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**OFFICE OF THE INSPECTOR GENERAL
ASSISTANT INSPECTOR GENERAL FOR AUDIT**

**ANNUAL AUDIT PLAN
FISCAL YEAR 1993**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

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Inspector General

MEMORANDUM FOR DISTRIBUTION

FROM: IG, Herbert L. Beckington *HLB*
SUBJECT: Annual Audit Plan for FY 1993

The following volume contains the Inspector General's Audit Plan for the coming fiscal year. It also contains brief descriptions of:

- OIG's mission and organization, and the role of the audit function;
- the OIG audit strategy;
- audit planning by type of audit;
- the audit process; and
- audit follow-up.

The Plan document also presents summary results of different types of audits over the past year together with what has been planned in terms of financial and performance audits for the coming fiscal year.

Your comments on this Audit Plan and any suggestions you may have regarding areas requiring future audit attention will be most appreciated. Please address your comments to me or to the Assistant Inspector General for Audit.

Distribution:

Senior Agency Managers and AID/W Office Directors
Mission Directors and USAID Representatives
Bureau and Mission Controllers

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INTRODUCTION

Office of the Inspector General

The functions and activities of the Office of Inspector General (OIG), Agency for International Development (AID), are mandated by the Inspector General Act of 1978, as amended and made applicable to AID. Of the three principal functions (audit, investigations and security) mandated to the AID/OIG by statute, audit is by far the largest and most highly regulated. Audits performed by Federal Inspectors General (IGs) must adhere to the provisions of certain OMB Circulars which regulate the audit function and conform to Government Auditing Standards issued and periodically revised by the Comptroller General of the United States.

Purpose of the Audit Function

The purpose of audit is to make an official verification and to provide independent assurances that the condition of an audited entity or program is indeed as the management of that organization or activity purports it to be. In the private sector, audits are contracted for by management in order to assure stockholders and prospective investors that management has conducted its business well and acted properly. In the public sector, Federal IGs have been established with statutory independence in order to provide senior agency management, lawmakers, and the public at large with similar assurances that taxpayer-provided resources are being managed efficiently and economically, and that the programs and activities undertaken with those resources are having their desired effect.

Types of Audit

Currently there are three major types of audit for which Federal IGs are responsible: performance, financial, and financial statement audits.

Performance audits determine the economy, efficiency and effectiveness of programs and operations. Performance audits are made by OIG staff and, in accordance with OIG's recently adopted systems or functional approach, focus on the efficacy of the Agency's major development assistance delivery systems, or components thereof, and their associated internal controls. In FY 1993 performance audits will also seek to verify field compliance with AID/Washington policy guidance in certain critical areas, and to reinforce the recommendations of three external reviews of

Agency management by a statutorily mandated Presidential Commission, an OMB Special Task Force, and the U. S. General Accounting Office, which is completing a two-year management review of AID.

Financial audits determine the accountability of AID recipients (contractors and grantees, including host governments) for appropriated funds or USG-furnished equipment and commodities made available to them. They are normally conducted by the recipients' independent auditors, CPAs contracted by AID, or by cognizant government auditors in the USA and overseas. **OIG is responsible for ensuring the quality of audits made of AID recipients by independent public auditors.**

Financial statement audits determine whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows or changes in financial position in accordance with generally accepted accounting principles. Financial statement audits of Federal Departments and Agencies are relatively new IG audit products resulting from enactment of the Chief Financial Officers (CFO) Act of 1990. It is not yet known when AID will have to prepare auditable agencywide financial statements. However, in FY1992 two AID activities -- the Housing Investment Guaranty and Private Sector Investment Programs -- produced financial statements and associated performance indicators which OIG arranged to have audited by an independent CPA firm. In FY1993, more activities will be added to those that now must undergo annual financial statement audits.

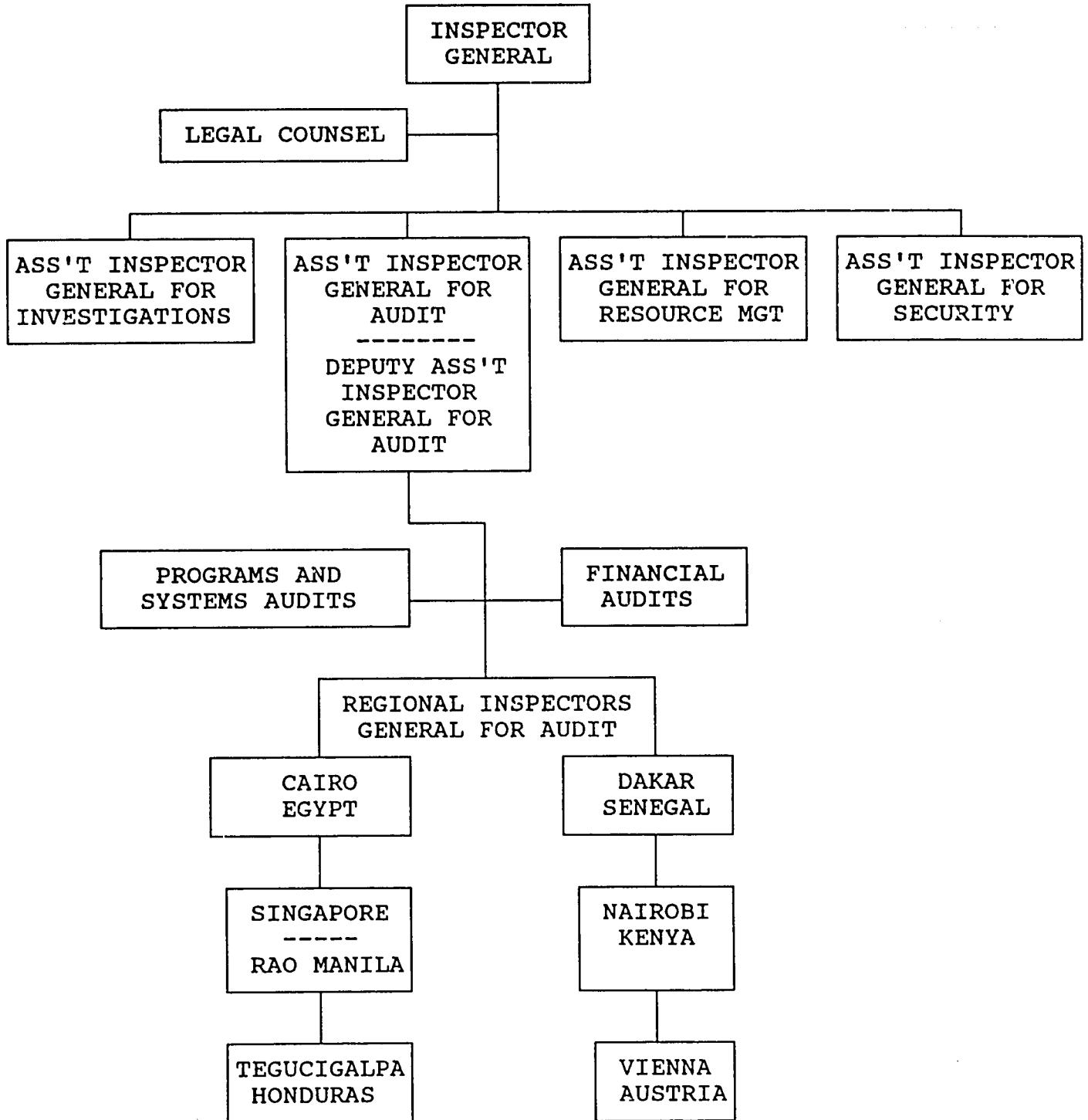
The latter two types of audits are also governed by financial auditing standards established by the American Institute of Certified Public Accountants which have been incorporated into Government Auditing Standards. Both financial and performance audits encompass reviews of internal controls and compliance with applicable laws, regulations and agreements.

OIG Audit Components

Audits are regularly conducted within AID/Washington, at the offices of U. S. contractors and grantees, and in the field at AID Missions and elsewhere, as deemed necessary and appropriate. To make these audits, OIG has six field offices located in Cairo, Egypt; Dakar, Senegal; Nairobi, Kenya; Singapore (with a suboffice in Manila, Philippines); Tegucigalpa, Honduras; and Vienna, Austria; and three audit offices in Washington for Financial Audits, Program & Systems Audits, and Bureau for Europe operations in support of the Vienna office. These offices, as well as the

OIG's audit Policy, Planning and Oversight staff, report to the Assistant Inspector General for Audit and his Deputy.

**OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDIT**



OIG AUDIT STRATEGY

The Functional or Systems Audit Approach

Current OIG internal performance audit strategy is based upon an analysis and segmentation of AID activities into a dozen major development assistance delivery systems or functions.

