJECT IN THE PHILIPPINES—**

### **WEAK INTERNAL CONTROLS IDENTIFIED FOR SUB- IMPLEMENTING ORGANIZATIONS**

A.I.D. provided the Government of the Philippines \$15 million through an August 1983 grant to fund the Small and Medium Enterprise Development Project. The project's aim was to institutionalize an effective process, mainly in the private sector, to accelerate the growth of small and medium sized enterprises outside the metropolitan Manila area. An executive committee consisting of representatives from various government agencies, private sector groups, and the Department of Trade and Industry provided management direction to the

project. As of June 30, 1988, A.I.D. had expended about \$436,000 and the project's completion date had been extended to December 31, 1989. The project was being redesigned at the time of the audit.

A non-Federal financial and compliance audit was made of the project to: (1) determine whether the terms of the agreement and applicable laws and regulations had been complied with, (2) to assess the allowability of costs charged to the project, and (3) to identify and evaluate the internal accounting and administrative controls.

The auditors concluded that the statement of project disbursements fairly presented the utilization of funding under the project, except that certain reimbursements lacked adequate documentation. The auditors also concluded that the organizations involved in the project substantially complied with A.I.D. regulations and other requirements.

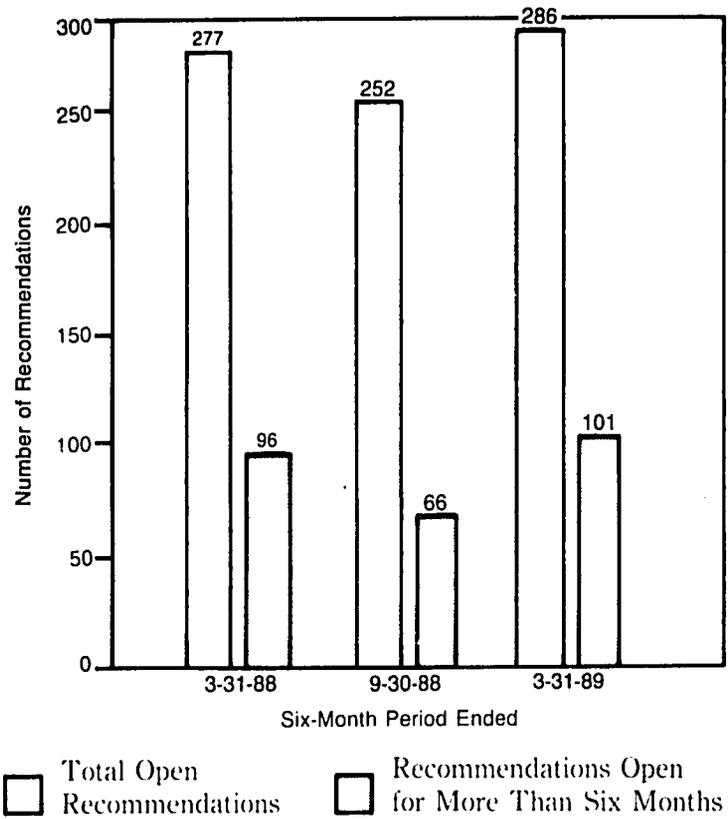
The auditors did note that the systems for internal control of disbursements by some of the 37 sub-implementing organizations were weak, and the reliability of liquidation reports submitted by some were questionable. The auditors identified internal control weaknesses common to a number of the sub-implementing agencies. These weaknesses included inadequate account structure, lack of separate bank accounts, inadequate documentation, incorrect recording of expenditures, and unapproved acquisitions. The audit report recommended that A.I.D. ensure the project takes action to correct internal control weaknesses, and resolve \$17,140 in questioned costs. (Audit Report No. 2-492-89-5-N, December 15, 1988)

## **AUDIT RECOMMENDATIONS, FOLLOW-UP AND RESOLUTION**

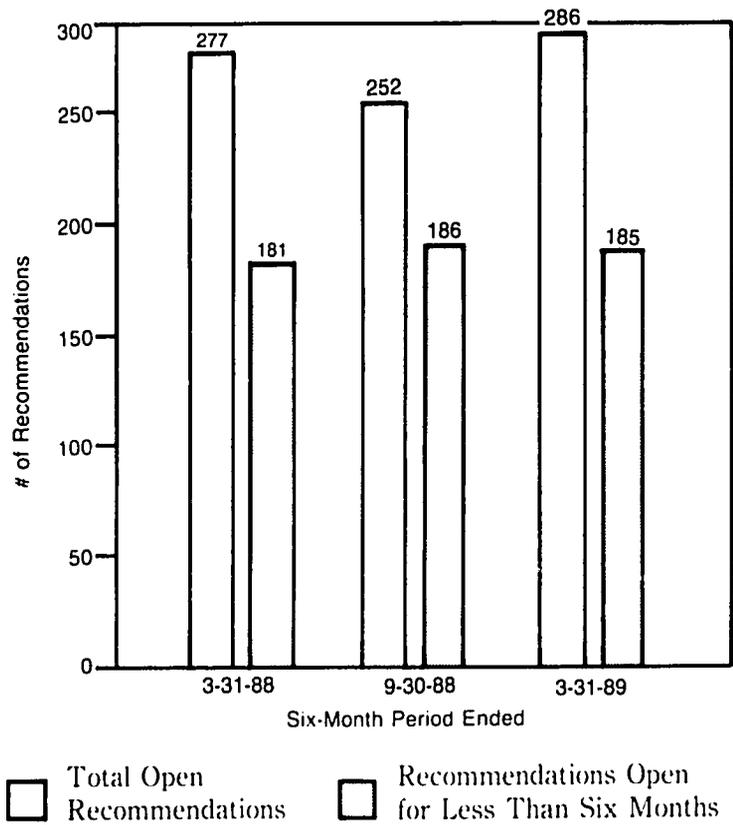
### **—COMPARISON OF STATUS OF OPEN RECOMMENDATIONS—**

The total number of open recommendations at the end of the reporting period increased by 14 percent (252 to 286) from the prior period. *The number of recommendations open in excess of six months increased by 53 percent (66 to 101) from the prior period.*

**TOTAL OPEN  
RECOMMENDATIONS  
COMPARED TO THOSE  
OPEN FOR MORE THAN  
SIX MONTHS**



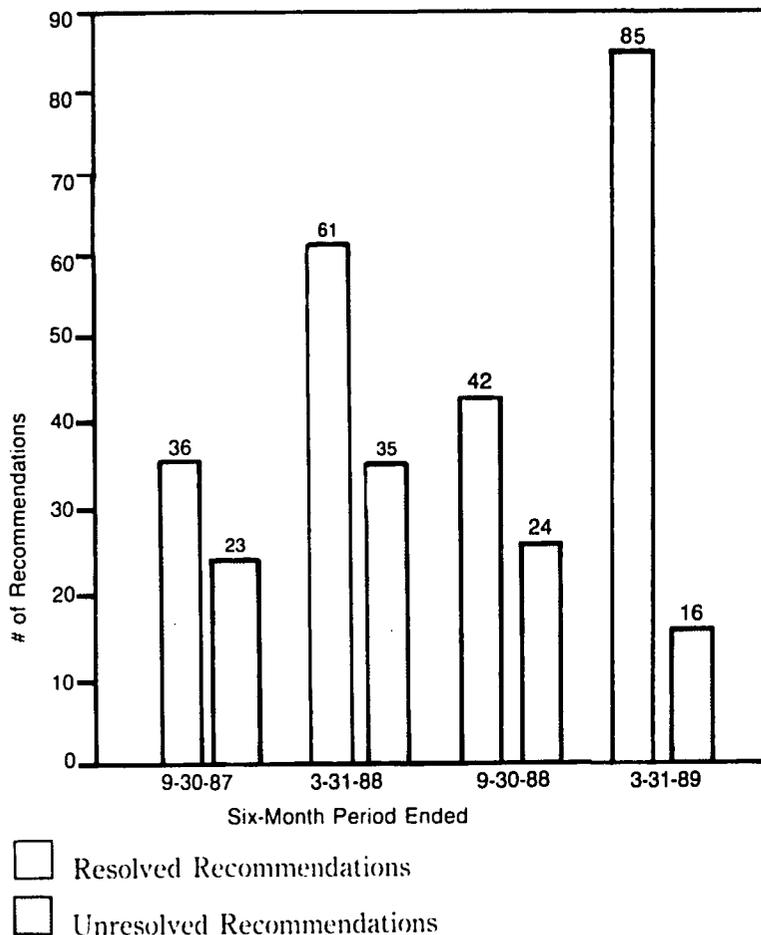
**TOTAL OPEN  
RECOMMENDATIONS  
COMPARED TO THOSE  
OPEN FOR LESS THAN  
SIX MONTHS**



## —COMPARISON OF STATUS OF OPEN RECOMMENDATIONS OVER SIX MONTHS OLD—

Office of Management and Budget Circular A-50 requires that recommendations be resolved within six months of issuance. In this context, resolution and closure are not synonymous terms. Audit recommendations are resolved when Agency management and the IG's Office reach agreement on firm plans of action to correct the reported deficiencies. Audit recommendations are generally not closed until corrective actions have been completed. The number of IG recommendations open over six months increased by 35 (from 66 to 100) between October 1, 1988 and March 31, 1989. However, violations of the A-50 requirement for resolution decreased during this period from 24 to 16 or by 33 percent.

