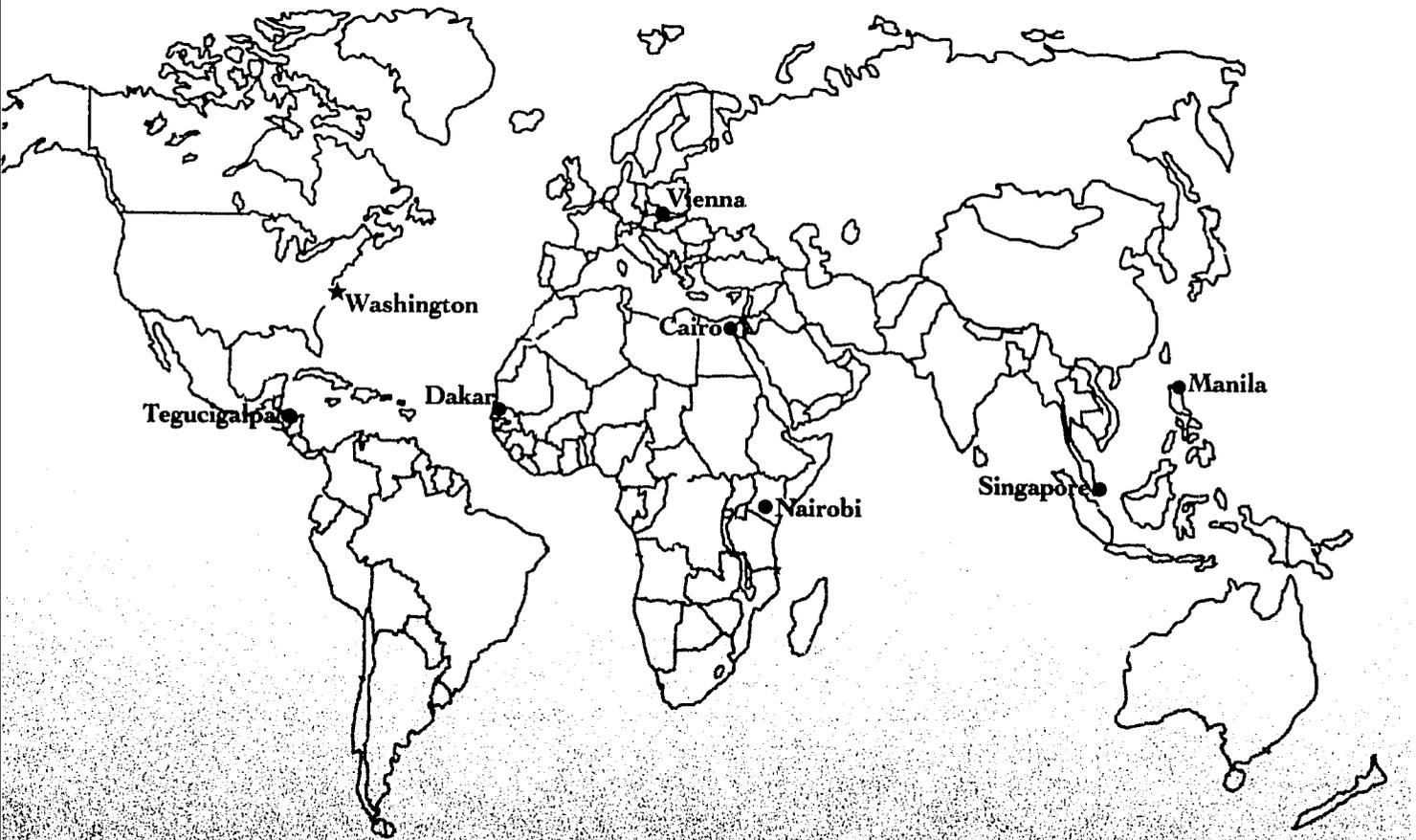


Regional Inspector General for Audit
Nairobi, Kenya

PD-AP-D-918
76284

Audit of
USAID/Burundi's Management of
Audit Requirements to Achieve
Accountability for A.I.D. Funds

Report No. 3-695-92-07
March 24, 1992



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**Audit of
USAID/Burundi's Management of
Audit Requirements
to Achieve Accountability For A.I.D. Funds**