Bilateral Project Assistance

Bilateral Nonproject Assistance

Nonbilateral Assistance

Food Assistance

Disaster Assistance

Grants and Cooperative Agreements

Participant Training (Thomas Jefferson Fellowships)

Housing Investment Guaranty Program

Private Sector Investment Program

Trade Credit Insurance Program

Operating Expenses

Special Audit Issues

Bilateral Project Assistance is the Agency's most frequently used delivery system. Certain of its major components: technical assistance, commodities, construction, dollar-funded local currency costs, and reporting, monitoring and evaluation can and have become the subjects of separate audit inquiry. Bilateral Nonproject Assistance can take the form of commodity imports, cash transfers or sector-based cash grants. Food Assistance comes about under Public Law 480, The Agricultural Trade Development and Assistance Act of 1954, as amended, Titles II and III. Title II provides for mainly donations of foodstuffs for various purposes (emergency food aid, 'food for work,' school feeding programs, etc.), while Title III ('Food for Development') permits monetization of food shipments, and the deposit and use of food sale proceeds for mutually agreed upon development activities.

Identifying Internal Controls

This segmentation was devised by OIG in order to expand audit coverage via implementation of a functional or systems audit approach, and to assist AID managers to comply with **The Federal Managers' Financial Integrity Act**. Whereas previously OIG audits had been conducted mainly on a project-by-project basis, current audit strategy focuses on the efficacy of AID's internal control systems. Accordingly, OIG expended several person/years' effort in identifying, documenting, and compiling the internal controls associated with the above delivery systems into a two-volume set of internal control audit guidance.

Additionally, a series of Audit Guides has been developed to assist audit inquiries into the above systems or major components thereof. (OIG's Five-Year Audit Strategy Document, the Internal Control Audit Guidance Volumes, as well as the Audit Guides have been widely circulated to Agency management.)

AUDIT PLANNING

Regulating the Audit Function

Audits by Federal IGs are governed by OMB Circular A-73, "Audit of Federal Operations and Programs." OMB policy conveyed by this Circular states that:

agencies are responsible for providing adequate audit coverage of their programs as an aid in determining whether information is reliable; resources have been safeguarded; funds have been expended in a manner consistent with related laws, regulations, and policies; resources have been managed economically and efficiently; and desired program results have been achieved.

In accordance with the same OMB Circular, each audit organization should periodically review the activities and operations of the agency for which it has cognizance and determine the coverage, frequency, and priority of audit required for each based on the following factors:

- * statutory and regulatory requirements

- * results of internal control and other assessments
- * newness, changed conditions, or sensitivity of the organization, program, activity or function
- * current and potential dollar magnitude
- * management needs, as developed in consultation with responsible program officials and senior management
- * prior audit experience
- * results of agency evaluations and reviews, and
- * availability of audit resources.

Performance vs. Financial Audit Planning

Planning is the nexus linking audit strategy with audit results and reports. The audit planning process differs considerably by type of audit, however.

* Performance audits under the new systems approach are designed to assist AID managers to comply with The Federal Managers' Financial Integrity Act by focusing on the Agency's major development assistance delivery systems and the controls established by management for each. Such audits are made in accordance with a five-year strategy developed and updated not less than annually by each OIG audit component, and approved by the Assistant Inspector General for Audit (AIG/A).

While most performance audits are self-initiated, OIG must also make several Congressionally mandated and requested audits each year. The planning process also includes requests by the audit function for management input and suggestions.

During FY93 OIG will conduct at least two major audits of compliance with recent Agency policy guidance in response to recommendations in reports issued by The President's Commission on the Management of AID Programs and an OMB Special Task Force which have recently reviewed certain Agency management functions. The two audits are Audit of AID Management of Host Country-owned Local Currency and Audit of the AID Audit Management & Resolution Program.

* Financial or recipient audit frequency varies by type of recipient. Grantees subject to the provisions of OMB Circular A-

133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," will have audits performed by their independent CPAs not less than every two years.

For-profit contractors for which the AID/IG is cognizant (audit "cognizance" is normally determined by the share of federal funding provided) number just over one hundred. They are audited periodically, or in response to a specific management request, either by DCAA at AID's request or by CPAs under contract with OIG.

Other contractors fall within the cognizance of DCAA, HHS, DOE, etc. and are audited in accordance with plans developed by those audit organizations. Beginning in FY93, Agency management will assume responsibility for scheduling and following up on recipient audits, whereas OIG will continue to ensure the quality of audit services acquired by management.

* **Financial statement audits** required by the CFO Act have to date been made by CPAs under contract with AID and under OIG supervision. In FY92 such audits were made of the Housing Investment Guaranty and Private Sector Investment Programs. Although it is not yet known when AID will produce consolidated auditable financial statements, more and more components of the Agency's programs will gradually begin producing them for audit.

CFO-mandated audits also include verification of "performance indicators" established by management and designed to link budgets with expenditures. Periodically, OIG will also undertake performance audits of the programs themselves in order to add validity to these performance indicator reviews.

Ultimately, it is expected that the annual reports of Chief Financial Officers, including audited financial statements, performance indicators, and accompanying narratives, will allow senior agency managers, OMB and Congressional Appropriations Committees to arrive at conclusions regarding the value obtained for monies appropriated to and spent by Federal Departments and Agencies, and the major programs within each.

Setting Performance Audit Objectives

Audit planning and fieldwork are further targeted by the development of "audit objectives," as required by the revised Government Auditing Standards. Whereas under previous audit standards a "finding" constituted a statement of deficiencies, current standards define a finding as the results of audit inquiry in pursuit of an audit objective, whether positive, negative, or

mixed. Audit objectives can be merely descriptive:

How many contracts of different types were awarded by the Office of Procurement during FY1992?

but, more commonly, seek to compare actual performance against a stated criterion:

Did USAID/XYZ follow applicable laws and Agency policy in acquiring technical assistance services?

Levels of Assurance

Audit planning and setting audit objectives are also affected by OIG's policy to provide audit report readers with "reasonable assurance" that audit conclusions and opinions expressed under its new systems approach can be relied upon as valid.

"Reasonable assurance" is a term of art that describes a level of confidence in audit results which is less reliable than "absolute" (would require examination of each and every item or transaction in an audit universe -- rarely feasible or cost-effective), but more reliable than "positive" (would limit audit conclusions only to items actually tested during an audit).

Management Representations

In order to provide this degree of reliability, auditors seek formal counterpart assurances from cognizant AID program managers that, to the best of their knowledge and belief, audit results do in fact reflect the condition of the activities for which they are responsible. Such assurances, or representation letters, encompass responsibility for program operations, accounting data, and pertinent internal controls; compliance with applicable laws, regulations, and agreements; provision of all relevant information to the auditors; and disclosure of any irregularities known to management or of any events subsequent to the audited period that could affect the auditors' conclusions.

In other words, drawing conclusions or providing an opinion on the condition of a system or activity comprising items or transactions not actually tested during an audit poses an unacceptable level of audit risk, in light of the vulnerabilities inherent in the overseas environment in which AID's programs and operations take place, unless the auditors receive appropriate representations from management. Although requests for representation letters are

relatively new in performance auditing, they have been used in financial auditing for many years.

OIG Audit Planning Process

Each year the head of each IG audit office and senior members of the IG Policy, Planning and Oversight staff meet as a committee, under the chairmanship of the Assistant Inspector General for Audit and his Deputy, to review the problems encountered and accomplishments achieved in implementing the previous year's audit plan, and to identify topics and set priorities for the coming audit cycle. At the mid-point in each planning cycle, the progress of all audit components against planning targets is assessed and the Plan is updated accordingly.

THE AUDIT PROCESS

Conducting Performance Audits

Internal or performance audits are normally conducted and supervised by OIG audit staff in accordance with the following chronology of events.

Audit Notification - Each audit office will formally notify a prospective auditee regarding the date an audit will commence. Except in unusual circumstances such as priority special request audits, audit notification is provided at least 30 days in advance of the auditors' arrival. Additionally, OIG annual audit plans such as this one are prepared well in advance of the fiscal year in which they are to be executed and disseminated widely throughout the Agency.

Entrance Conference - This is a formal meeting held by the auditors to explain the purpose and scope of the audit to cognizant management officials and to receive from them any suggestions they might wish to make regarding the audit subject. In addition, the auditors will present the auditee with a draft management representation letter based upon the announced audit objectives. As the audit progresses, objectives may be added, deleted or modified (with appropriate notification to the auditee). Accordingly, the final form of the representation letter to be included with management's comments on the draft audit report will

be the subject of negotiation throughout the audit process between the auditors and those who will ultimately sign the letter.