**A.I.D. COMPLIANCE  
WITH OMB CIRCULAR  
A-50**

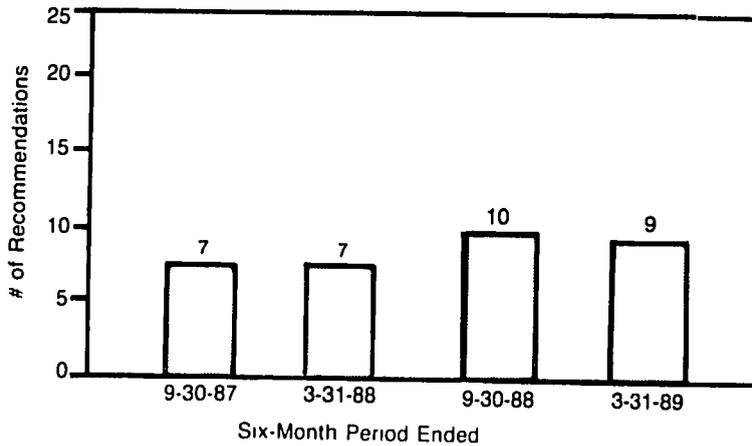


**STATUS OF OPEN  
RECOMMENDATIONS  
OVER SIX MONTHS OLD**

## —THE SUPPLEMENTARY BUDGET AND RESCISSION ACT OF 1980—

**A.I.D. COMPLIANCE  
WITH PUBLIC LAW  
96-301**

The Supplementary Budget and Rescission Act of 1980 requires that all monetary audit recommendations be resolved within six months of issuance. As the following graph shows, the number of audit recommendations in violation of this statute decreased from 10 in the previous period to 9 in this period.



**UNRESOLVED  
MONETARY  
RECOMMENDATIONS  
OVER SIX MONTHS OLD**

## —OTHER INSPECTOR GENERAL REPORTING REQUIREMENTS—

**FOLLOW-UP ON CLOSED  
RECOMMENDATIONS**

OMB Circular A-50 mandates that each agency regularly evaluate its performance in complying with the scope and intent of audit recommendations. Consequently, follow-up on closed audit recommendations has been integrated into the audit effort of each Regional Inspector General for Audit as a means of evaluating Agency compliance with audit recommendations. In addition, for all recommendations, the IG's Office of Policy, Planning, and Oversight tracks activity before, during and after resolution and closure. On occasion it is determined from information available that recommendations should be reopened. During the past six months, the Inspector General reviewed and reopened eight closed recommendations.

**REFERRALS TO THE  
DEPUTY  
ADMINISTRATOR**

OMB Circular A-50 also requires that the head of each agency or his designee arbitrate any disagreements between the audit and management functions on the timeliness and/or the nature of the agency's responses to audit recommendations. No recommendations were referred to the Deputy Administrator for resolution during the past six months.

**REVIEW OF  
LEGISLATION AND  
REGULATIONS**

Section 4(a)(2) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations

relating to Agency programs and operations. During the reporting period, the Inspector General's Office of the Legal Counsel reviewed the proposed amendments to the Foreign Assistance Act and proposals set forth by the President's Council on Integrity and Efficiency. Appropriate comments were provided in each instance.

## STATUS OF PREVIOUSLY HIGHLIGHTED REPORTS

As of March 31, 1989, 13 reports that had been previously highlighted in our semiannual reports still contained 30 open recommendations. Of these recommendations, 7 were unresolved and 23 resolved. The following discusses the status of these recommendations.

- CATHOLIC RELIEF SERVICES ADMINISTRATION OF THE PUBLIC LAW 480, TITLE II PROGRAMS IN BURKINA FASO AND KENYA AND AT NEW YORK HEADQUARTERS

Catholic Relief Services (CRS) is a nonprofit voluntary agency used by A.I.D. to distribute food aid assistance worldwide to the needy. During 1984 and 1985, CRS distributed approximately \$730 million in relief food on A.I.D.'s behalf. Of the seven recommendations made in the report, all but one were closed during the last reporting period. The final open recommendation related to processing freight claims is considered resolved. *A follow-up audit is being made to determine the adequacy of corrective actions taken by CRS.* (Audit Report No. 0-000-86-9, September 30, 1986)

REVIEW RECOMMENDS  
PROCEDURAL CHANGES  
AND \$1.1 MILLION  
REFUND

- CONTROLS OVER THE SPECIAL ACCOUNT IN EGYPT

Between 1979 and 1986 the United States provided Egypt with more than \$1.7 billion in grant funds under the Commodity Import Program and the Production Credit Project. Local currency generated from these activities was to be used for mutually agreed upon purposes. In accordance with these requirements, the Government of Egypt established a Special Account in the Central Bank for the local currency deposits. As of December 1986 there was a reported \$325 million in the account.

*The audit showed that local currency collections and deposits into the Special Account were not adequately recorded and reconciled; local currency available in the account was not effectively programmed and used; and Special Account funds were not retained in an interest-bearing account at the Central Bank.*

The USAID Mission Director previously approved the use of the majority of the special account funds for budget support for six Government of Egypt ministries, thereby reducing the general

budget deficit in Egypt. The Office of Inspector General is closely following the use of the special account funds to determine if the funds are used within the intent of Congress and if the funds merely supplant funds already budgeted for the six ministries. *An additional audit is in progress.* (Audit Report No. 6-263-87-9, June 25, 1987)

**FINANCIAL VIABILITY  
OF MULTI-MILLION  
DOLLAR PROJECT  
QUESTIONABLE**

• **RURAL ELECTRIFICATION PROJECTS IN BANGLADESH**

Three rural electrification projects were authorized in Bangladesh with a total funding level of \$179.3 million. The objectives of the projects were to improve the standard of living and the quality of life in rural Bangladesh. These objectives were to be achieved by developing the institutional capability of the Rural Electrification Board, thereby enabling it to establish rural electrification societies that would be self-sustaining, financially viable, and properly managed.

The audit found that, even though *the rural electrification projects were making progress and providing electricity to the rural areas, the financial viability of the A.I.D.-financed rural electrification societies was questionable.* Project agreement covenants required that rural electrification societies financed by A.I.D. achieve financial self-sufficiency. Of the 13 A.I.D.-sponsored societies that had operated for an extended period of time, the audit found that only two were financially self-sufficient as of June 30, 1987. The audit report recommended actions to improve the financial viability of the projects.

The audit also disclosed problems in the management of project commodities for which A.I.D. had invested almost \$113 million. Specific problems included commodities being used for non-project purposes; commodities remaining in storage for extended periods of time; and commodities being accepted and/or distributed for project use which were defective. These problems occurred because A.I.D. management did not adequately monitor the commodities. The report recommended that A.I.D. management formally establish guidelines for monitoring A.I.D.-financed commodities to ensure their effective use. Only one of the report's seven recommendations remains open. The recommendation is resolved. (Audit Report No. 5-388-88-4, January 15, 1988)

• **PUBLIC LAW 480 TITLE I LOCAL CURRENCY FUNDS  
MANAGED BY THE NATIONAL EMERGENCY COMMISSION  
IN COSTA RICA**

Costa Rica has participated in the Public Law 480 Title I program since 1982. Costa Rica's National Emergency Commission, which had received the equivalent of about \$9.8 million in Title I local currency as of July 1987, was created to plan for and respond to national emergencies. Between July 1984 and April 1985, the Com-

**HOST GOVERNMENT  
UNABLE TO CONTROL  
AND MANAGE \$9.8  
MILLION OF LOCAL  
CURRENCY**

mission received \$968,374 in Title I funds. Of this amount, \$232,900 was for a river dredging project and \$735,474 was to be placed in the National Emergency Fund and used as needed. Between September 1985 and July 1987, the Commission received another \$8.8 million in Title I funds. These funds were to provide production credit to cooperatives in Southern Costa Rica and to finance six road construction projects.

An audit of the funds managed by the Commission showed that *the Commission lacked the qualified staff and administrative control systems needed to maintain adequate control over Title I local currency resources.* The audit found that the Commission did not have written accounting and disbursement procedures, did not properly identify Title I expenditures in its accounting records, did not adequately monitor the uses of Title I funds, and did not properly supervise its accountant. The audit report seriously questioned the benefits of using the Commission to implement Title I activities and recommended that the Commission only be used if a bona fide emergency existed. The recommendation is closed.