Audit Report No. 3-695-92-07
March 24, 1992

USAID/Burundi complied with A.I.D. policies and procedures concerning audit requirements by including assessments of audit need in project papers, budgeting for necessary audits, including requirements for audits in its project agreements and resolving and implementing audit recommendations.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
REGIONAL INSPECTOR GENERAL/AUDIT

UNITED STATES POSTAL ADDRESS
BOX 232
APO N.Y. 09875

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI, KENYA

March 24, 1992

MEMORANDUM

TO : Glenn G. Slocum, USAID/Burundi Representative

FROM : Toby L. Jarman, RIG/A/Nairobi 

SUBJECT: Audit of USAID/Burundi's Management of Audit Requirements to Achieve Accountability For A.I.D. Funds, A.R. No. 3-695-92-07

Enclosed are five copies of the subject report. In preparing this report, we reviewed your comments on the draft report and included them as an appendix to this report. Based on the results of our audit, the report contains no recommendations. We appreciate the cooperation and courtesies extended to our staff during the audit.

Background

Officials who manage A.I.D. dollars or local currency associated with A.I.D. programs must fully account for their activities to the public. Independent audits are an important internal control technique which serve to verify that A.I.D. funds are properly accounted for and used for authorized purposes. Standard audit provisions generally included in A.I.D. assistance agreements specify whether and how often audits of A.I.D. projects and programs should be performed. Audits of A.I.D.-managed resources may be performed by Federal auditors, non-Federal auditors supervised by the Office of the Inspector General, or by non-Federal auditors contracted by organizations receiving assistance.

As of March 31, 1991, USAID/Burundi was managing eight active projects (Appendix V) which were selected as the audit universe. According to a financial report we received from USAID/Burundi when initiating our audit fieldwork, these eight projects had commitments of \$31 million and disbursements of \$21.8 million as of March 31, 1991. Of these totals, commitments of approximately \$26.3 million and disbursements of approximately \$18.3 million were identified as being auditable transactions. The remaining \$4.7 million in

commitments and \$3.5 million in disbursements were used to fund various contracts for individual consultants and advisors, non-contractual travel and participant training costs, and minor expenditures that would not be expected to be covered in a financial audit.

USAID/Burundi is also responsible for monitoring the local currency equivalent of \$10,539,000 remaining in two special accounts. One special account consists of the local currency equivalent of \$6,000 remaining from an approximate \$2 million Public Law 480 program generation which was programmed to support USAID/Burundi and Peace Corps projects. The second special account balance of \$10,533,000 was the remainder of a \$13 million local currency generation from a sector grant (the local currency equivalent of \$1,567,000 was used to provide support for USAID/Burundi projects and the local currency equivalent of \$900,000 was used to set up an Operating Expense Trust Fund).

Audit Objectives

The Office of the Regional Inspector General for Audit/Nairobi audited USAID/Burundi's management of audit requirements because of the vulnerability of A.I.D. funds to fraud, waste, and abuse in the absence of these audits. The audit was designed to answer the following objectives:

1. Did USAID/Burundi comply with A.I.D. policy that requires assessments of the need for audits in project papers and funds for needed audits in project budgets? See page 5.
2. Did USAID/Burundi comply with A.I.D. handbook provisions for including specified audit requirements in its project agreements, cooperative agreements, and contracts? See page 6.
3. Did USAID/Burundi comply with A.I.D. handbook procedures and Federal regulations to ensure required audits were performed and met General Accounting Office auditing standards and that preaward surveys were conducted when required? See page 7.
4. Did USAID/Burundi comply with Federal requirements to resolve and implement audit recommendations? See page 8.