Detailed Examination - Using an audit program (a compendium of audit steps to be taken during a particular engagement) designed to answer the audit objectives, the auditors next embark upon a comprehensive review of the system(s) or function(s) scheduled for audit. This will include discussions with cognizant AID and other officials, as applicable, and an examination of pertinent books and records. In this connection it is well to note that the Inspector General Act of 1978 provides IG audit staff unlimited access to Agency books and records, whether classified or unclassified, and mandates the cooperation and support of all affected employees in order to facilitate timely accomplishment of the IG audit mission. Each form of AID-funded agreement or contract also provides audit rights (reasonable access to personnel and documents) to representatives of OIG and the U. S. General Accounting Office. IG audit staff will usually request cognizant Agency managers to arrange for access to non-AID-owned documents and for interviews with host government, contractor or grantee personnel.

Disclosure of Audit Results - As the audit progresses and as audit staff begin to develop the answers to their objectives, they may brief cognizant employees as to the nature of their findings. If significant deficiencies are detected, a special advisory memorandum may be prepared for management's information. The purpose of these communications is to keep cognizant managers current on the progress of the audit and to allow them to take such corrective action as they deem appropriate, as soon as they feel such action to be warranted.

Draft Findings - As audit fieldwork draws to a close, the auditors will begin to prepare preliminary finding statements or a discussion draft report, including proposed recommendations, which will be circulated to all employees affected by the audit, normally via the auditee's designated audit liaison official.

Exit Conference - This meeting is held by the auditors to discuss the preliminary finding statements circulated to management. Based upon the discussion that takes place during this meeting, the auditors will prepare a formal draft report once audit fieldwork has terminated. At this time, audit staff and management will also attempt to achieve agreement on the contents of the management representation letter requested by the auditors.

Draft Audit Report - After returning to their office, the auditors will prepare a draft report on the results of the audit. Such drafts will undergo management review and quality control

procedures in accordance with OIG audit policy before being sent to management for its formal review and comment, usually within 30 days of the Exit Conference. Draft reports will clearly identify any monetary savings or recoveries being recommended by the auditors, as well as how they were computed. Draft report transmittal memoranda include an explicit request that management concur in their formal response with savings amounts identified in the draft report, or explain why they do not concur.

Final Audit Report - Upon receipt of management's formal review comments and an acceptable representation letter, the draft report is modified as necessary and issued in final. In addition to being appended to the report in their entirety, management's comments are summarized and evaluated at the end of each finding section. **OIG seeks to issue objective, balanced audit products with any disagreements between the auditors and management clearly identified and explained.** Final audit reports contain a transmittal memorandum that enumerates all audit recommendations and the status of each at report issuance, and identify any monetary savings or recoveries being recommended by the auditors. Transmittals also request management's response to any open recommendations in the report within 30 days of issuance.

Ensuring Audit Quality

In accordance with the OIG Audit Handbook, each audit office is responsible for its own internal audit quality control as well as for the non-federal audits made under its supervision. In addition, all performance audit draft reports are sent to the OIG's audit policy staff for review at the same time the draft is sent to the auditee for review and comment. To ensure appropriate reporting balance, the auditee's comments on the draft are appended in their entirety to the final audit report.

Additionally, OIG periodically conducts internal quality assurance reviews of its audit components using teams of auditors from other offices. External quality assurance reviews are also made periodically within the framework of the President's Council on Integrity & Efficiency. In FY92, the AID/OIG audit function was reviewed by the Dept. of Justice OIG. DOJ/OIG found that the AID/C had complied, in all material respects, with Government Auditing Standards in the conduct of its audits of AID's programs and operations.

Finally, Government Auditing Standards require all IG auditors to undergo at least 80 hours of continuing professional education every two years.

AUDIT FOLLOW-UP

Reporting Audit Recommendations

OMB Circular A-50, "Audit Follow-up," and the Supplemental Appropriation and Rescissions Act of 1980 regulate how Federal Departments and Agencies deal with audit recommendations issued by the U. S. General Accounting Office, Federal Inspectors General, and non-Federal auditors contracted to audit Federal programs and activities.

Audit recommendations are of two types:

Procedural - not having direct monetary implications, suggests changes in how programs are implemented or operations are managed;

Monetary - requesting a recovery, offset, deobligation or reprogramming of funds.

Audit reports may contain recommendations for management action whose status at report issuance is either:

Closed - indicating that corrective action was completed before the final report was issued -- the ideal outcome of an audit report;

Resolved - indicating that the auditors and cognizant management officials have reached agreement on the corrective actions needed, but those actions have not yet been completed;

Unresolved - indicating that management and the auditors have yet to reach agreement on actions needed to correct a deficiency, or whether management will sustain a recovery or concur in any savings reported by the auditors.

Recommendation Resolution & Closure

The OMB Circular and statute cited previously require that audit recommendations be resolved within six months of issuance. Open audit recommendations are tracked by the issuing IG office and cognizant management officials in accordance with OIG policy and the Agency's recently adopted Audit Management and Resolution Program. It is expected that the auditee will provide a report every 30 days or at reasonable intervals to the office that issued

the recommendations regarding their status and the actions being taken by management to either resolve or close them.

Although all recommendations are tracked, those with monetary implications require more rigorous follow-up in accordance with the 1988 amendments to the Inspector General Act. **Auditors are required to clearly identify savings resulting from audit recommendations in draft reports and to specifically request management's concurrence in the savings calculations in responding to the draft report.** Any monetary recommendation for which concurrence has not been obtained upon report issuance must be considered **unresolved** until the auditors and management can agree upon a savings figure. Similarly, monetary recommendations cannot be closed until evidence of recovery or formal request for same, offset, or acknowledgement by management that savings will accrue to AID, has been received by the office issuing the recommendation.

OMB Circular A-50 also requires a periodic evaluation of the audit recommendation follow-up system to measure its effectiveness in addressing and correcting problems described in audit reports. Accordingly, each year each IG audit office selects several recommendations which have been closed for about one year for follow-up review in order to determine if the actions reportedly taken by management were indeed completed and effective. If it is found that corrective actions were ineffective, the audit office may issue a formal report on the results of the follow-up review and **reopen the recommendation as of its original date of issuance.**

Semiannual Reports to Congress

Federal Inspectors General are **unique** among Executive Branch officials in that they are required by law to report on their activities to the head of their Department or Agency every six months of each fiscal year. The report must be transmitted by the Agency head without modification to the Congress within 30 days of receipt from the Inspector General, although it may be accompanied by a semiannual management report. Inspectors General are also permitted to make such special reports on matters considered so serious as to require special out-of-cycle reporting at any time they deem appropriate. Agency heads must transmit such reports to the Congress within seven days of receipt from the IG.

IG Semiannual Reports summarize audit reports issued during the preceding semester, analyze and compare trends in recommendation status, and revisit reports and recommendations upon which management has reversed a previous decision, no management decision has been made, or no final action has been taken. They also list

reports issued with costs questioned and savings identified by auditors. Management must also report semiannually to the Congress on the status of all audit reports from the date of management decision (whether to sustain the auditors' position or not) through the date of final action. Management reports must highlight and explain the status of recommendations for which management decisions have been made for at least a year but for which final action has not been taken.

FY 1991/92 AUDIT RESULTS

Overview

Since the last OIG annual audit plan was issued, the IG has sent two Semiannual Reports to the Administrator and the Congress, as directed in the Inspector General Act. The period covered by those two reports was one of transition from the project audit to the systems audit approach. During the 12-month period ending 31 March 1992, OIG issued 60 internal performance audit reports and processed 357 financial audit reports issued by independent public auditors or by other Federal auditors having cognizance for AID recipients. All together, the reports identified potential savings of over \$223 million and questioned over \$45 million in costs charged to AID.

Performance Audits

While a certain number of project audits figured prominently in the last two IG Semiannual Reports, the advent of systems audits became increasingly evident.

Project Assistance: Procurement of Technical Assistance Services

For example, three systems audits done in Indonesia, Nepal, and Sri Lanka focused on the Missions' procurement of technical assistance services and resulted in similar findings. Contract work statements were often vague, adequate government cost estimates were not developed, AID-financed contractor inventories had not been taken, and contracts were seldom closed out or audited as required. As a result, unneeded funds remaining in essentially completed contracts were not reprogrammed and AID-funded property and equipment was not adequately accounted for.

Project Monitoring Control Systems

A comprehensive and somewhat novel audit effort sought to verify the efficacy of seven management control systems operated by USAID/Bolivia under its portfolio of 43 projects valued at nearly \$200 million. The audit found that one of the systems (procurement contract close-outs) was being effectively implemented, but that action was needed to improve the effectiveness of the remainder. Of special importance was the absence of an internal control system to adequately monitor cost-sharing counterpart contributions of

nearly \$170 million in equivalent local currency or in-kind commitments.

Project-funded Commodity Management

Audits of the Population/Family Planning and Basic Education projects managed by USAID/Egypt revealed that the Mission needed to significantly upgrade its monitoring of project commodities.