The audit also disclosed that *two road projects financed through the Commission had been abandoned by the contractors in a state of partial completion.* As a result, the work already done on both roads was deteriorating, and due to the effect of inflation the cost of eventually repairing and finishing the roads was increasing. The report recommended that one of the roads be completed and that the second road be completed if A.I.D. management decides it is still needed. The recommendation remains open and, although previously considered resolved, as a result of audit follow-up is now considered unresolved. (Audit Report No. 1-515-88-7, January 20, 1988)

- **EARTHQUAKE RELIEF, REHABILITATION AND RECONSTRUCTION FOR EL SALVADOR**

In October 10, 1986, a major earthquake struck San Salvador, the capital of El Salvador, killing or injuring over 21,000 people and damaging hospitals, housing, schools, roads and utilities. Despite damage to the Embassy and A.I.D. complexes, the U.S. Government responded quickly and provided relief supplies valued at about \$3.5 million. Ultimately, A.I.D. committed \$137 million during fiscal year 1987 to assist El Salvador with earthquake relief, rehabilitation and reconstruction. The omnibus Continuing Resolution for Fiscal Year 1988 required the A.I.D. Office of Inspector General to provide Congress with an accounting for the use of the funds. Emergency relief assistance was followed by A.I.D. grants of \$50 million and of \$75 million, and other grants of about \$8.5 million, to provide funds for commodities, economic relief, housing and business. Overall, the audit found that A.I.D. had properly accounted for the International Disaster Assistance funds disbursed

**U.S. RESPONDS  
QUICKLY AND  
EFFECTIVELY TO  
EARTHQUAKE**

in fiscal year 1987. The funds had been used in accordance with established eligibility and procurement criteria and were supported by adequate documentation.

Although the projects were generally well managed, considering the need to disburse funds quickly to help earthquake victims, the audit identified areas needing A.I.D. attention. The project's credit component was intended to assist low- and middle-income home owners and small businesses affected by the earthquake. Loan amounts were to be commensurate with the amount of damages. The audit found that an undetermined amount of funds were loaned to individuals who did not qualify for program benefits. Loans were used for ineligible purposes and/or were approved without adequate documentation.

Participating financial institutions had not fully complied with the requirement to establish a special section to manage and recover loans and to report quarterly on the amount of loan balances and recoveries. *Further, financial institutions had not deposited nearly \$2.2 million of loan repayments into a special account at the Central Bank as required.*

The report recommended the ineligible loans be identified; the participating institutions report on the status of loans collected; and loan repayments be deposited promptly and plans be made for their use. A.I.D. management concurred with the recommendations. One of three recommendations remains open and is unresolved. (Audit Report No. 1-519-88-12, April 14, 1988)

#### • IMPLEMENTATION OF THE PROMPT PAYMENT ACT

##### 57 PERCENT OF A.I.D. PAYMENTS WERE LATE

The Prompt Payment Act of 1982 was passed to improve the timeliness of Federal commercial payments. In response to Congressional concern about how well the Act had been implemented, the Office of Management and Budget, through the President's Council on Integrity and Efficiency, asked the Inspectors General of Federal agencies to participate in a government-wide evaluation of the Act's implementation. A.I.D. and eight other agencies participated in the review. The audit found that procedures to ensure A.I.D. compliance with the Act needed substantial improvement. Determinations of compliance with the Act could not be made for 30 percent of the audit sample because documentation critical to the determinations were missing from the payment files. *For the balance of the sample (170 invoices), 57 percent were paid late, 35 percent were paid early, and only 8 percent were paid on time as defined by the Act.* Interest penalties were not paid on 40 late payments.

Although the Act's provisions were incorporated in A.I.D. regulations, paying office staff failed to follow them and were not given adequate supervision to ensure consistent compliance. As a result,

the paying offices made payments both early and late, took discounts after the discount period, did not consistently pay interest penalties on late payments, and incorrectly calculated interest penalties. The audit also found that paying office personnel did not properly comply with the Act's requirement that Federal agencies annually report to the Office of Management and Budget the number, amount and frequency of interest penalties and early payments. Though A.I.D. had established procedures to implement the Act's reporting requirements, prompt payment data submitted for use in A.I.D.'s fiscal year 1986 report did not reasonably reflect the paying offices' activity.

To correct these problems, the report recommended that A.I.D.'s Office of Financial Management develop supplemental detailed instructions for the staff of the paying offices, and review the performance of the staff responsible for processing and reporting payments. A.I.D. management concurred with the need to review performance and to provide supplemental instructions. Two recommendations remain open, but are resolved. (Audit Report No. 9-000-88-7, April 29, 1988)

- INCOME GENERATING PROJECTS IN EGYPT

Since 1977, A.I.D. purchased about \$11.5 million of contraceptives and rehydration salts for sale by Government of Egypt agencies to the public under two family planning projects and a diarrheal diseases project. *Since 1977, sales have generated over \$1 million of local currency annually.* A.I.D. requires grantees to account for the local currency, segregate funds in separate bank accounts, and use them for mutually agreed upon development purposes. The audit found material management control weaknesses over project sales proceeds. *A.I.D. had not established effective systems for controlling the sales proceeds and government implementing agencies had not properly accounted for the proceeds.* A.I.D. guidelines for price, source, and origin requirements were not enforced in the procurement of locally produced oral rehydration salts. One government agency did not segregate the proceeds from sales of A.I.D.-financed and non-A.I.D.-financed contraceptives; did not use proceeds for mutually agreed upon project purposes; and did not detect a shortfall equivalent to more than \$700,000 in Egyptian pounds that should have been turned in to the Government by one distributor.

LOCAL CURRENCY  
FROM INCOME NOT  
ADEQUATELY  
CONTROLLED

*Since 1984, another agency had accumulated \$2.2 million of proceeds in a non-interest-bearing commercial account, but had not used these funds to help defray project costs.* At the same time, A.I.D. continued to advance funds to pay project costs. Also, A.I.D. purchases of locally procured salts included \$261,518 in costs that could have been avoided had the Government of Egypt acquired foreign exchange at official rates. The report recommended that A.I.D. (1) improve controls over local currency generated from the sales of

A.I.D.-financed contraceptives and rehydration salts, (2) change the method of providing cash advances, and (3) advocate the use of the highest official rate of exchange. We also recommended that A.I.D. develop policy on the control and use of income generated from A.I.D.-financed activities. Two recommendations remain open, but are resolved. (Audit Report No. 6-263-88-4, May 19, 1988)

- WATER MANAGEMENT ACTIVITIES IN PAKISTAN

LARGE AMOUNTS OF PROJECT EQUIPMENT UNDERUTILIZED AND PROPOSED PURCHASE UNNECESSARY

The Agricultural Commodities and Equipment Program was to increase productivity in the Pakistan agricultural sector through A.I.D. funding of \$300 million of commodities. Some of these commodities were to be used to help rehabilitate and maintain Pakistan's irrigation system. Initially, this effort was to involve about 8,700 miles of canals and about 2,175 miles of surface drains. Since 1983, A.I.D. had spent about \$31 million for heavy equipment, spare parts and workshop machinery. The heavy equipment and workshop machinery were assigned to the Irrigation Departments in Pakistan's four provinces.

*A substantial amount of A.I.D.-funded equipment was not being effectively utilized, primarily because it was not needed for the project. Nonetheless, USAID/Pakistan management had proposed, under a proposed amendment to the Irrigation Systems Management Project, to fund \$31 million for additional equipment and the overhaul of older equipment.* The audit also found that responsibility for monitoring equipment utilization and correcting reported problems needed to be clearly assigned to a specific operational activity. Also, increased emphasis needed to be placed on assisting the Provincial Irrigation Departments to establish an equipment maintenance system and begin using A.I.D.-funded workshop machinery.

The report made seven recommendations for the establishment and implementation of an improved monitoring system, closer interaction with the grantee, transfer of equipment, and stronger controls over additional equipment procurements and maintenance programs. A.I.D. concurred with the recommendations. All seven recommendations are open, but resolved. (Audit Report No. 5-391-88-8, July 11, 1988)

- COMMODITY IMPORT PROGRAM IN EGYPT

A.I.D. UNABLE TO VERIFY RECEIPT FOR \$263 MILLION OF COMMODITIES

Since the Commodity Import Program was established in Egypt in 1975, more than \$3.4 billion in A.I.D. grant and loan funds have been disbursed for a wide range of commodities. Because A.I.D. determined that the Government of Egypt did not have the capability to document the arrival and disposition of A.I.D.-financed commodities, A.I.D. has been responsible for such records since the inception of the program. The audit showed that A.I.D. lacked adequate records to effectively determine if Commodity Import Pro-

gram shipments to Egypt had arrived in the quantity and condition for which payment was made, and whether commodities received were properly used by importers. *A.I.D. had not verified the arrival in Egypt of more than \$263 million in A.I.D.-financed commodities through April 30, 1988 and had not effectively monitored and/or taken corrective actions on about \$3.4 million of reported lost or damaged commodity shipments.*

*This problem in verifying the arrival and disposition of commodities has been reported in prior Inspector General and General Accounting Office audit reports over several years but has stubbornly persisted. In September 1987, A.I.D. began to improve the accountability over transactions and the collection of missing shipment documents necessary to verify commodity arrivals. In spite of these actions the problems continue and A.I.D. still cannot effectively match disbursements for commodities with shipment arrivals in Egypt.*

Eight recommendations were made to improve controls over the arrival and disposition of Commodity Import Program shipments. A.I.D. management had initiated corrective actions on the recommendations. Three recommendations are closed and five recommendations remain open, but are resolved. (Audit Report No. 6-263-88-5, August 31, 1988)

#### • CASH ADVANCES TO GRANTEES AND CONTRACTORS

Federal policy endorses extending cash advances in reasonable amounts to nonprofit educational or research institutions for experimental, developmental or research work. This policy ensures that these organizations will not have to use their own working capital to finance work carried out under agreements with U.S. agencies. The audit covered \$54 million of A.I.D. cash advances by Treasury check to these organizations. Of the \$54 million, \$30 million should have been made by U.S. Treasury letter-of-credit. U.S. Treasury and A.I.D. regulations require the letter-of-credit method when A.I.D. expects a continuing relationship with the recipient organization and annual advances will aggregate at least \$120,000. The letter-of-credit method reduces the time required by a recipient organization to obtain and disburse advanced Federal funds. Consequently, the recipient organization need only maintain small balances of Federal cash, thus reducing the need by the Treasury for related Federal borrowing and interest expense. The audit identified 55 grants with advances which should have been financed under the letter-of-credit method. This situation resulted primarily from the A.I.D. staff's unfamiliarity with and inattention to the U.S. Treasury and A.I.D. regulations.