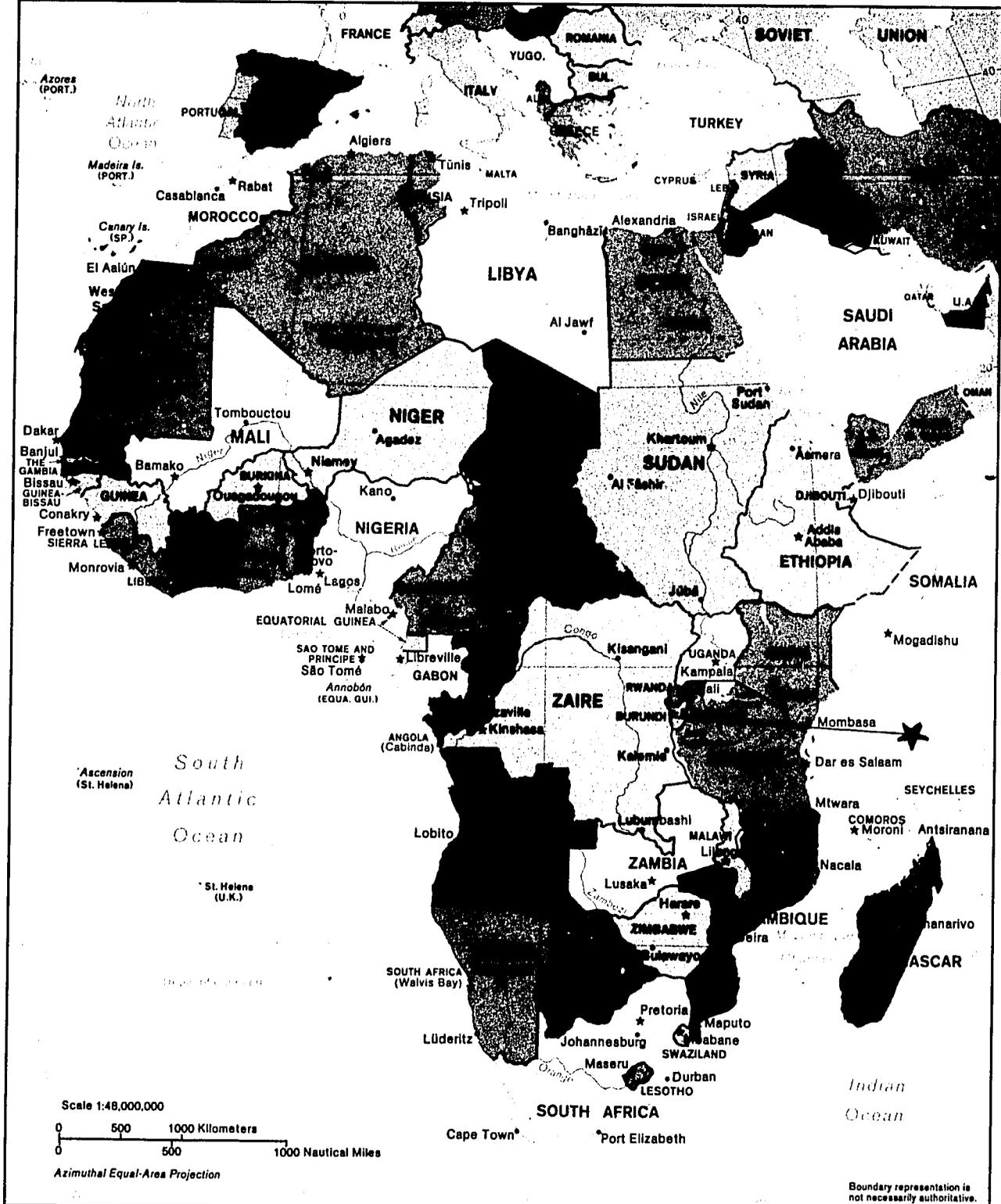
In answering these audit objectives, we tested whether USAID/Burundi (1) followed applicable internal control procedures and (2) complied with certain provisions of regulations, policies, grants and contracts. Our tests were sufficient to provide reasonable--but not absolute--assurance of detecting abuse or illegal acts that could significantly affect

the audit objectives. However, because of limited time and resources, we did not continue testing when we found that, for the items tested, USAID/Burundi followed A.I.D. procedures and complied with legal requirements. Therefore, we limited our conclusions concerning these positive findings to the items actually tested. But when we found problem areas, we performed additional work to:

- . conclusively determine that USAID/Burundi was not following a procedure or not complying with a legal requirement,
- . identify the cause and effect of the problems, and
- . make recommendations to correct the condition and cause of the problems.

Our discussion of the scope and methodology for this audit is in Appendix I and our reports on internal controls and compliance are in Appendices III and IV respectively.

Africa



Audit Findings

Did USAID/Burundi Comply With A.I.D. Policy That Requires Assessments Of The Need For Audits In Project Papers And Funds For Needed Audits In Project Budgets?