- Under the population project, which by all accounts had been quite successful in helping to reduce Egypt's steep rate of population increase, it was found that a public sector company had sold about 20 million condoms more than the number allotted to it for commercial sales. (A collateral OIG investigation indicated that many of these prophylactics were ultimately retailed and used as toy balloons in rural areas.) The GOE has recently refunded the local currency equivalent of the landed value of these commodities -- nearly \$1.1 million -- to AID.

- Auditors also found that \$40 million in educational materials and equipment, distributed under what the Mission regarded to be a highly successful Basic Education project, had lain largely unused for years as a result of poor procurement planning and a lack of resources and training needed to utilize them. This finding and another having to do with the rapid deterioration of many of the 1,800 schools built under this project, had also been the subject of separate audit reports issued five years earlier that evidently went unheeded.

Compliance with Audit Requirements

Audits of AID Missions' Compliance with Audit Requirements in Kenya and Zaire showed that the Missions did not always budget the funds needed to make audits of their projects in accordance with Agency policy nor, in cases where funds were budgeted, did they ensure that the audits actually took place in all cases. Furthermore, pre-award surveys of local grantees were not always made to ensure that they could account for AID resources before those resources were made available to them. As a result, one of the Agency's primary tools for ensuring accountability for its resources in these countries was left largely unused.

Non-Project Assistance: Commodity Import Program

An audit of the commodity import program in Egypt -- the largest such non-project assistance program in the Agency -- revealed it to be a generally well managed operation because knowledgeable and

experienced commodity managers had established and maintained effective internal controls over this \$200 million/year activity. In contrast, a similar program in Kenya was found to be fraught with problems. The Mission had not adequately monitored the arrival of commodities included in the audit nor did it have reasonable assurance that some \$55 million in equivalent local currency resulting from the sale of the commodities, and deposited into a Special Account established to receive and properly manage those funds, had been withdrawn for authorized purposes.

Cash Transfers

Although OIG auditors did not find any reportable conditions affecting another large non-project assistance activity in Egypt -- several cash transfers totalling nearly \$400 million -- they were unable to formally attest to these audit results because USAID/Egypt refused to provide them with requested management representations concerning this activity. A review of several cash transfers to the Government of Senegal, on the other hand, showed that the Mission had not obtained full compliance with a key condition precedent to disbursement of the most recent cash grant. It was also found that certain policy criteria relevant to the source of these monies -- the Development Fund for Africa -- and their use in these circumstances had remained in draft for a protracted period without being finalized.

Food Assistance

An audit of food aid to Mozambique disclosed that the Mission had followed AID policies in accounting for the arrival and sale of the foodstuffs, and no problems were detected regarding the use of the resulting local currency sales proceeds. However, the auditors determined that due to a lapse in internal controls, errors in the data used to calculate the amount of local currency to be deposited into the Special Account at times went undetected, and resulted in deposit shortfalls totalling \$2.8 million in equivalent local currency.

Participant Training

Several audits of AID participant training programs in Egypt, Ghana, Pakistan, and Senegal revealed that problems reported several years previously, and supposedly addressed by Agency management, continued to limit the effectiveness of training efforts. Among the deficiencies most commonly noted: certain participants did not possess adequate English language skills, the cost of comparable training at alternative institutions was not

adequately factored into training site selection, training costs were not appropriately monitored, there was inadequate assurance that participants returned to their countries of origin, and returned participants were not contacted in order to evaluate their experiences and to ensure that their training was being put to use as planned.

Management Issues: Financial Control Systems

Audits of Mission Accounting and Control Systems (MACS) in Kenya, Indonesia and elsewhere have determined that this Mission-based system is generally reliable. As noted in these and other reports, however, the system is only as reliable as those who make inputs into it. For example, voucher examiners who approve payments based upon invoices submitted under contracts about whose existence or provisions they are unaware, unknowingly yet effectively circumvent the system's controls. And those who are responsible for reconciling financial information produced by MACS with third parties (e.g. U. S. Disbursing Officers) but then do not ensure that unreconciled items eventually become reconciled, also effectively defeat the purpose of the automated control system.

Operating Expenses: Real and Personal Property Management

An audit of AID operating expenses in Nepal disclosed that a costly office lease-purchase agreement had been executed several years previously in contravention of Agency policy. Furthermore, the Mission had not adequately followed approved property management procedures. As a result, AID's ultimate acquisition of the leasehold property was doubtful, while Mission inventory and control procedures left AID-owned property insufficiently protected.

Payments for Storage of Employees' Personal Effects

OIG's Office of Programs & Systems Audits reviewed AID's procedures for payment of storage services administered by the Transportation & Storage Branch, Travel & Transportation Division, Directorate for Finance and Administration. The auditors found a generalized lack of adherence to authorized procedures (internal controls) governing these payments. This had led to duplicate payments, payments on behalf of ineligible individuals, and payments without proper authorization.

Mandated Audits: Emergency Assistance to Nicaragua and Panama

Mandated audits are those which the Congress requires by legislation or calls for in Committee Reports. The 1990 Dire Emergency Supplemental Appropriations Act, for example, required OIG to assess the financial management and administrative systems under which \$300 million and \$420 million in Economic Support Fund assistance was to be provided to Nicaragua and Panama, respectively. The audits found that both Missions had omitted formalizing certain fundamental control procedures.

- Additionally, in Nicaragua the USAID did not notify Congress of changes in the scope of cash transfer-funded activities, omitted establishing criteria by which to measure actual results against those planned, and did not accurately report accrued project expenditures.

- In Panama the Mission's assumption that a liquidity crisis would hamper normal banking operations was not borne out in fact. Furthermore, nearly \$108 million made available to the local banking system could not be linked with eligible lending activity after disbursement of AID funds. Because disbursement had been based on loans made previously by local banks, and because AID funds were invested in interbank CDs to bolster the liquidity of the banking system, any attempt to audit the efficacy of AID cash transfer assistance in reactivating the Panamanian private sector was effectively obviated.

Use of Consultants and Lobbying Restrictions

Each year the Office of Programs and Systems Audits (PSA) reviews AID's use of consulting services and restrictions against lobbying efforts by recipients of AID contracts and loans as required in pertinent Federal statutes. Despite the long-standing nature of the legislation, the audits found that:

- with respect to the use of consultants, the Agency had yet to fully implement controls governing procurement justifications, approvals for high value contract awards, and the evaluation of completed contracts; and

- as regards lobbying restrictions, due to a lapse in controls over half of the 107 contracts and grants sampled by the auditors were found not to have been accompanied by the necessary notifications about lobbying restrictions. In each of the 61 cases noted, responsible AID contracting officers had failed to include certification requirements in the contract solicitation or final agreement.

FY1993 PERFORMANCE AUDITS

Worldwide Audit Themes

For the first time in the coming audit cycle, a substantial portion of OIG's planned audit work (about 40% of direct audit hours) will be focused on several themes deemed important enough to merit such concentrated audit effort.

Procurement of Technical Assistance Services

Because AID implements so many of its projects through the use of contractors whose main function is to provide technical assistance to host governments and non-governmental entities, this procurement category accounts for a large proportion of the Agency's expenditures. Accordingly, audits of technical assistance procurement were among the first attempted under the IG's new systems approach. Those reviews have disclosed numerous, serious problems in virtually all phases of the contracting process. Hence, each audit component will make not less than one audit of this subject during FY93.

Compliance with Host Country Contracting Guidance

Once the Agency's preferred contracting method, the use of host country contracts (HCC) has decreased measurably over the recent past. Past IG and GAO audits of activities involving host country contracts have resulted in numerous problems being reported. This audit will seek to ascertain how well the Agency's field Missions that are still using this contracting mode have adhered to revised guidance issued in November 1990 (STATE 399975) by AID/Washington in an attempt to strengthen Agency management and controls over this contracting format.

Compliance with Guidance on Programming and Managing Local Currency

This guidance was issued by cable in June 1991 (STATE 204855) and incorporated into Agency Policy Determination #18 (July 30, 1991). Local currencies result from the transfer of cash and commodities by AID to cooperating countries. (Local currencies produced under PL480 Titles II and III, for which AID is responsible, will not be included in this audit.) The local currencies are to be used for mutually agreeable purposes as programmed by AID and local

officials for developmental uses. Past audit reports have been critical of the Agency's management and controls over AID-"generated" local currencies. Problems reported have ranged from conversion rates to deposit shortfalls to unauthorized uses of these monies. Revised policy guidance calls for greater accountability to be established in countries where AID resource transfers lead to the deposit and use of local currencies. This audit, specifically recommended in the report of the President's Commission on the Management of AID Programs, will seek to determine the degree of compliance achieved by certain field Missions responsible for local currency generations.