#### A.I.D. ADVANCES TOO MUCH CASH TO GRANTEES AND CONTRACTORS

The audit also found that advances were not limited to the immediate cash needs of recipients; recoveries of cash advances were

not made in a timely manner; and advance records were poorly maintained. Because of major records deficiencies, the auditors were not able to determine the magnitude of unrecovered advances. The amount could be substantial because *\$15 million of outstanding advances had not been liquidated for at least a year, \$2.2 million of duplicate payments were made, and \$12.3 million of advances were in excess of reported expenditures.* Factors contributing to these problems were: (1) the Agency's financial accounting control system had not been fully implemented after almost ten years, and (2) A.I.D. advance regulations and procedures were contained in numerous A.I.D. handbooks making it difficult for voucher examiners to be knowledgeable.

The report recommended that A.I.D. take steps to comply with U.S. Treasury regulations on the use of letters-of-credit, issue supplemental instructions on cash advance regulations and procedures that can be used by qualified and adequately supervised voucher examiners. Three recommendations are open, but resolved. (Audit Report No. 9-000-88-9, September 8, 1988)

- **AFFECTED THAI PROGRAM**

**A.I.D. FUNDS  
APPARENTLY USED  
FOR MILITARY  
RELATED PURPOSES**

In 1980, A.I.D. granted the Royal Thai Government \$20 million to help the Government's efforts to stabilize conditions along Thailand's borders with Cambodia and Laos. The effort was also directed at reducing the impact on the villagers of (1) the influx of displaced persons from Cambodia, Laos, and Vietnam; (2) the military disturbances along the borders; and (3) the Thailand-based Cambodian emergency relief operations. By FY 1986, A.I.D. had obligated about \$32 million. A.I.D. funds were provided in the form of local currency (cash transfer) directly to the Office of the Prime Minister of Thailand.

The Foreign Assistance Act of 1961, as amended, and the program agreement required that A.I.D. funds be used for economic development programs and that funds not be used for military, para-military or police activities. *The audit questioned \$460,000 of project funds which were improperly used to construct or rehabilitate border canals designed as tank traps and to install heavy barbed-wire fencing. A.I.D. had not adequately monitored the use of these project funds to assure that they were for economic development as opposed to military activities.*

A.I.D. had not established a monitoring system which would provide data to measure the program's effectiveness. The Government had also not done so and, as a result, A.I.D. could not demonstrate if the program was meeting its objectives. Also, A.I.D. had transferred cash in lump sums to the Thai Government before the funds were actually needed, contrary to A.I.D. cash transfer procedures. A.I.D. had also not required periodic reporting of funds used which would have allowed it to determine cash needs. The U.S. Govern-

ment had incurred unnecessary interest costs of about \$900,000 because the funds were released from the U.S. Treasury before they were needed.

About \$1.2 million of A.I.D. funds were used to finance the use of two-way radios in villages along the Laos and Cambodia border. The audit found inadequate records were available to monitor the maintenance and use of these commodities. Audit field visits disclosed that only about half of the radio sets sampled were operable.

The report made six recommendations. Four recommendations have been closed and two are open and unresolved. (Audit Report No. 2-493-88-11, September 9, 1988)

- SALARY SUPPLEMENT PAYMENTS MADE TO GOVERNMENT OF ECUADOR EMPLOYEES AND ADVISORS

In 1985 and 1986, A.I.D. improperly paid \$905,564 of salary supplements to employees and advisors of several ministries of the Government of Ecuador under five A.I.D. grants and a Cooperative Agreement. The payments were not related to authorized activities conducted under A.I.D. grants and the agreement, and therefore were improper. The payments also violated Government of Ecuador laws which prohibit government employees from receiving payment in any form, in addition to their salaries, for carrying out official duties. Furthermore, A.I.D. and the grantee could not provide documentation to validate over \$200,000 of the payments.

**\$905,564 IN IMPROPER  
SALARY SUPPLEMENT  
PAYMENTS IDENTIFIED**

This situation occurred because (1) internal controls of grant and agreement disbursements were lacking, and (2) A.I.D. officials in Ecuador and host country personnel used unpublished arrangements, intermediaries, and in some cases falsified documents, to ensure such payments would be made. The payments of supplements resulted in more than doubling the salary of many host government officials. For instance, *the Director of one service within the Ministry of Agriculture with a monthly salary equivalent to \$537, was paid a monthly supplement of \$2,000; an advisor to a minister, with a monthly salary equivalent of \$797 was paid a monthly supplement of \$1,049.* In June 1986, A.I.D. issued guidance which sharply limited the payment of salary supplements to host country officials, and prohibited the use of methods of payments such as those found in Ecuador. A.I.D. stopped payments in Ecuador in October 1986. Issuance of this IG report was delayed by the referral of this matter to the U.S. Department of Justice.

The report recommended A.I.D. pursue legal remedies to obtain reimbursement from host country officials who had received or approved the salary supplement payments, and from U.S. direct-hire personnel responsible for authorizing the improper disbursement of U.S. appropriated funds. Two recommendations are open, but resolved. (Audit Report No. 1-518-88-23, September 30, 1988)

# OFFICE OF SECURITY

## SECURITY RESPONSIBILITY

The Office of Security is responsible for a worldwide program designed to protect A.I.D. employees and facilities from acts of violence and terrorism, and classified material from espionage and unauthorized disclosure. The program includes an investigative function to determine the suitability for employment of direct-hire employees, foreign service nationals, and U.S. and foreign contractors.

## SUMMARY OF ACHIEVEMENTS

During this reporting period, *the Office of Security continued to increase the level of physical security protection provided to A.I.D. employees overseas. The investment in the security awareness program continues to show results. Refinements in personnel security investigation procedures have produced greater efficiency and reduced costs.*

## PHYSICAL SECURITY PROGRAM

### 14 OF 76 CITIES IN WHICH A.I.D. IS LOCATED ARE HIGH THREAT POSTS

A.I.D. is represented in 76 cities throughout the world. During the reporting period, the A.I.D. office in Freetown was closed. *The threat from terrorism, war, insurgency, and civil disturbance in 14 of those posts is considered as critical or high by the Bureau of Diplomatic Security.* A.I.D. is represented in each of the critical threat posts in which danger pay is authorized.

### SECURITY INSPECTIONS CONDUCTED AT 26 OVERSEAS POSTS

The Office of Security conducts inspections of A.I.D. overseas activities *to determine the adequacy of protection provided A.I.D. employees from acts of violence and terrorism.* The inspections also include a determination of compliance with national security information protection requirements, and implementation of measures to detect and preclude espionage. The Office of Security conducted 26 visits to A.I.D. overseas facilities during the reporting period.

### SECURITY PROJECTS FOR MOST A.I.D. FACILITIES FINISHED OR UNDERWAY

Physical security projects to enhance the security of A.I.D. personnel overseas are continuing. The graph on the next page illustrates that physical security projects in a majority of A.I.D. facilities have either been completed or are ongoing. Several projects are planned for the coming fiscal years, and a few still are awaiting determination on the type and extent of security enhancement.

### EFFORTS UNDERWAY TO OBTAIN MORE SECURE FACILITIES AT FIVE POSTS

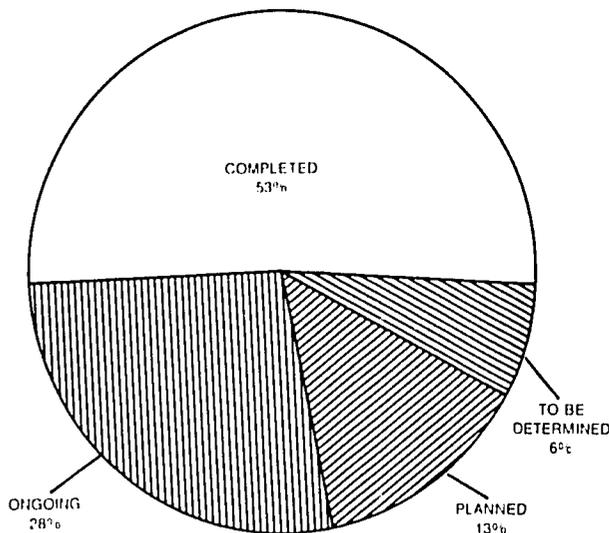
*The Office of Security is working with five A.I.D. Missions to obtain more secure office space.* The posts are Manila (as indicated in the last report), Dakar, Colombo, Guatemala, and Conakry. The A.I.D. Mission in New Delhi has located and leased a new facility. The security enhancement project is scheduled for completion by August 1989.