USAID/Burundi has complied with A.I.D. policy that requires assessments of the need for audits in project papers and funds for needed audits in project budgets.

Since December 1983, A.I.D. Payment Verification Policy Statement No. 6 has required the inclusion of assessments of audit need in project papers and budgets for required audits in project agreements. All five USAID/Burundi-generated projects that started after this date had assessments of audit needs either in the original project paper or in a subsequent amendment. Four of the five assessments showed the need for audits. The remaining three active USAID/Burundi projects in the audit universe were AID/W-generated projects for which USAID/Burundi did not prepare the project papers.

In discussions during the audit fieldwork, the USAID/Burundi Controller demonstrated an understanding of the requirement to include these assessments in project papers and stated his duties included reviewing project papers before approval to ensure they include the audit needs assessments. At the time of our audit fieldwork, there had been no project papers prepared or approved in USAID/Burundi since the establishment of the USAID/Burundi Controller position in September 1990.

The USAID/Burundi Controller also stated that the duties of his new position included reviewing projects and grant agreements before approval to ensure they include project funding for necessary audits as required by A.I.D. Payment Verification Policy Statement No. 6. A review of project files and financial reports for all eight active USAID/Burundi projects showed five projects for which budgets for audit had been included in the project agreements. These five projects include the four projects that had an assessed need for an audit in the project paper. The fifth project was a buy-in to an AID/W-generated regional project without a specific requirement for audit; however, project designers apparently included audit funding for contingency purposes.

Did USAID/Burundi Comply With A.I.D. Handbook Provisions For Including Specified Audit Requirements In Its Project Agreements, Cooperative Agreements, And Contracts?

USAID/Burundi has complied with A.I.D. handbook provisions for including specified audit requirements in the project agreements that it has prepared. We were not able to answer the objective relating to cooperative agreements and contracts since USAID/Burundi did not prepare any of these instruments. We found that the Contracts Division of the Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) had prepared six cooperative agreements and contracts for USAID/Burundi. Two of these six instruments included outdated audit provisions.

USAID/Burundi officials preparing individual agreements are using sections of the A.I.D. handbooks detailing the various standard audit provisions required for each type of document. All five project agreements prepared by USAID/Burundi in our audit universe contained the correct audit provisions in effect when the agreement was executed. At the time of our audit fieldwork, there had been no new agreements executed by USAID/Burundi since the September 1990 establishment of its controller position. However, the USAID/Burundi Controller stated it was his responsibility to review these agreements before their approval to ensure they include, among other things, the up-to-date standard audit requirement provisions contained in the A.I.D. handbooks.

A cooperative agreement and a grant agreement in our USAID/Burundi audit universe, both with U.S. private voluntary organizations (PVOs), contained outdated audit provisions from A.I.D. Handbook 13, Appendix 4C. These agreements were among six agreements and contracts prepared by the REDSO/ESA Contracts Division on behalf of USAID/Burundi and the errors occurred because some personnel in the Contracts Division did not have updated standard provisions posted in their contracting officer handbooks. These discrepancies have been communicated to REDSO/ESA in a separate memorandum for the necessary corrective action (see Appendix VI).

Did USAID/Burundi Comply With A.I.D. Handbook Procedures And Federal Regulations To Ensure Required Audits Were Performed And Met General Accounting Office Auditing Standards And That Preaward Surveys Were Conducted When Required?

USAID/Burundi has complied with A.I.D. handbook procedures and Federal regulations to ensure required audits were performed and met General Accounting Office (GAO) auditing standards and that preaward surveys were conducted when required.

Two mission-contracted audits of USAID/Burundi projects were ongoing at the time of our audit fieldwork. These audit reports were subsequently issued in September and November 1991 and both reports met GAO auditing standards.

Although several U.S. PVOs implementing USAID/Burundi projects had an assessed need for a local audit, their audit requirements can be met with audits performed in the U.S. under OMB Circular A-133. Our review of active USAID/Burundi projects also found that final closeout audits, as required under Contract Information Bulletin (CIB) 90-12, were not applicable to any of USAID/Burundi's portfolio of grants, contracts and cooperative agreements as they were all agreements for services not yet completed. However, USAID/Burundi officials are familiar with the closeout requirements of CIB 90-12.