Compliance with Guidance on Cost Sharing Counterpart Contributions

This guidance pertains to public sector counterpart contributions only, as established in AID Project Agreements with cooperating countries. Although the counterpart contribution requirement stems from FAA Section 110(a) which calls for host governments to demonstrate that they have "a stake" in the successful implementation of AID-sponsored activities by defraying not less than 25% of their total cost, the section technically applies only to activities financed under the Development Assistance and Development Fund for Africa accounts. However, most Economic Support Fund-financed project agreements also contain host government counterpart commitments in cash or in kind. Here again, past audits have found problems not only regarding host government compliance with their counterpart contribution commitments, but also with AID's lax monitoring of this critical funding aspect. The audit will seek to determine the efficacy of revised Agency guidance as contained in STATE 138349 (April 1991) at its field Missions.

Performance of the Housing Investment Guaranty (HIG) Program

The Chief Financial Officers Act of 1990 mandates annual audits of Agency financial statements by Federal Inspectors General. Although AID is not yet in a position to prepare auditable Agencywide financial statements, it has begun preparing such statements for selected programs, including HIG. Housing Investment Guarantees are "full faith and credit" promises of the United States Government to repay the principal and any interest owing to American commercial investors should the borrowers default on loan repayments. The relatively soft, market-rate loans are used to promote LDC urban sector policy reforms and to fund shelter and infrastructure construction and community upgrading in AID-

assisted countries. Fees collected from loan proceeds and repayments are meant to defray the program's operating costs.

Two successive annual audits of HIG Program financial statements by Price Waterhouse, the CPA firm retained by AID to make these audits under IG supervision and quality control, have resulted in disclaimers of opinion. Disclaimers signify that the condition of the books and accounts of the program did not permit the auditors to make the tests they needed and arrive at supportable conclusions or opinions about the accuracy and reliability of the statements. Furthermore, several instances of material weaknesses in the program's internal controls and non-compliance with applicable laws were noted and reported. Moreover, performance indicators developed by cognizant program managers to accompany the financial statements, purportedly relating program performance to budget allocations and expenditures, did not present program data in such a way as to permit them to be linked with the annual financial statements, as intended by the CFO Act. Nor was there a system in place to accumulate such data in a way that could be considered reliable for purposes of the Act. Finally, the CPA's audit results indicate that due to an inadequate fee structure and revenue shortfalls from many non-performing loans -- representing about \$1 in every \$3.60 under AID guaranty and constituting a contingent liability of some \$682 million for the U. S. Treasury -- program income has fallen substantially short of covering its operating costs. As a result, the HIG program has had to borrow \$130 million from the Treasury, the cost of which only adds to the substantial operating deficits (totaling nearly \$170 million over the past three years) registered by the HIG Program. Periodic performance audits of selected HIG country programs will provide greater perspective to future financial statement audits and help Agency managers to better assess the overall operations of the HIG program's \$2.5 billion guaranty portfolio.

Performance of the Private Sector Investment Program (PSIP)

While PSIP began by providing direct loan assistance and can still do so, more recently it has provided a variety of guaranties in order to stimulate the expansion of private sector activities in developing countries. Over the past decade PSIP assisted 95 separate private sector initiatives for an authorized value of \$150 million in loans and guaranties of which just over \$45 million had been utilized. The first annual audit of PSIP under the CFO Act by the same CPA firm as mentioned above also resulted in a disclaimer of opinion on the financial statements because of inadequate and incomplete accounting records. Material control and compliance weaknesses were also detected and reported. Problems similar to

those described under the HIG Program were also encountered in assessing program performance indicators. Serious deficiencies in program oversight and accounting records have led to slow project implementation and inadequate information about program impact. Performance audits of some these projects will help fill these information gaps and place the program's operations and financial statements in better perspective for Agency managers and interested legislators.

Performance of AID's Audit Management & Resolution Program (AMRP)

Implemented in the Spring of 1992, AMRP clarifies the roles and responsibilities of OIG and Agency management in handling both performance and financial audits and following up on their recommendations. Overall responsibility for the AMRP belongs to the Agency's Management Control Staff in AID/W. However, AID Missions should also replicate this structure in the field and specifically designate an audit management officer whose duties include arranging for, and following up on, audits of local AID recipients, and liaising with the Regional Inspector General for Audit having cognizance for that Mission's activities. The audit will seek to determine how well the Agency has implemented this program during its first year of activities.

N.B. The foregoing worldwide audit was the subject of one of the recommendations (#21) included in the Report of the Joint AID-OMB Task Force ('SWAT Team') on A.I.D. Management. OIG's Office of Program and Systems Audits will assume lead responsibility for this review. Although all audit components will probably participate, the recency of report issuance by OMB precluded planning specifically which AID/Washington offices and field locations would be included as subjects for this audit. Such detailed planning will take place in conjunction with the normal mid-cycle Plan update exercise next winter.

WORLD WIDE AUDIT SUBJECTS - FY1993

| Audit/Offices | FY 92-IV QTR | FY 93-I QTR | FY 93-II QTR |
|--|---------------------|--------------------|---------------------|
| Technical Assist. RIG/As Dakar, Cairo, Nairobi, Singapore, Tegucigalpa; IG/A/PSA | | | |
| Host Country Contracting RIG/As Cairo,* Nairobi, Singapore | | | |
| Cost-Sharing Counterpart Cont. RIG/As Dakar, Nairobi, Singapore,* Tegucigalpa | | | |
| Local Currency RIG/As Cairo, Nairobi,* Singapore, Tegucigalpa | | | |
| Housing Invest. Guaranty IG/A/PSA;* RIG/As Nairobi, Singapore, Tegucigalpa, Vienna | | | |
| Private Sector Invest. Pgm. RIG/As Nairobi, Singapore, Tegucigalpa; IG/A/PSA * | | | |
| Audit Mgt. & Resolution Pgm. IG/A/PSA * & Others | | | |

* Denotes Lead Office

WORLD WIDE AUDIT SUBJECTS - FY1993

| Audit/Offices | FY 93-III QTR | FY 93-IV QTR | FY 94-I QTR |
|--|----------------------|---------------------|--------------------|
| Technical Assist. RIG/As Dakar, Cairo, Nairobi, Singapore, Tegucigalpa; IG/A/PSA | | | |
| Host Country Contracting RIG/As Cairo,* Nairobi, Singapore | | | |
| Cost-Sharing Counterpart Cont. RIG/As Dakar, Nairobi, Singapore,* Tegucigalpa | | | |
| Local Currency RIG/As Cairo, Nairobi,* Singapore, Tegucigalpa | | | |
| Housing Invest. Guaranty IG/A/PSA;* RIG/As Nairobi, Singapore, Tegucigalpa, Vienna | | | |
| Private Sector Invest. Pgm. RIG/As Nariobi, Singapore, Tegucigalpa; IG/A/PSA * | | | |
| Audit Mgt. & Resolution Pgm. IG/A/PSA * & Others | | | |

* Denotes Lead Office

REGIONAL PERFORMANCE AUDIT PLANS

In addition, Regional Inspectors General for Audit in Cairo, Dakar, Nairobi, Singapore, Tegucigalpa, Vienna-Europe/Washington and the Office of Program & Systems Audits have each developed plans for their areas of responsibility which encompass audits of most of the twelve major Agency delivery systems, as described in a previous section of this Plan.

Accordingly, performance audits planned by and approved for each IG audit component, except the Office of Financial Audits, are summarized in the following section, including the preliminary audit objectives to be pursued under each.

N.B. In addition to the engagements listed for each office, they will also participate in the worldwide theme audits described previously.

**PERFORMANCE AUDITS
OFFICE OF PROGRAM AND SYSTEMS AUDITS
FISCAL YEAR 1993**

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1. Audit Title: A.I.D.'s Housing Guaranty Program

Type of Audit: Centrally Directed - Worldwide

Participating Offices: IG/A/PSA - Lead Office,
 RIG/A/Nairobi, RIG/A/Singapore,
 RIG/A/Tegucigalpa, and RIG/A/Vienna

Countries: Chile, Indonesia, Israel, and Portugal

Synopsis: The Housing Guaranty Program is A.I.D.'s primary capital resource for shelter programs and related urban activities. Through this Program, the U.S. private sector provides long-term financing for low-income shelter and neighborhood upgrading programs in developing countries. Because the U.S. Government guarantees loan repayment, private lenders charge favorable interest rates. A.I.D. charges a fee to cover its operating costs.

The Office of Housing and Urban Programs, which is part of A.I.D.'s Bureau for Private Enterprise, administers the Housing Guaranty Program. The Office has seven Regional Housing and Urban Development Offices (RHUDOs) to advise USAID Missions and to co-manage with them most of A.I.D.'s capital and technical assistance programs for housing and urban development. RHUDOs are located in Jamaica, Honduras, Ecuador, Ivory Coast, Tunisia, Kenya, and Thailand.