### TERRORISTS INCIDENTS AFFECTING A.I.D. PERSONNEL

During the reporting period, three significant terrorist incidents affected A.I.D. personnel:

At 1840 hours, on October 27, 1988, a 66mm anti-tank rocket was fired at the A.I.D. office building in San Salvador by Farabundo Marti National Liberation Front (FMLN) guerrillas. The rocket impacted on the 5th floor. There were two A.I.D. employees on the floor at the time but neither was injured. The windows in the immediate vicinity of the explosion were protected by shatter-resistant safety film. The glass shattered but the windows remained intact.

## PHYSICAL SECURITY PROJECTS



USAID personnel have office space in 91 buildings overseas under lease or ownership of A.I.D. Security projects have been completed or are ongoing in over 80 percent of these facilities. There are projects planned for an additional 13 percent for the coming fiscal year, and 6 percent in which the scope of the security requirements is to be determined. There are an additional 20 buildings occupied by USAID which are under the lease or ownership of the Department of State (embassies or consulates).

On December 8, 1988, two A.I.D.-sponsored aircraft were downed over Western Sahara by heat seeking SA-7 missiles. The missiles were fired by Algerian-backed Polisario guerrilla forces. One DC-7 crashed, killing all five U.S. contractors aboard. The other was able to land safely sustaining minor damage. The aircraft, under contract, were engaged in A.I.D.-financed locust eradication efforts in Africa.

On December 16, 1988, two Salvadoran national employees of A.I.D. were kidnapped in El Salvador by members of the FMLN. An A.I.D. vehicle was taken and subsequently burned. The employees were released unharmed six days later.

Office of Security radio communications personnel visited five A.I.D. overseas facilities and completed system-wide upgrade projects in San

**A.I.D. SECURITY  
COMMUNICATIONS  
PROGRAM**

Salvador and Suva during the reporting period. The radio program has planned system upgrades in Quito, La Paz, Kinshasa, Bangkok and Jakarta. Replacement of obsolete equipment continues.

#### **SIX ARMORED VEHICLES SENT OVERSEAS**

The vehicle armoring program is designed to provide protection for occupants through an application of opaque and transparent armoring. These materials, combined with the mobility of the vehicle, affords a limited level of protection. The Office of Security funded light armor application to six vehicles during the reporting period.

### **NATIONAL SECURITY INFORMATION PROGRAM**

#### **A.I.D. ADMINISTRATOR EMPHASIZES SECURITY AWARENESS**

*The A.I.D. Administrator demonstrated his total support of the National Security Information Program during the reporting period in a series of meetings with his Executive staff. Taking their lead from the Administrator, senior A.I.D. officials have become more proactive in exercising their security responsibilities. In collaboration with the Office of Security, they are scheduling more security briefings for their staffs and seeking professional assistance in drafting, marking, handling and storage of National Security Information.*

*Over 200 new A.I.D. employees were given detailed instructions on the proper handling, safeguarding, transmission, storage and destruction of National Security Information as defined in Executive Order 12356. The reporting requirements of National Security Decision Directive (NSDD 197, "Reporting Hostile Contacts and Security Awareness,") were stressed.*

### **PERSONNEL SECURITY PROGRAM**

#### **A.I.D. AND OPM RENEGOTIATE AN AGREEMENT FOR BACKGROUND INVESTIGATIONS**

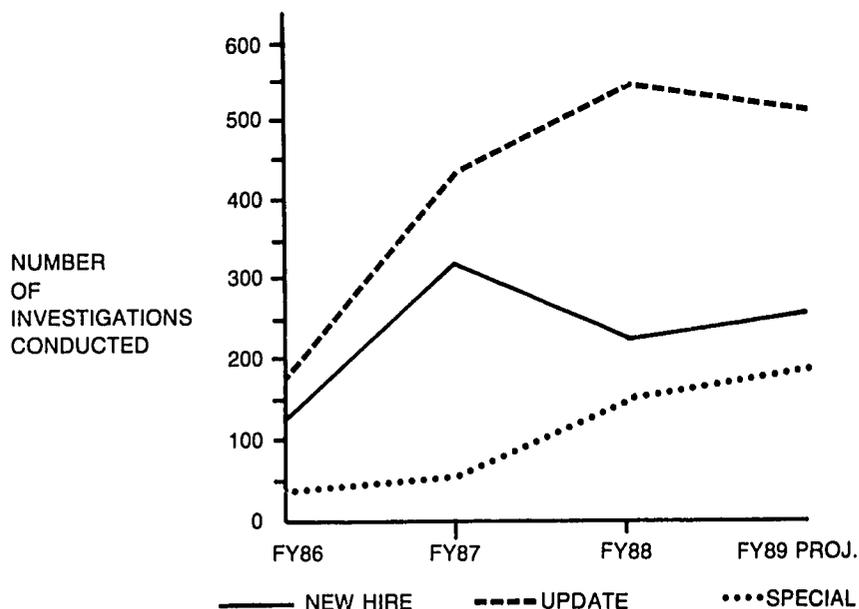
During the reporting period, the Inspector General's Office of Security re-negotiated a Memorandum of Understanding with the U.S. Office of Personnel Management (OPM) granting A.I.D. the authority to conduct, through its contractor investigative program, complete background investigations on A.I.D. employees, applicants, and individuals associated with A.I.D.. *Through this arrangement, A.I.D. is able to perform investigations at significant savings in time.* OPM requires that all first time applicants for the competitive civil service be investigated by O.P.M.. This constitutes significantly less than one percent of all A.I.D. investigations. The graphs on the following two pages depict the numbers of completed investigations and associated costs.

### **ADMINISTRATIVE PROGRAMS**

Previously reported plans to automate the Personnel Security Clearance Investigative and Adjudicative process continues. The hard-

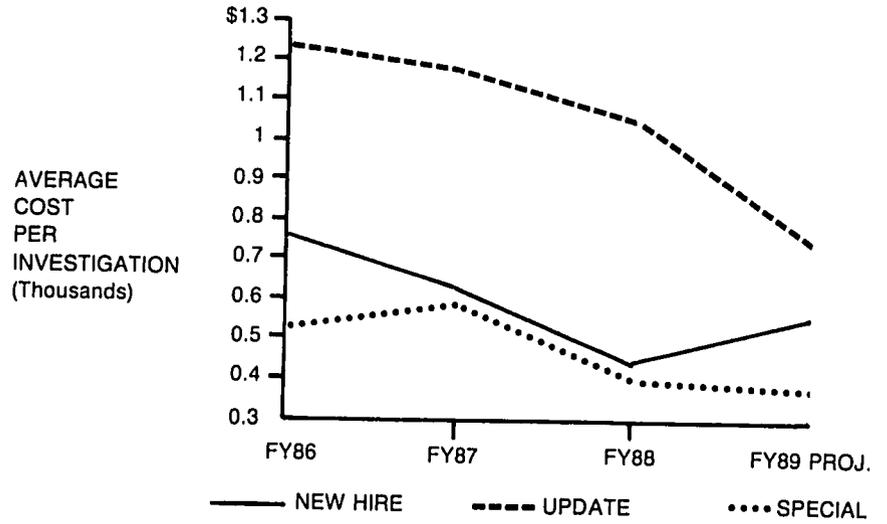
ware and software have been delivered and the organization is integrating manual operations into the automated process. All current investigations have been entered into the system. Henceforth, all new cases received will be processed through the automated system.

## NUMBERS OF INVESTIGATIONS



<u>TYPE OF INVESTIGATION</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u> (Projected)
New Hire	137	321	226	250
Update	171	434	547	500
Special	<u>36</u>	<u>51</u>	<u>161</u>	<u>180</u>
Total	<u>344</u>	<u>806</u>	<u>934</u>	<u>930</u>

## COSTS PER INVESTIGATION



<u>TYPE OF INVESTIGATION</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u> (Projected)
New Hire	\$1,227	\$1,173	\$1,051	\$715
Update	\$ 753	\$ 623	\$ 436	\$546
Special	\$ 515	\$ 595	\$ 406	\$366

# OFFICE OF ADMINISTRATION

## OFFICE RESPONSIBILITIES

The Office of Administration (IG/ADM) provides advice and guidance to the Inspector General, the Deputy Inspector General, Assistant Inspectors General and the Legal Counsel on administrative, financial and personnel matters and is directly responsible for implementing and administering all personnel, financial, budgetary, logistic and administrative activities for the Inspector General's Washington Office and six Regional Inspector General Offices abroad.

## FOREIGN SERVICE RECRUITMENT

Since our last report to Congress, we have appointed 21 foreign service officers. Additionally, 4 candidates are fully cleared for immediate appointment and 17 candidates are in various stages of pre-employment clearance. As of March 31, 1989, there were 216 IG employees on-board. We are addressing the need to fill 10 general schedule (GS) vacancies which would increase our on-board strength to 226. The balance of 14 foreign service vacancies *to achieve our full complement of 240 positions can be filled by the end of FY 1989* provided unexpected attrition of existing staff does not occur and/or we do not experience excessive fall-out by foreign service candidates because of disqualification or declination. Our recruitment effort continues.