USAID/Burundi has also complied with audit requirements for the activities funded with A.I.D.-generated local currencies that it is responsible for monitoring. A.I.D.'s October 1987 Supplemental Guidance on Programming Local Currency requires missions to have "reasonable assurance" that audits of activities funded with A.I.D.-generated local currency accounts will be undertaken. USAID/Burundi has complied with this requirement for both of the local currency accounts it monitors. In one case, the management and use of a Public Law 480 program generation of about \$2 million in local currency was examined by Price Waterhouse as part of a regional review. In the other case, an audit of a recent local currency generation of \$13 million from the Burundi Enterprise Promotion Program is already planned by USAID/Burundi, even though only \$2,467,000 in local currency has been disbursed.

Our reviews of USAID/Burundi's grants, cooperative agreements, and contracts with American organizations and universities also disclosed that preaward surveys, as discussed in Federal Acquisition Regulation Section 9.106, were not required because of the amount of funding involved or because of the recipient's prior history of receiving Federal funding.

Did USAID/Burundi Comply With Federal Requirements To Resolve And Implement Audit Recommendations?

USAID/Burundi has complied with federal requirements to resolve and implement recommendations in GAO and A.I.D. Inspector General audit reports.

The USAID/Burundi Controller's Office has a system for monitoring recommendations in GAO and A.I.D. Inspector General audit reports to ensure each is resolved and corrective action, as appropriate, is implemented in accordance with GAO's "Standards For Internal Controls in the Federal Government". This system was formalized with the issuance of a mission order in February 1991 which details procedures for the resolution and closing of audit recommendations. USAID/Burundi's system is designed to track all audit recommendations--whether they are contained in a GAO, RIG/A/Nairobi, recipient-contracted or mission-contracted audit. Through discussion with USAID/Burundi officials and analysis of RIG/A/Nairobi audit records we were able to identify three audits performed at USAID/Burundi during the last four years and found that all audit recommendations had been timely resolved and closed.

Management Comments and Our Evaluation

USAID/Burundi did not take exception to any of the information presented in the report.

SCOPE AND METHODOLOGY

Scope

We audited USAID/Burundi's compliance with audit requirements in accordance with generally accepted government auditing standards. We conducted the fieldwork from April 10, 1991 to May 3, 1991 at the offices of USAID/Burundi, and on November 20, 1991 at the Contracts Division of the Regional Economic Development Services Office for East and Southern Africa. This work covered the systems and procedures relating to compliance with audit requirements as of March 31, 1991. Our audit included review and analysis of all project agreements and contracts for the eight projects managed by USAID/Burundi (excluding project development and support funds) that were active as of March 31, 1991. The audit also included review and analysis of project papers for five of the eight projects that were USAID/Burundi-generated. A project was considered active if the Project Assistance Completion Date was later than March 31, 1991. These active projects had commitments of \$31 million and disbursements of \$21.8 million as of March 31, 1991, according to the A.I.D.'s Mission Accounting and Control System (MACS) financial report we were provided by USAID/Burundi.

Due to audit time constraints, we did not validate the financial information in the MACS report to determine the reliability of the data. MACS data was used primarily as a means of measuring the potential impact of inadequate audit coverage and was considered sufficiently accurate for this purpose.

This audit also covered USAID/Burundi's compliance with audit requirements for activities funded with A.I.D.-generated local currencies deposited under Public Law 480 and other programs that it is responsible for monitoring. These local currency generations totalled \$15 million, according to USAID/Burundi's most recent general assessment, and approximately \$10.5 million remained unspent.

As part of this audit, we examined the internal controls relating to the management of audit requirements and also considered prior audit work performed in this area.

Methodology

The methodology for each audit objective follows.

Audit Objective One

The first objective was to determine whether USAID/Burundi had complied with A.I.D. procedures to ensure that project papers included assessments of the need for audits and that project funds were budgeted for them when necessary.

To accomplish this, we examined all five USAID/Burundi-generated project papers, prepared after December 1983, for projects that were active as of March 31, 1991, to determine whether assessments of the need for audits were included. The policy statement requiring this was issued in December 1983. We did not review the project papers for the remaining three active USAID/Burundi projects because they were buy-ins to AID/W-generated projects.