Since the Program's inception in 1964, A.I.D. has authorized over \$2.5 billion in loan guaranties to finance 204 housing and urban projects in over 40 countries. A.I.D. estimates that more than 650,000 shelter solutions (including sites and services and core units, home improvement loans, urban upgrades, and community facilities) have been built by the program for low-income families.

In recent years, A.I.D. has used the Program to effect change in the housing and urban development sector. Under the sectoral approach, funds are released to the host government in return for policy reforms such as deregulation of interest rates or adoption of more realistic building codes. At the same time, the host government uses its own funds to support housing or neighborhood improvement projects which are attributed to the guaranteed loan funds.

Information on Program performance is basic to good management and is an element of the Agency's annual financial statements which are required by the Chief Financial Officers Act. The

audit will focus on A.I.D.'s ability to accurately assess and report on Program performance.

The audit will answer the following audit objectives:

- (1) Does A.I.D. plan, develop, and approve housing guaranty projects in accordance with applicable laws, regulations, and A.I.D. policies and procedures?
- (2) Does A.I.D. monitor, evaluate, and report on housing guaranty programs in accordance with applicable laws, regulations, and A.I.D. policies and procedures?

Audit Responsibilities: IG/A/PSA will be responsible for the audit including developing the audit program for worldwide use, overseeing audit work of participating regions, and writing the final report. Participating offices may issue separate audit reports to Missions within their regions included in the worldwide audit.

2. Audit Title: Performance of AID's Audit Management & Resolution Program (AMRP)

Type of Audit: Centrally Directed

Participating Offices: IG/A/PSA - Lead Office
Other Participating Offices To Be Determined

Countries: To Be Determined

Implemented in the Spring of 1992, AMRP clarifies the roles and responsibilities of OIG and Agency management in handling both performance and financial audits and following up on their recommendations. Overall responsibility for the AMRP belongs to the Agency's Management Control Staff in AID/Washington. However, AID Missions should also replicate this structure in the field and specifically designate an audit management officer whose duties include arranging for, and following up on, audits of local AID recipients, and liaising with the Regional Inspector General for Audit having cognizance for that Mission's activities. The audit will seek to determine how well the Agency has implemented this program during its first year of activities.

This worldwide audit was the subject of one of the recommendations (#21) included in the Report of the Joint AID-OMB Task Force ('SWAT Team') on A.I.D. Management.

Audit objectives are to be determined.

Audit Responsibilities: OIG's Office of Program and Systems Audits will assume lead responsibility for this review. Although all audit components will probably participate, the recency of report issuance precluded planning which AID/Washington offices and field locations would be included as subjects for this audit. Such detailed planning will take place in conjunction with the normal mid-cycle Plan update exercise next winter.

3. Audit Title: Private Sector Investment Program

Type of Audit: Centrally Directed

Participating Offices: IG/A/PSA - Lead Office,
RIG/A/Nairobi, RIG/A/Singapore, and
RIG/A/Tegucigalpa

Countries: To Be Determined

Synopsis: The Private Sector Investment Program (formerly the Private Sector Revolving Fund) was authorized in 1983 under Section 108 of the Foreign Assistance Act to promote private sector activity in developing countries, primarily through increasing credit to small private sector enterprises.

The Program is managed by A.I.D.'s Bureau for Private Enterprise, Office of Investment. The Office administers a variety of guarantee and direct loan programs designed to develop the private sector of recipient countries.

As of September 30, 1991, the Program had been authorized \$150 million of which \$45.4 million had been used to finance 95 projects in 31 countries. More than 60 percent of Program resources have gone for loan guarantees.

Information on program performance is basic to good management and is an element of the Agency's annual financial statements which are required by the Chief Financial Officers Act. The audit will focus on A.I.D.'s ability to accurately assess and report on program performance.

The audit will answer the following audit objectives:

- (1) Does the Office of Investment plan, develop, and approve private sector investment program activities in accordance with applicable laws, regulations, and A.I.D policies and procedures?
- (2) Does the Office of Investment monitor, evaluate, and report on private sector investment program activities in accordance with A.I.D. policies and procedures?

Audit Responsibilities: PSA will be responsible for the audit including developing the audit program for worldwide use, overseeing the work of participating audit offices, and writing the overall audit report. RIGs may issue separate reports for the countries audited.

4. Audit Title: Advisory and Assistance Services Contracts

Type of Audit: Centrally Directed - Congressionally Mandated

Participating Offices: IG/A/PSA - Lead Office,
RIG/A/Cairo, RIG/A/Dakar,
RIG/A/Nairobi, RIG/A/Singapore, and
RIG/A/Tegucigalpa

Countries: To Be Determined

Synopsis: Section 1114 (b) of the Money and Finance Enactment Act (P.L. 97-258) requires the Inspector General to submit an annual evaluation to the Congress on the Agency's progress in:

- establishing effective management controls over consulting services, now known as advisory and assistance services, and
- improving the accuracy and completeness of the information provided to the Federal Procurement Data System (FPDS) on advisory and assistance services contracts.

Office of Management and Budget (OMB) Circular A-120 prescribes a system of management control and reporting requirements which A.I.D. must meet.

We have performed this congressionally mandated audit each year for the past ten years. Our work has shown that A.I.D. has improved its management of advisory and assistance services contracts, but problems still remain. We have often reported that A.I.D. does not provide the FPDS with complete and accurate annual information on advisory and assistance services because of imprecise contract classification guidance and delays in obtaining data from overseas offices. This year's audit will focus on these particular problems and on A.I.D.'s effort to resolve them.

The audit will answer the following objectives:

- (1) Does A.I.D. classify advisory and assistance services contracts in accordance with OMB Circular A-120?
- (2) Does A.I.D. fully report advisory and assistance services contracts in the time required by OMB Circular A-120?

Audit Responsibilities: PSA will be responsible for the audit including developing the audit program for worldwide use, overseeing the work of participating audit offices, and writing the overall audit report.

5. Audit Title: A.I.D.'s Compliance with the Lobbying Restrictions of 31 U.S.C. 1352

Type of Audit: Centrally Directed - Congressionally Mandated

Participating Offices: IG/A/PSA - Lead Office, RIG/A/Cairo, RIG/A/Dakar, RIG/A/Nairobi, RIG/A/Singapore, and RIG/A/Tegucigalpa

Synopsis: Section 1352, Title 31 of the United States Code restricts the use of appropriated funds for lobbying activities. The general provisions of this law are as follows:

No appropriated funds may be used by the recipient of a Federal contract, grant, cooperative agreement, or loan to pay for influencing the award of a covered Federal action. (Covered Federal

actions consist of contracts, grants, cooperative agreements, and loans.)

- Each person who requests or receives **appropriated funds** must certify that no prohibited payments have been or will be made.
- Each recipient of appropriated funds shall file a disclosure form if payments which would be prohibited have been or will be made from **non-appropriated funds**.

The law provides for penalties ranging from \$10,000 to \$100,000 for violating these provisions. The law also requires each IG to report annually to the Congress on its agency's compliance with and effectiveness of the lobbying restrictions.

This is the third year that we have performed this congressionally mandated audit. Past audits have shown that A.I.D. has issued procedures to notify Federal award recipients of required certification and disclosure requirements. However, audit tests have shown that these procedures have not always been carried out. As a result, an already weak law has been made weaker.

This annual audit will focus on the notification problem and A.I.D.'s efforts to resolve it. In addition, the audit will determine actions that A.I.D. could take to make the Law more effective as well as identify past efforts.

The audit will answer the following audit objectives:

- (1) Did A.I.D. implement procedures to ensure compliance with the certification and disclosure requirements of 31 U.S.C. 1352?
- (2) Did A.I.D. compile disclosure statements and report on them to the Congress as required by 31 U.S.C. 1352?
- (3) What actions not specifically required by 31 USC 1352 has A.I.D. taken or could A.I.D. take to improve the Law's effectiveness?

Audit Responsibilities: PSA will be responsible for the audit including developing the audit program for worldwide use,

overseeing the work of participating audit offices, and writing the overall audit report.

6. **Audit Title:** A.I.D.'s Implementation of the Office of Management and Budget Circular A-123

Type of Audit: Centrally Directed

Participating Offices: IG/A/PSA - Lead Office, RIG/A/Cairo, RIG/A/Dakar, RIG/A/Nairobi, RIG/A/Singapore, RIG/A/Tegucigalpa, and RIG/A/Vienna

Countries: To Be Determined

Synopsis: The Congress enacted the Federal Managers' Financial Integrity Act (FMFIA), Public Law 97-255, in September 1982. The primary purposes of the Act are to improve agency internal control systems; prevent and detect fraud, abuse, and waste; and improve the effectiveness of Federal agency operations and programs. The Act requires that (1) each executive agency conduct annual evaluations of internal controls in a manner established by the Office of Management and Budget and (2) that the head of each executive agency submit annual statements to the President and the Congress on the status of the agency's internal controls.