## ADDITIONAL FUNCTIONAL RESPONSIBILITIES

A thorough, IG in-house study identified a number of "administrative" related functions being performed by other IG offices which should be transferred to IG/ADM, such as, preparation of contract award documentation, issuance of work orders, preparation of position descriptions, to name but a few. *The transfer of these responsibilities to IG/ADM will allow each IG office to maximize the use of professional resources toward the accomplishment of audit, security and investigative objectives and enhance productivity.* In addition, in accordance with the IG Act of 1978, IG/ADM will expand its management role and assume responsibility for performing certain functions currently performed for the IG by A.I.D. such as, contracting, position classification, ADP systems management, employee counseling, etc. A commercial firm has been contracted to develop an expanded IG/ADM organizational structure, prepare a revised functional statement and appropriate position descriptions for the new positions required.

# OFFICE OF THE INSPECTOR GENERAL ORGANIZATION AND STAFFING

## OFFICE AUTHORITY

The Office of the A.I.D. Inspector General was established on December 16, 1980, by Public Law (PL) 96-533 which amended the Foreign Assistance Act of 1961 (FAA). On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981 which brought the Inspector General, A.I.D., under the purview of the Inspector General Act of 1978, PL 95-452 instead of the FAA.

## ROLE AND RESPONSIBILITIES

The A.I.D. Inspector General heads an independent organization responsible for audit, investigation and fraud control relating to A.I.D.'s programs and operations. In addition, the IG directs and supervises all Agency security activities, including the Agency's investigative and physical security programs. The IG is authorized by statute to also provide these services to the Overseas Private Investment Corporation and International Development Cooperation Agency.

## ORGANIZATION AND STAFFING

Pursuant to the Inspector General Act of 1978, the Inspector General conducts and supervises audits and investigations for recommending policies to promote economy, efficiency and effectiveness, and to detect and prevent fraud and abuse in the administration of programs and operations of the Agency. In this regard, the Inspector General is responsible for keeping the Administrator and the Congress fully and currently informed about problems and deficiencies in A.I.D. programs and operations, and the necessity for, and progress of, corrective actions.

## REGIONAL INSPECTOR GENERAL GEOGRAPHICAL RESPONSIBILITY

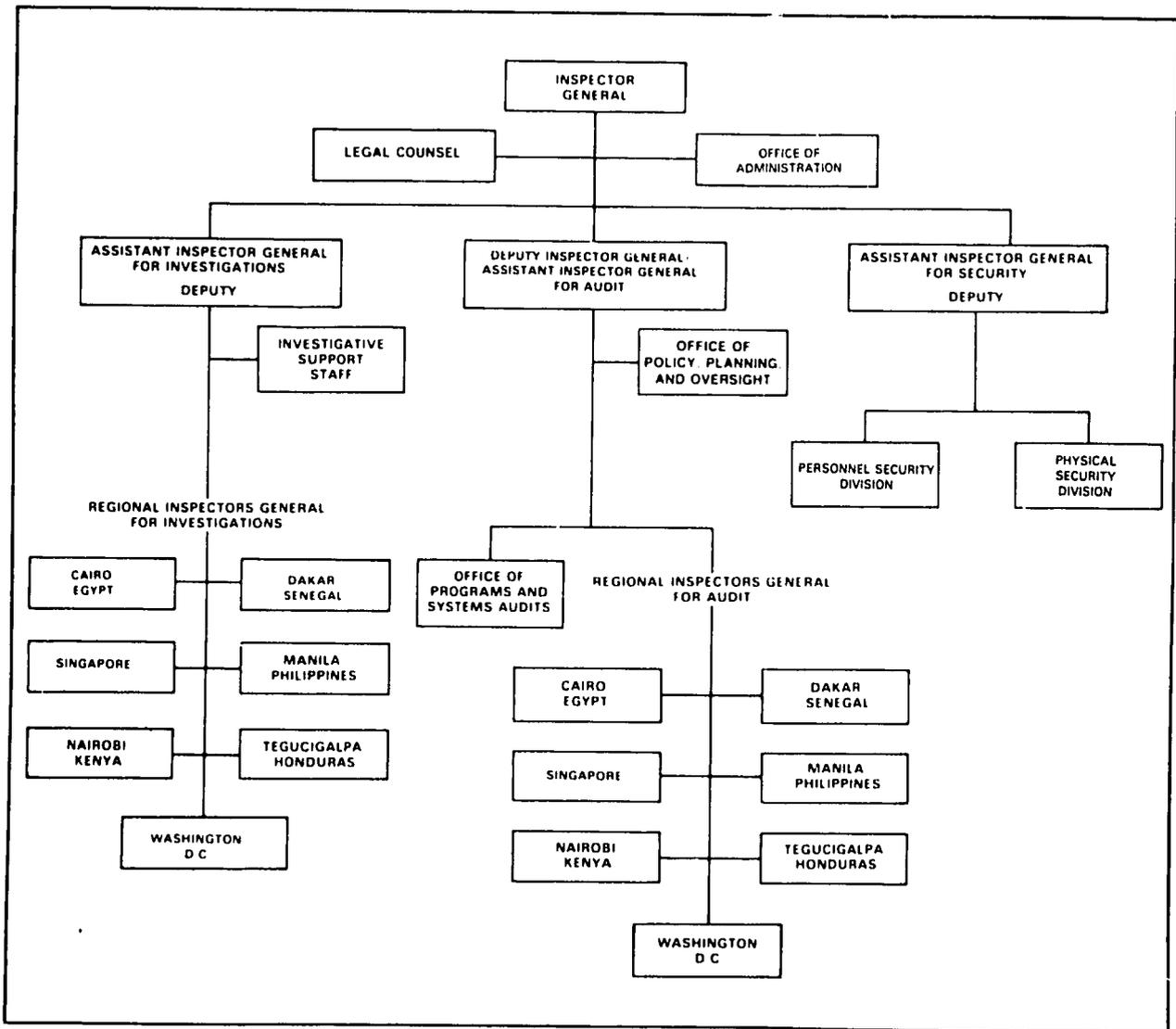
The Office of the Inspector General consists of three major offices, headed by either the Deputy Inspector General or an Assistant Inspector General. These offices are the Office of Audit, Office of Investigations, and Office of Security. Reporting to their respective Assistant Inspectors General are the Regional Inspectors General for Audit and Regional Inspectors General for Investigations. The Regional Inspectors General have responsibility for assigned geographical areas. The current office locations and geographical responsibilities are:

<u>Regional Inspector General Office Location</u>	<u>Geographical Responsibility</u>
Cairo, Egypt	Egypt
Dakar, Senegal	West Africa
Manila, Philippines	East Asia
Nairobi, Kenya	North, East, and South Africa and Middle East
Singapore	Near East and South Asia
Tegucigalpa, Honduras	Central America, South America and the Caribbean
Washington, D.C.	United States and Europe

Organization and staff distribution for the Office of Inspector General are on Tables 1 and 2.

# INSPECTOR GENERAL ORGANIZATION CHART

Table 1



**INSPECTOR GENERAL AUTHORIZED STAFFING**  
 March 31, 1989

Table 2

<u>Professional Staff</u>	<u>Positions</u>
Office of the Inspector General	1
Legal Counsel	4
Office of Administration	6
Office of Investigations:	
U.S.	32
Foreign Nationals	5
Office of Security	19
Office of Audit:	
U.S.	121
Foreign Nationals	19
Total Professional Staff	<u>207</u>
<u>Support Staff</u>	
U.S.	31
Foreign Nationals	2
Total Support Staff	<u>33</u>
 Total Staff (U.S. and Foreign National)	 <u>240*</u>

\*Includes full-time equivalent of part-time positions.

# AUDIT REPORTS ISSUED

October 1, 1988 through March 31, 1989

## INTERNAL AUDIT REPORTS

Report Number	Date of Report	Report Title
0-000-89-1	03/16/89	Audit of A.I.D.'s Resources Support Service Agreements with the Department of Health and Human Services
1-527-89-1	10/18/88	Audit of USAID/Peru Public Law 480 Title I and Section 416 Programs
1-522-89-2	12/09/88	Interim Audit Report of the Humanitarian Assistance to the Nicaraguan Democratic Resistance in Honduras under Public Law 100-276
1-522-89-3	12/09/88	Interim Audit Report of the Humanitarian Assistance to the Nicaraguan Democratic Resistance in Costa Rica under Public Law 100-276
1-520-89-4	12/16/88	Audit of USAID/Guatemala's Review of Unliquidated Obligations
1-522-89-5	12/29/88	Audit of USAID/Honduras' Small Farmer Coffee Improvement Project No. 522-0176
1-517-89-6	12/30/88	Audit of USAID/Dominican Republic's Review of Unliquidated Obligations
1-511-89-7	01/20/89	Audit of USAID/Bolivia Economic Support Fund Programs
1-519-89-8	01/30/89	Follow-up Review of Recommendations No. 6 and 4b, Audit Report No. 1-519-13, USAID/El Salvador Private Sector Support Program and Public Law 480 Local Currency Generations, Dated September 26, 1985
1-511-89-9	02/13/89	Audit of Accountability for Local Currency in Bolivia
1-519-89-10	03/15/89	Audit of USAID/El Salvador Balance of Payments Program
1-519-89-11	03/16/89	Audit of Selected Local Currency-Financed Activities of the National Commission for Assisting Displaced Population in El Salvador
1-519-89-12	03/17/89	Audit of Selected Local Currency-Financed Activities of the El Salvador Ministry of Public Health and Social Assistance
1-519-89-13	03/20/89	Audit of Selected Local Currency-Financed Activities of the National Plan for Basic Rural Sanitation in El Salvador
1-532-89-14	03/22/89	Interim Audit Report on the USAID/Jamaica Emergency Rehabilitation Project No. 532-0185
1-520-89-15	03/22/89	Audit of Verification of Accountability for A.I.D. Funds for Grants, Loans, and Contracts in Guatemala
1-519-89-16	03/30/89	Audit of the Salvadoran Court of Accounts' Review and Implementation of Local Currency-Financed Activities
1-522-89-17	03/31/89	Audit of Local Currency-Financed Central Bank Credit Line Program