We reviewed the files of the USAID/Burundi Projects Office and the MACS PO7A Comprehensive Pipeline Report provided by the Mission Controller for each of the eight USAID/Burundi projects active as of March 31, 1991 and determined which organizations or governmental entities were receiving project funds. With this information and the assessment of the need for audits we determined which organizations had a need or requirement for audit that should have been budgeted for in the project agreement. We reviewed all eight project and grant agreements to determine whether project funds were budgeted for audit when necessary.

We interviewed the USAID/Burundi Controller who is responsible for ensuring that project papers include assessments of audit need and that project budgets provide for audits accordingly.

Audit Objective Two

To answer the second objective, we determined whether USAID/Burundi complied with A.I.D. Handbook 13, Appendix 4C provisions for including specified audit requirements in its project and cooperative agreements. To accomplish this, we interviewed personnel in the USAID/Burundi Projects and Controller Offices who are responsible for preparing these agreements or reviewing them for compliance with A.I.D. requirements before they are executed. We also reviewed the 11 USAID/Burundi agreements and contracts that were associated with its 8 projects active as of March 31, 1991, and determined whether they included standard provisions regarding audit requirements that were in effect at the time the

documents were executed.

We interviewed personnel at the Contracts Division of REDSO/ESA who are responsible for ensuring that the correct audit requirement provisions were included in cooperative agreements and contracts they prepare on behalf of USAID/Burundi.

Audit Objective Three

To answer the third objective, we reviewed USAID/Burundi project files for all eight active projects to determine (1) which projects, if any, had audit requirements USAID/Burundi was required to monitor, and (2) whether any project implementors should have been subject to Contract Information Bulletin 90-12 closeout audit or Federal Acquisition Regulation Section 9.106 preaward survey requirements. We also interviewed the USAID/Burundi Controller and reviewed applicable files to determine whether USAID/Burundi had reasonable assurance that A.I.D.-generated local currency was being audited.

Audit Objective Four

To answer the fourth objective, we determined whether USAID/Burundi had established monitoring systems to ensure that audit recommendations were resolved and implemented. To accomplish this, we interviewed the USAID/Burundi Controller and determined the adequacy and timeliness of actions taken on audit recommendations by examining audit resolution records located at USAID/Burundi and RIG/A/Nairobi for the three audits of the USAID/Burundi portfolio performed in the last four years. We also evaluated the adequacy of a recent mission order covering the systems and procedures for resolving and closing audit recommendations.

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TO AMEMBASSY NAIROBI 0682
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C&R
USAID/KENYA

ADM AID

FOR RIG/A/N T. JARMAN FROM AID REP GLENN SLOCUM

E.O. 12356: N/A
SUBJECT: RIG/A/N DRAFT AUDIT REPORT NO. 3-595-92-XX
DATED MARCH 1992

REF: RIG/A/N MEMO DATED FEBRUARY 28, 1992

1. MISSION RECEIVED SUBJECT DRAFT REPORT, HAS REVIEWED THE INFORMATION CONTAINED THEREIN, AND FINDS NOTHING THAT WE TAKE EXCEPTION TO. IT IS GRATIFYING TO RECEIVE AN AUDIT WHICH CONTAINS NO RECOMMENDATIONS AND GIVES US THE FEELING THAT WE ARE DOING SOME THINGS RIGHT.
 2. WE UNDERSTAND THE PROBLEMS INVOLVED IN GETTING THE FINAL DRAFT COMPLETED AND WOULD LIKE TO EXPRESS OUR APPRECIATION TO THE INDIVIDUALS WHO PERFORMED THE FIELD WORK AND THEIR PROFESSIONAL MANNER. WE LOOK FORWARD TO A MUTUALLY BENEFICIAL WORKING RELATIONSHIP IN THE FUTURE.
- PERRY
BT
#1148

NNNN

REPORT ON INTERNAL CONTROLS

This section provides a summary of our assessment of internal controls for the audit objectives in our audit of USAID/Burundi's compliance with audit requirements.

Scope of Our Internal Control Assessment

We conducted our audit in accordance with generally accepted government auditing standards, which require that we (1) assess the applicable internal controls when necessary to satisfy the audit objectives and (2) report on the controls assessed, the scope of our work, and any significant weaknesses found during the audit.

We limited our assessment of internal controls to those controls applicable to the audit's objectives and not to provide assurance on the auditee's overall internal control structure.