Office of Management and Budget (OMB) Circular A-123, which implements the Act, requires agencies to establish a system to review internal controls and annually report to the President and the Congress on their condition.

The audit will answer the following audit objectives:

- (1) Does A.I.D. conduct internal control assessments in accordance with OMB Circular A-123?
- (2) Does A.I.D. report the results of its assessments in accordance with OMB Circular A-123?

Audit Responsibilities: PSA will be responsible for the audit including developing the audit program for worldwide use, overseeing the work of participating audit offices, and writing the overall audit report.

7. **Audit Title: AID/Washington's Technical Services Requirements**

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: In carrying out its mission, A.I.D. often acquires technical services from external sources. These services are normally procured from professional "for-profit" firms, but are also acquired through personal services contracts, cooperative agreements, grants, participating agency services agreements, and resources support services agreements. According to information from the Agency's Contract Information Management System, during Fiscal Year 1991 A.I.D. entered into 183 technical services arrangements totaling \$183 million.

Management responsibility for technical services in AID/Washington is generally split between the organizational unit requiring the services and the Office of Procurement, located within the Directorate for Finance and Administration. The office in need of the services is responsible for, among other things, assessing need, developing the Project Implementation Order/Technical Services, monitoring contractor activity, evaluating contractor performance, and closing out the contract. The Office of Procurement develops, awards, and signs the contract.

This audit will focus on the processes related to determining A.I.D.'s need and justification for procuring technical services.

The audit will answer the following audit objectives:

- (1) Does AID/Washington assess the need for technical services in accordance with A.I.D. policies and procedures?
- (2) Does AID/Washington prepare and review technical services requests in accordance with A.I.D. policies and procedures?

8. **Audit Title: AID/Washington's Technical Services Procurement**

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: In carrying out its mission, A.I.D. often acquires technical services from external sources. These services are normally procured from professional "for-profit" firms, but are also acquired through personal services contracts, cooperative agreements, grants, participating agency services agreements, and resources support services agreements. According to information from the Agency's Contract Information Management System, during Fiscal Year 1991 A.I.D. entered into 183 technical services arrangements totaling \$183 million.

Management responsibility for technical services in AID/Washington is generally split between the organizational unit requiring the services and the Office of Procurement, located within the Directorate for Finance and Administration. The office in need of the services is responsible for, among other things, assessing need, developing the Project Implementation Order/Technical Services, monitoring contractor activity, evaluating contractor performance, and closing out the contract. The Office of Procurement develops, awards, and signs the contract.

This audit will focus on the procurement of technical services.

The audit will answer the following audit objective:

- (1) Does the Office of Procurement procure technical services from qualified providers in a timely manner in accordance with applicable regulations and A.I.D. policies and procedures?

9. Audit Title: The Bureau for Latin America and the Caribbean's Centrally-Funded Training Programs

Type of Audit: Locally Directed

Synopsis: The Latin America and Caribbean (LAC) Bureau manages three large training projects. In general, the purpose of these projects is to select disadvantaged individuals with leadership potential and provide them with skills that are needed in their home countries. At the same time, it is hoped that their training in the U.S. will familiarize participants with U.S. systems and ideas.

The projects are implemented through grants to Georgetown University, the United Schools of America, the Consortium for Services to Latin America, the Leadership Center of America, and several smaller grants.

Obligations and expenditures for the three projects total approximately \$71 million and \$43 million, respectively.

The audit will answer the following audit objectives:

- (1) Has the Bureau for Latin America and the Caribbean developed a training plan?
- (2) Did the Bureau for Latin American and the Caribbean design and approve its centrally-funded training projects in accordance with Handbooks 3 and 10?
- (3) Did the Bureau for Latin American and the Caribbean ensure that participants were selected in accordance with Handbook 10 requirements?
- (4) Did the Bureau for Latin America and the Caribbean ensure that administrative costs incurred by its grantees were reasonable and necessary in accordance with A.I.D. policies?
- (5) Did the Bureau for Latin America and the Caribbean ensure that A.I.D. Missions performed follow-up activities with participants in accordance with Handbook 10 requirements?
- (6) Did the Bureau for Latin American and the Caribbean, in conjunction with its grantees and contractors, implement a monitoring, reporting, and evaluation system in accordance with Handbook 3 and Handbook 10 requirements?

10. Audit Title: The Office of Research's Grants and Cooperative Agreements

Type of Audit: Locally Directed

Synopsis: Grants and cooperative agreements are gifts to nonprofit organizations in support of an agreed-upon purpose. They involve less oversight by A.I.D. than contracts and are awarded to support grantees' programs which are consistent

with A.I.D. objectives. The Office of Research, located in the Bureau for Research and Development, funds basic innovative research usually through small grants. The Office manages six projects with about 120 grants totaling \$18.8 million, including 30 grants totaling \$6.1 million with 18 foreign institutions.

The audit will answer the following audit objectives:

- (1) Did the Office of Research solicit proposals, review proposals, and negotiate grants and cooperative agreements in accordance with A.I.D. policies and procedures?
- (2) Did the Office of Research follow A.I.D. policies and procedures in establishing and implementing a monitoring, reporting, and evaluation system to ensure that research activities are implemented in accordance with grants and cooperative agreements?
- (3) Did the Office of Research comply with applicable audit requirements?

11. Audit Title: Management of Grants and Contracts by the Bureau for Latin America and the Caribbean's Office of Democratic Initiatives

Type of Audit: Locally Directed

Synopsis: The Office of Democratic Initiatives, Bureau for Latin America and the Caribbean, manages several grants, cooperative agreements, and contracts with obligations totaling \$9.6 million as of June 30, 1991.

The audit will answer the following audit objectives:

- (1) Did the Office of Democratic Initiatives prepare program descriptions and scopes of work with enough specificity to permit the Office of Procurement to award effective contracts and grants in accordance with A.I.D. policies?
- (2) Did the Office of Democratic Initiatives follow applicable regulations and A.I.D. policies in selecting qualified grantees and contractors?

- (3) Did the Office of Democratic Initiatives, in conjunction with its grantees and contractors, establish and implement a monitoring, reporting, and evaluation system in accordance with A.I.D. policies?

12. Audit Title: Controls Over Miscellaneous Collections

Type of Audit: Locally Directed

Synopsis: The Office of Financial Management is the focal point for receiving miscellaneous cash receipts resulting from Agency operations. These receipts, estimated at \$150 million per year, include voluntary refunds from contractors and grantees, adjustments of allowable costs or overhead rates, and interest earned on Agency funds held in interest bearing accounts.

The audit will answer the following audit objectives:

- (1) Does A.I.D. control miscellaneous collections from receipt to recording in the Agency's accounts in accordance with A.I.D. policies and procedures in A.I.D. Handbook 19, Chapters 7 and 13?
- (2) Does the Office of Financial Management clear the suspense accounts for miscellaneous collections in accordance with A.I.D. Handbook 19, Chapter 7?
- (3) Does the Office of Financial Management reconcile collections reported by the Department of the Treasury with its own accounting records in accordance with A.I.D. Handbook 19, Chapter 7?
- (4) Should the Office of Financial Management establish a system of billings to cover miscellaneous collections?

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**PERFORMANCE AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/CAIRO
FISCAL YEAR 1993**

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1. **Audit Title: Implementation of Agency Guidance on Oversight of Host Country Contracting**

Type of Audit: Centrally Directed - Worldwide Theme

Participating Offices: RIG/A/Cairo - Lead Office,
RIG/A/Nairobi, and RIG/A/Singapore

Countries: Egypt, Philippines, and Zimbabwe

Synopsis: At the interim IG planning conference, it was agreed that the RIG/A/C would develop an audit program for assessing the progress made by Missions in implementing final host country contracting guidance contained in 90 State 399975 dated November 28, 1990. Since the guidance was effective immediately, adequate time will have transpired for implementation by the time audit work is initiated in FY 1993.

The guidance, designed to implement a GAO audit report recommendation for A.I.D. to improve its oversight of host country contracting, aims to strengthen A.I.D.'s participation in host country contracts that exceed \$250,000 by requiring the Mission to:

- prepare a written determination that the host country contracting agency has or will obtain the capability to undertake the procurement;
- approve host country contract actions such as: notices to prospective offerors or bidders, solicitation documents, signed contract documents, subcontracts, amendments and change orders;
- plan and fund close-out audits on a timely basis; and
- report on implementation of the guidance.

The audit will answer the following audit objectives:

- (1) Did A.I.D. Missions follow host country contracting guidance in allocating staff resources, assessing and certifying host country contracting capabilities, approving interim procurement steps, especially evaluating proposals, and ensuring that audits of host country contracts are made and that host country contracts are closed out?