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
2-497-89-1	10/07/88	Audit of Family Planning Development and Services II Project No. 497-0327
2-497-89-2	10/21/88	Audit of USAID/Indonesia's Western Universities Agricultural Education Project No. 497-0297
2-498-89-3	11/02/88	Audit of ASEAN Coastal Resources Management Project, Philippines—Project No. 498-0286
2-497-89-4	11/10/88	Audit of USAID/Indonesia's Policy and Procedures for Reviewing Unliquidated Obligations
2-493-89-5	12/07/88	Audit of USAID/Thailand's Rural Development Monitoring and Evaluation Project (Project No. 493-0339)
2-492-89-6	03/06/89	Audit of Economic Support Fund Cash Transfer—Budget Support Program II, Philippines
2-497-89-7	03/15/89	Reopening of Recommendations No. 1-4, Audit of Expanded Program in Immunization, USAID/Indonesia Audit Report No. 2-497-01
3-696-89-1	10/31/88	Audit of USAID/Rwanda's Policy Reform Initiatives in Manufacturing and Employment Program No. 696-0127
3-611-89-2	11/01/88	Audit of USAID/Zambia's Use of Retained Funds from the Agricultural Training, Planning and Institutional Development Project No. 611-0075
3-615-89-3	11/03/88	Audit of USAID/Kenya Policies and Procedures for Reviewing Unliquidated Obligations
3-615-89-4	11/03/88	Audit of Regional Finance Management Center, Nairobi Policies and Procedures for Reviewing Unliquidated Obligations
3-696-89-5	12/09/88	Audit of Rwanda Farming Systems Research Project No. 696-0110
3-632-89-6	01/17/89	Audit of USAID/Lesotho's Use of Local Currency to Fund Mission Operations
3-698-89-7	01/20/89	Audit of Project Cash Advances by Missions Serviced by the Regional Financial Management Center, Nairobi, Kenya
3-632-89-8	01/31/89	Audit of A.I.D. Management of Owned and Leased Property in Lesotho
3-279-89-9	01/31/89	Audit of Local Support Costs of the Agricultural Development Support Program of Yemen Project No. 279-0052
3-000-89-10	02/15/89	Audit of Program Development and Support Funds in Africa
3-615-89-11	02/24/89	Audit of Kenya Rural Private Enterprise Project—Project No. 615-0220
3-645-89-12	03/07/89	Audit of A.I.D. Management of Owned and Leased Property in Swaziland
3-279-89-13	03/20/89	Audit of USAID/Yemen Support to Technical Assistance Contractors

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
5-391-89-1	11/18/88	Audit of USAID/Pakistan's Procedures for Reviewing Unliquidated Obligations
5-383-89-2	02/20/89	Audit of the Water Supply and Sanitation Sector Project in Sri Lanka—Project No. 383-0088
5-391-89-3	03/14/89	Audit of the Energy Planning and Development Project in Pakistan—Project No. 391-0478
6-263-89-1	10/31/88	Audit of Helwan Housing and Community Upgrading in Egypt Project No. 263-0066
6-263-89-2	12/13/88	Audit Follow-up on USAID/Egypt's Actions in Response to Prior Audit of Project No. 263-0033, Urban Electric Distribution (12/17/85)
6-263-89-3	01/30/89	Audit of USAID/Egypt's Technical Cooperation and Feasibility Studies Project No. 263-0102
6-263-89-4	02/21/89	Audit of the Aswan High Dam Power Station Rehabilitation and Modernization Project No. 263-0160
6-263-89-5	03/27/89	Audit of USAID/Egypt's Procedures to Review Unliquidated Obligations
7-698-89-1	10/20/88	Audit of A.I.D. Grant Assistance to the African Development Bank
7-685-89-2	11/08/88	Follow-up Review of Recommendation No. 1, Audit Report No. 7-685-88-15: The Senegal African Economic Policy Reform Program, dated July 19, 1988
7-660-89-3	12/09/88	Audit of the Shaba Refugee Assistance Projects in Zaire Project Nos. 660-0114, 660-0115, and 660-0116
7-685-89-4	12/12/88	Audit of USAID/Senegal's Policies and Procedures for Reviewing Unliquidated Obligations
7-641-89-5	01/20/89	Audit of A.I.D. Assistance to Ghana
7-664-89-6	02/22/89	Audit of Commodity Import Programs in Tunisia—Project Nos. 664-K-601, 664-K-602 and 664-K-603
9-000-89-1	10/18/88	Audit of Funds Provided for Program Development and Support Project No. 938-0800
9-000-89-2	10/19/88	Audit of Funds Provided for Program Development and Support Projects 940-1005 and 940-0001
9-000-89-3	10/21/88	Audit of Funds Provided for Program Development and Support Project Nos. 931-0262, 931-1096, 932-0502, and 936-1406
9-000-89-4	01/17/89	Audit of A.I.D.'s Accounts Receivable System
9-000-89-5	02/28/89	Audit of the Trade Credit Insurance Program
9-000-89-6	03/08/89	Summary Report on Use of Program Development and Support Funds

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
AM 89-1	10/11/88	Experience, Inc.
AM 89-2	10/12/88	Family Health International
AM 89-3	10/11/88	Associates International
AM 89-4	10/11/88	Dual and Associates Incorporated
AM 89-5	10/27/88	Gilbert Commonwealth, Inc.
AM 89-6	10/21/88	Atlantic Resources Corporation
AM 89-7	10/12/88	International Technology Management and Finance, Inc.
AM 89-8	10/19/88	Biotechnological Applications Limited
AM 89-9	10/28/88	International Eye Foundation
AM 89-10	10/26/88	The Futures Group, Inc.
AM 89-11	10/28/88	World Vision Relief and Development, Inc. (Formerly World Vision Relief Organization, Inc.)
AM 89-12	10/28/88	The Annual and Sick Leave Hours of Ms. Marilyn Berger
AM 89-13	11/03/88	Prevention of Wasteful Year End Spending
AM 89-14	11/16/88	Consulting Services
AM 89-15	11/16/88	Harza Engineering Company
AM 89-16	11/16/88	Camp Dresser and McKee International, Inc.
AM 89-17	11/28/88	World Relief Corporation
AM 89-18	11/30/88	Medical Service Consultants, Inc.
AM 89-19	12/19/88	Kraus International, Inc.
AM 89-20	12/19/88	South-East Consortium for International Development
AM 89-21	01/05/89	Medical Services Corporation, International
AM 89-22	01/18/89	Johns Hopkins University
AM 89-23	01/25/89	University of Hawaii
AM 89-24	01/27/89	Battelle Memorial Institute, Pacific Northwest Laboratories
AM 89-25	02/14/89	Program for Appropriate Technology in Health
AM 89-26	02/22/89	TransCentury Corporation and New TransCentury Foundation
AM 89-27	03/22/89	New York University Medical Center
AM 89-28	03/27/89	Harvard Institute for International Development

## EXTERNAL AUDIT REPORTS

### Non-Federal Audits

Report Number	Date of Report	Report Title
0-000-89-1-N	01/04/89	Non-Federal Audit of American Manufacturers Export Group (AMEG) Overhead Rate for Fiscal Year Ending October 31, 1988
0-000-89-2-N	02/10/89	Non-Federal Audit of Selected Grants with Food for the Hungry, Inc.
0-000-89-3-N	03/28/89	Non-Federal Audit of Contract No. AFR-0134-C-00-5047-00 with Associates in Rural Development
1-518-89-1-N	10/31/88	Preaward Survey of the Agricultural Research, Extension and Education Project with the Foundation for Agricultural Development USAID/Ecuador Project No. 518-0068
1-515-89-2-N	11/30/88	Audit of the Engineering Consulting Contract for the Supervision of the Northern Zone Infrastructure Development Project with IMNSA USAID/Costa Rica Project No. 515-0191
1-515-89-3-N	12/30/88	Audit of the Family Planning Self-Reliance Project Managed by the Costa Rican Demographic Association and Profamilia-Asdecosta, S.A.—USAID/Costa Rica Project No. 515-0168
1-519-89-4-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with the National Housing Financier—USAID/El Salvador Project No. 519-0333
1-519-89-5-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Crece, S.A. Savings and Loans Association—USAID/El Salvador Project No. 519-0333
1-519-89-6-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Ahorro, Prestamos, Inversiones, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-7-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Atlacatl, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-8-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Ahorros Metropolitanos, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-9-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with La Construcción y Ahorro, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-10-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Credito Inmobiliario, S.A.—USAID/El Salvador Project No. 519-0333

EXTERNAL AUDIT REPORTS (Cont'd)

Non-Federal Audits (Cont'd)