We have classified significant internal control policies and procedures applicable to the audit objectives by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation--and we assessed control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for each audit objective.

General Background on Internal Controls

Recognizing the need to re-emphasize the importance of internal controls in the Federal Government, Congress enacted the Federal Manager's Financial Integrity Act (the Integrity Act) in September 1982. Under this Act and the Office of Management and Budget's (OMB) implementing policies, the management of A.I.D., including USAID/Burundi, is responsible for establishing and maintaining adequate internal controls. Also, the General Accounting Office (GAO) has issued "Standards For Internal Controls In The Federal Government" to be used by agencies in establishing and maintaining such controls.

The objectives of internal controls and procedures for Federal foreign assistance are to provide management with reasonable--but not absolute--assurance that resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Moreover, predicting whether a system will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

Conclusions for Audit Objective One

The audit objective relates to USAID/Burundi's controls over assessments of audit need and budgeting project funds for audits. In planning and performing our audit, we considered the applicable internal control policies and procedures cited in A.I.D. Payment Verification Policy Statement No. 6. For the purposes of this report we have classified policies and procedures into the following categories: the project planning and budgeting processes.

We reviewed USAID/Burundi's internal controls relating to the applicable aspects of the project planning and budgeting processes and our tests showed that USAID/Burundi's controls were logically designed and consistently applied.

Conclusions for Audit Objective Two

The audit objective relates to USAID/Burundi's controls over ensuring specified audit requirements are included in project agreements and contracts. In planning and performing our audit of these agreements and contracts, we considered the applicable internal control policies and procedures cited in A.I.D. Handbook 13. For the purposes of this report, we have classified policies and procedures into the following category: the contract and agreement preparation process.

We reviewed USAID/Burundi's internal controls relating to the applicable aspects of the contract and agreement preparation process and our tests showed that USAID/Burundi's controls were logically designed and consistently applied.

Conclusions for Audit Objective Three

The audit objective relates to USAID/Burundi's controls over ensuring required audits are performed and meet GAO auditing standards and that preaward surveys are conducted when required. In planning and performing our audit, we considered the applicable internal

control policies and procedures cited in A.I.D. Handbook 3 and 13, Contract Information Bulletin 90-12, A.I.D.'s Supplemental Guidance on Programming Local Currency, and Federal Acquisition Regulation Section 9.106. For the purposes of this report, we have classified policies and procedures into the following categories: the project audit process and the preaward survey process.

We reviewed USAID/Burundi's internal controls relating to the project audit and the preaward survey processes and our tests showed no significant weaknesses in USAID/Burundi's controls, which were logically designed and consistently applied.

Conclusions for Audit Objective Four

The audit objective relates to USAID/Burundi's controls over the resolution and implementation of audit recommendations. In planning and performing our audit, we considered the applicable internal control policies and procedures cited in GAO's "Standards For Internal Controls In The Federal Government".

We reviewed USAID/Burundi's internal controls relating to the resolution and implementation of audit recommendations and our tests showed no significant weaknesses in USAID/Burundi's controls, which were logically designed and consistently applied.

REPORT ON COMPLIANCE

This section provides a summary of our conclusions on USAID/Burundi's compliance with applicable laws and regulations dealing with audit requirements.

Scope of Our Compliance Assessment

We conducted our audit in accordance with generally accepted government auditing standards, which require that we (1) assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objectives) and (2) report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

We tested USAID/Burundi's compliance with Office of Management and Budget (OMB) Circular A-133 and Federal Acquisition Regulation (FAR) Section 9.106 as they relate to our audit objectives. However, our objective was not to provide an opinion on overall compliance with those circulars and regulations.

General Background on Compliance

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grant and binding policies and procedures governing an organization's conduct. Noncompliance constitutes an illegal act when there is a failure to follow requirements of laws or implementing regulations, including intentional and unintentional noncompliance and criminal acts. Not following internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition and is included in our report on internal controls. Abuse is distinguished from noncompliance in that abusive conditions may not directly violate laws or regulations. Abusive activities may be

within the letter of the laws and regulations but violate either their spirit or the more general standards of impartial and ethical behavior. Compliance with OMB Circular A-133 and FAR Section 9.106 is the overall responsibility of USAID/Burundi management.

Conclusions on Compliance

USAID/Burundi complied with the applicable requirements of OMB Circular A-133 and FAR Section 9.106.