Report Number	Date of Report	Report Title
1-519-89-11-N	12/30/88	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with La Central de Ahorros, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-12-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco Central de Reserva de El Salvador—USAID/El Salvador Project No. 519-0333
1-519-89-13-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco Hipotecario de El Salvador—USAID/El Salvador Project No. 519-0333
1-519-89-14-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Fondo de Financiamiento y Garantia Para La Pequena Empresa USAID/El Salvador Project No. 519-0333
1-519-89-15-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco Nacional de Fomento Industrial—USAID/El Salvador Project No. 519-0333
1-519-89-16-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco Capitalizador, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-17-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco de Comercio de El Salvador, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-18-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco de Credito Popular, S.A.—USAID/El Salvador Project No. 519-0333
1-519-89-19-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco Cuscatlan, S.A. - USAID/El Salvador Project No. 519-0333
1-519-89-20-N	01/09/89	Limited Preaward Survey of the Credit Component of the Earthquake Reconstruction Project with Banco Mercantil, S.A. - USAID/El Salvador Project No. 519-0333
1-519-89-21-N	01/19/89	Audit of the Nutritional Program Managed by the Salvadoran Evangelical Committee for Help and Development (CESAD) USAID/El Salvador Project No. 519-0281
1-519-89-22-N	02/02/89	Audit of the Credit Line for Home Repair and Reconstruction Sub-component of the El Salvador Earthquake Recovery Program - USAID/El Salvador Project No. 519-0331

EXTERNAL AUDIT REPORTS (Cont'd)

Non-Federal Audits (Cont'd)

Report Number	Date of Report	Report Title
1-519-89-23-N	02/02/89	Audit of the Credit Line for Micro/Small Business Repair and Reconstruction Component of the El Salvador Earthquake Recovery Program—USAID/El Salvador Project No. 519-0331
1-519-89-24-N	02/02/89	Audit of the Employment Generation and Rubble Removal Component of the El Salvador Earthquake Recovery Program—USAID/El Salvador Project No. 519-0331
1-519-89-25-N	02/02/89	Audit of the Rehabilitation of Slums Sub-component of the El Salvador Earthquake Recovery Program—USAID/El Salvador Project No. 519-0331
1-519-89-26-N	02/02/89	Audit of the Restoration of Public Services Component of the El Salvador Earthquake Recovery Program—USAID/El Salvador Project No. 519-0331
1-519-89-27-N	02/02/89	Audit of the Temporary Shelters Sub-component of the El Salvador Earthquake Recovery Program—USAID/El Salvador Project No. 519-0331
1-520-89-28-N	02/13/89	Audit of the Immunization and Oral Rehydration Therapy Services for Child Survival Project Managed by the Applied Program Unit of the Ministry of Health—USAID/Guatemala Project No. 520-0339
1-522-89-29-N	03/10/89	Audit of the Humanitarian Assistance Program for the Nicaraguan Democratic Resistance under Public Law 100-276
1-598-89-30-N	03/29/89	Audit of the Inter-Country Technology Transfer Project Managed by the Dynamic Consulting Company for Small Businesses A.I.D./Mexico Project No. 598-0616
1-522-89-31-N	03/29/89	Audit of the Small Farmers Coffee Improvement Project Managed by the Honduran Institute of Coffee
1-522-89-32-N	03/29/89	Audit of the Financial Statements of the Honduran Institute of Coffee (IHCAFE) as of December 31, 1987
2-492-89-1-N	11/04/88	Audit of Population Planning III—Contraceptive Cost Recovery, Philippines
2-497-89-2-N	12/08/88	Audit of Catholic Relief Services, Indonesia Private Voluntary Organization Co-Financing Grants
2-497-89-3-N	12/09/88	Audit of Catholic Relief Services, Indonesia Public Law 480 Title II Program
2-493-89-4-N	12/15/88	Audit of Christian Foundation for the Blind in Thailand under the Royal Patronage of H.M. the King
2-492-89-5-N	12/15/88	Audit of Small and Medium Enterprise Development Project Philippines

EXTERNAL AUDIT REPORTS (Cont'd)

Non-Federal Audits (Cont'd)

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
2-497-89-6-N	03/08/89	Audit of Cooperative for American Relief Everywhere Private Voluntary Organization Co-Financing Grant 86-1
3-695-89-1-N	12/16/88	Audit of the Alternative Energy Peat II Project (695-0103) and the Office National de la Tourbe (ONATOURL)
3-621-89-2-N	12/16/88	Audit of USAID-Funded Projects Ran by Eastern and Southern African Management Institute (ESAMI) Project Nos. 698-0413.09 and 698-0662.23
3-649-89-3-N	12/15/88	Audit of USAID/Somalia Field Support Unit (FSU) Project No. 649-0997
3-617-89-4-N	01/31/89	Non-Federal Audit of the Rehabilitation of Productive Enterprise Project No. 617-0104
3-279-89-5-N	02/28/89	Audit of Yemen American Language Institute
5-391-89-1-N	12/29/88	Audit of the Zachry-Dillingham Contract with the Mahaweli Authority of Sri Lanka
5-386-89-2-N	01/20/89	Audit of the National Dairy Development Board's Oilseed Grower's Cooperative Project under the USAID/India PL 480 Title II Program
5-388-89-3-N	01/25/89	Audit of the Commodity Controls under the USAID/Bangladesh Family Planning Projects as Implemented by the Social Marketing Project—Project Nos. 388-0050 and 388-0071
5-388-89-4-N	03/23/89	Audit of Commodity Controls under USAID/Bangladesh Family Planning Projects as Implemented by the Government of Bangladesh Project Nos. 388-0050 and 388-0071
6-263-89-1-N	10/18/88	Preaward Survey of USAID/Egypt's \$646,325 Grant for the U.S. Investment Promotion Office under Project No. 263-0102
6-263-89-2-N	10/27/88	Preaward Survey of USAID/Egypt's \$1.2 Million Grant to the Egyptian Institute for Accountants and Auditors under Project No. 263-0102
6-263-89-3-N	2/26/89	Preaward Survey of a Proposed Contract with International Development and Energy Associates for \$1.1 Million under Project No. 263-0123
7-631-89-1-N	10/03/88	Audit of the Cameroon National Cereals Research and Extension Project as Implemented by the International Institute of Tropical Agriculture
7-608-89-2-N	11/30/88	Audit of the Morocco Agronomic Institute Project No. 608-0160

EXTERNAL AUDIT REPORTS (Cont'd)

OMB Circular A-110 Audits

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
LTR 89-1	10/27/88	OEF International
LTR 89-2	10/26/88	National Council for International Health, Inc.
LTR 89-3	10/31/88	Latin American Scholarship Program of American Universities
LTR 89-4	—	Cancelled
LTR 89-5	10/26/88	International Food Policy Research Institute
LTR 89-6	11/15/88	Salesian Missions
LTR 89-7	11/17/88	Opportunities Industrialization Centers International, Inc. (OICI)
LTR 89-8	11/14/88	Agricultural Cooperative Development International
LTR 89-9	01/17/89	Cardinal Obando y Bravo Verification Organization
LTR 89-10	01/31/89	Mercy Corps International
LTR 89-11	02/17/89	The National Association of the Partners of the Americas, Inc.
LTR 89-12	02/22/89	Pan American Development Foundation, Inc.
LTR 89-13	02/28/89	The Salvation Army World Service Office
LTR 89-14	03/23/89	Lutheran World Relief, Incorporated
LTR 89-15	03/29/89	Volunteers in Technical Assistance, Inc. (VITA)

EXTERNAL AUDIT REPORTS (Cont'd)

Other Government Audit Agency Audits

Report Number	Date of Report	Report Title
TR 89-1	10/27/88	Devres, Inc.
TR 89-2	10/28/88	Louis Berger International, Inc.
TR 89-3	10/28/88	AFRICARE
TR 89-4	11/04/88	TransCentury Corporation/New TransCentury Foundation
TR 89-5	11/08/88	American Institute of Biological Sciences, Inc.
TR 89-6	11/09/88	Teleconsult, Inc.
TR 89-7	12/01/88	Creative Associates, Inc.
TR 89-8	12/02/88	Resources Development Associates International, Inc.
TR 89-9	12/09/88	Virginia Department of Emergency Services
TR 89-10	12/09/88	Oregon State
TR 89-11	01/05/89	Coopers and Lybrand
TR 89-12	01/10/89	Black and Veatch International
TR 89-13	01/25/89	Analysis Group, Inc.
TR 89-14	01/27/89	American Association of State Colleges and Universities
TR 89-15	02/07/89	Latin American Scholarship Program of American Universities, Inc.
TR 89-16	02/01/89	Roy F. Weston, Inc.
TR 89-17	02/07/89	Kansas State University
TR 89-18	02/01/89	Lincoln University
TR 89-19	02/10/89	University of Kansas Medical Center
TR 89-20	02/21/89	Omega Group, Inc.
TR 89-21	02/09/89	Noncompliance—Louis Berger International, Inc.
TR 89-22	03/15/89	Executive Resource Associates, Inc.
TR 89-23	03/16/89	Closing Statement on Save the Children Federation
TR 89-24	03/22/89	Roy F. Weston, Inc.
TR 89-25	03/24/89	Save the Children Federation
TR 89-26	03/22/89	Save the Children Federation Grants
TR 89-27	03/28/89	The Conservation Foundation
TR 89-28	03/28/89	Hagler, Bailly and Company