APPENDIX V

**USAID/Burundi Projects
Active as of March 31, 1991**

<u>Project</u>	<u>Commitments*</u>	<u>Disbursements*</u>
Small Farming Systems Research	\$ 9,313,534	\$ 5,004,929
Population Planning	3,424,077	309,929
Enterprise Support & Training	312,808	96,026
Enterprise Promotion Program	13,000,000	13,000,000
Combating Childhood Diseases**	1,148,575	856,657
Human Resources Development	2,164,756	1,291,846
African Manpower Development - II**	1,290,587	1,200,770
Family Health Initiatives - II**	<u>350,000</u>	<u>33,915</u>
Total	<u>\$31,004,337</u>	<u>\$21,794,072</u>

Source: MACS PO7A Report - Comprehensive Pipeline Report

* As discussed in Appendix I, financial data in the MACS PO7A report was not validated as part of our audit coverage.

** AID/W-generated projects

UNITED STATES GOVERNMENT

memorandum

DATE: March 24, 1992

**REPLY TO
ATTN OF:** Toby L. Jarman, RIG/AN 

SUBJECT: Use of Up-to-date Standard Audit Provisions in Handbook 13 Agreements

TO: Fred Fischer, Director, REDSO/ESA

REF: Jarman/Fischer memo dated Nov. 22, 1991
Womack/Jarman memo dated Nov. 29, 1991

My office has performed three 'accountability' audits this year to determine whether missions are managing audit requirements to achieve accountability for A.I.D. funds. As described below, our audit findings in one of these missions disclosed a need for corrective action by the REDSO Contracts Division in the maintenance of contracting officer handbooks to ensure the most recent standard provisions are included in new Handbook 13 agreements.

One of our audit objectives included determining whether grants, cooperative agreements and contracts contained the correct audit provisions required by the A.I.D. handbooks. During the accountability audit in Burundi, we found two grant agreements with U.S. NGOs, prepared for the mission by the REDSO Contracts Division in March 1989 and March 1990, containing outdated standard Handbook 13 audit provisions that had been revised in January 1988 (14 and 26 months, respectively, before these agreements were signed).

In November 1991, we discussed these agreements with Richard Womack in REDSO/Contracts and identified and reviewed three other recent U.S. NGO agreements prepared by the Contracts Division since September 1990 when the standard audit provisions were changed again. We found one agreement with the updated provision, one with the now out-of-date January 1988 provision and one with the standard provisions normally used in agreements with non-U.S. NGOs. Similarly, an examination of three contracting officer handbooks currently being used when preparing agreements showed one with the current provisions, one with the outdated provisions, and one with both sets of provisions. It should also be noted that because of the IG's strong interest in this area, my staff had confirmed in November 1990 that the Contracts Division had received the new September 1990 provisions - before the two recent agreements with incorrect provisions were prepared.

Mr. Womack reports there is a problem with the slowness of AID/W in distributing these changes in contracting guidance to the field. We agree that this is a major problem for the Contracts Division staff; however, as detailed above, this was not the case for this change in the standard provisions. We have concluded that these errors in preparing agreements are a result of some contracting officer handbooks not being updated or timely updated with changes in the standard provisions when they are received from AID/W.

Our audit report to USAID/Burundi will not include any applicable recommendations to REDSO concerning this problem, but we wanted to bring this issue to your attention for corrective action.

APPENDIX VII

REPORT DISTRIBUTION

American Ambassador to Burundi	1
USAID/Burundi Representative	5
AA/AFR	1
AFR/EA/RB	1
AFR/CONT	1
XA/PR	1
LEG	1
GC	1
AA/OPS	1
AA/FA	1
FA/FM	1
AA/R&D/MGT	1
POL/CDIE/DI	1
FA/MCS	2
FA/FM/FPS	2
REDSO/ESA	1
REDSO/RFMC	1
REDSO/ESA/CON	1
REDSO/Library	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PSA	1
IG/A/FA	1
IG/A/PPO	2
IG/LC	1
IG/RM	12
AIG/I	1
RIG/I/N	1
RIG/A/C	1
RIG/A/D	1
RAO/M	1
RIG/A/S	1
RIG/A/T	1
RIG/A/V	1
RIG/A/E/W	1