- (2) What progress have A.I.D. Missions made and reported in approving host country contract actions and in planning and funding close-out audits as required in revised Agency guidance 90 State 399975?

Audit Responsibilities: In addition to performing audit work in Egypt, RIG/A/Cairo will develop an audit program, coordinate audit work of participating regions, and prepare a summary report on overall results. Participating RIGs may issue separate reports to Missions audited.

2. Audit Title: Controls Over Commodities Procured By Technical Assistance Contractors

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: Procuring commodities through technical assistance contractors is a procurement method favored by USAID/Egypt. However, Mission management and other RIGs have indicated problems in spite of fairly well defined controls that A.I.D. should exercise over such procurements. For example, the Mission recently found that a contractor improperly procured over \$3 million in commodities. Ninety-five percent of the commodities were procured sole source, and source and origin requirements were significantly violated. This contractor is responsible for procuring an additional \$17 million in commodities for USAID/Egypt.

The audit will answer the following audit objectives:

- (1) Did USAID/Egypt follow A.I.D. policies and procedures in ensuring all applicable contract clauses regarding commodity procurement were incorporated in technical assistance contracts and/or commodity approval documents as suggested in A.I.D. Handbooks 3 and 11?
- (2) Did USAID/Egypt follow A.I.D. policies and procedures in monitoring commodities procured by technical assistance contracts to ensure that commodities procured were approved, that specifications used to procure items were monitored, that competitive bids and quotes were received, and that paid for items arrived as suggested in A.I.D. Handbooks 3 and 11?

3. **Audit Title:** USAID/Egypt's Reporting on Project Progress and Problems

Type of Audit: Locally Directed

Synopsis: Reporting is one of the principal ways that a Mission monitors projects. The Project Officer should, therefore, ensure that assistance agreements and contracts require appropriate progress, financial, and utilization reports. Also, the Project Officer should review these reports and take corrective action on indicated problems.

In addition to reviewing reports prepared by the contractor and grantee, the Project Officer should make site visits and prepare reports of his observations. Among the areas to be covered in these site visit reports are progress in meeting targets for project inputs, outputs, and disbursements.

To ensure that bureau management is kept abreast of project progress and problems, Agency guidance requires that Project Officers prepare Project Implementation Reports (PIR) on each project. PIRs should provide information on such matters as project financial status, progress, problems, and impact, as well as assessments by the Mission Director as to whether projects will meet their objectives.

PIRs are forwarded to the respective bureau for review by the PIR review committee chaired by either the Deputy Assistant Administrator or another senior level Bureau Director. PIRs are therefore an important report card to management on project progress.

In addition to the geographic bureau reviews, Missions conduct project reviews, normally chaired by the Mission Director.

The audit will answer the following audit objective:

- (1) Did USAID/Egypt follow A.I.D. policies and procedures (Handbook 3) on project reporting; were significant issues and problems properly reported to management; and did management correct the problems?

4. **Audit Title: Commodities Procured for Power Projects Managed by USAID/Egypt's Development Resources Division**

Type of Audit: Locally Directed

Synopsis: USAID/Cairo's Development Resources Division manages projects that finance commodity inputs totaling in excess of \$400 million. The Division's Office of Urban Administration and Development supports various infrastructure projects in urban areas and its Office of Local Administration and Development supports similar projects in rural areas. The Division has also financed control systems to manage commodities and equipment furnished to projects.

The audit will answer the following audit objectives:

- (1) Did USAID/Egypt monitor commodities it financed to ensure that they met A.I.D. source/origin requirements as required by A.I.D. Handbooks 3 and 11?
- (2) Did USAID/Egypt monitor project commodities in accordance with A.I.D. Handbooks 3 and 11 to provide assurance that financed commodities: (a) arrived at project sites in a timely manner, and (b) once at the site, were used for project purposes?
- (3) Did USAID/Egypt monitor the Government of Egypt's use of the inventory control systems financed by the Mission to determine if those systems were placed in operation as planned?

5. **Audit Title: USAID/Egypt's Compliance with Project Evaluation Guidance**

Type of Audit: Locally Directed

Synopsis: The evaluation function within A.I.D. has been likened to the role of audit but is actually an integral part of project monitoring, as discussed in Handbook 3, Chapter 12. While often referred to and even relied upon in audit work, the evaluation system and process have rarely, if ever, been the focus of audit work. Given the scope and duration of

USAID/Egypt-funded projects as well as their sometimes incomplete design efforts, the role of evaluation--especially during the course of project implementation--is seen as crucial to the ultimate success of many projects.

The audit will answer the following audit objective:

- (1) Did USAID/Egypt plan and budget evaluations; monitor their scope, design and performance; and take action on the evaluation report recommendations as suggested by A.I.D. Handbooks 3 and 11?

6. **Audit Title:** USAID/Egypt's System to Ensure Compliance with A.I.D.'s Source and Origin Requirements for Project Commodities

Type of Audit: Locally Directed

Synopsis: A.I.D.-funded commodity procurement must comply with a number of requirements and restrictions imposed by Congress and the Agency. As a policy, A.I.D. tries to limit the source and origin of procured commodities to the United States and less developed countries of the free world. Each country is identified by a geographic code number. A.I.D. grants, contracts and other obligating documents should prescribe an "A.I.D. Geographic Code" which identifies eligible sources.

Congress has recently shown renewed interest in this issue. The Buy American Act of 1933 requires that supplies or materials purchased by the government consist "substantially" of U.S.-made products. A.I.D. has claimed that 70 percent of its purchases come from U.S. sources but revised this figure downward last year to about 53 percent. Some observers have suggested that the figure is actually close to about 10 percent. USAID/Egypt currently has 32 active projects with commodity and equipment obligations totaling over \$1.9 billion.

The audit will answer the following audit objectives:

- (1) Did USAID/Egypt procure or have procured products of U.S. source and/or origin and approve waivers if those requirements were not complied with as prescribed by A.I.D. Handbooks 3 and 11?

- (2) Did monitoring by USAID/Egypt ensure that A.I.D.-financed commodity procurement met source and origin requirements as stipulated in A.I.D. Handbooks 3 and 11?

7. **Audit Title: Office of Science & Technology's Monitoring of Projects**

Type of Audit: Locally Directed

Synopsis: Regardless of its organizational structure, each A.I.D. Mission is to ensure that an adequate monitoring, reporting, and evaluation system is in place to evaluate project progress. This audit will assess how one office at USAID/Egypt--the Science and Technology Office--monitors its project portfolio.

The Office's primary responsibility is managing the Science and Technology for Development Project which consists of two scientific research components, an energy conservation component, and a manpower development component. As of FY 1990, obligations totaled approximately \$57 million.

The audit will answer the following audit objectives:

- (1) Did USAID/Egypt provide reasonable assurance that technical services purchased for projects managed by the Science and Technology Office were provided effectively, efficiently, and as required under the terms of the contracts?
- (2) Did USAID/Egypt establish and implement a monitoring system to ensure that the Science and Technology Office's technical services contractors procured, utilized, and accounted for commodities in accordance with A.I.D. policies and procedures?
- (3) Did USAID/Egypt ensure that Science and Technology Office sponsored participant trainees were selected, trained, and returned to the project in sufficient time to be utilized, in accordance with A.I.D. policies and procedures?

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**PERFORMANCE AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/DAKAR
FISCAL YEAR 1993**

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1. **Audit Title:** Selected Internal Control Systems at OAR/Guinea Bissau

Type of Audit: Locally Directed

Synopsis: A.I.D.'s strategy for Guinea-Bissau focuses on programs encouraging economic policy reforms, especially for the agricultural sector, in conjunction with the World Bank. The strategy aims to strengthen indigenous management capacity of small and medium enterprises, using technical assistance from private voluntary organizations. As of December 31, 1991, A.I.D.'s obligations and expenditures in Guinea Bissau under five active projects, totaled \$26.1 and \$17.5 million, respectively.

The audit will assess the adequacy of internal controls related to five project management functions.

The audit will answer the following audit objectives:

- (1) Did OAR/Guinea Bissau follow A.I.D. policies and procedures in establishing and monitoring quantitative indicators for project or program progress?
- (2) Did OAR/Guinea Bissau follow A.I.D. policies and procedures in implementing and following up on project evaluation recommendations?
- (3) Did OAR/Guinea Bissau follow A.I.D. policies and procedures in accounting for project commodities and in monitoring their end use?
- (4) Did OAR/Guinea Bissau follow A.I.D. policies and procedures in monitoring the selection, award, management and oversight of technical service contractors?
- (5) Did OAR/Guinea Bissau follow A.I.D. policies and procedures in monitoring construction activities to determine conformance with specifications?

2. **Audit Title:** REDSO/WCA/WAAC's Compliance with A.I.D. Project Accounting and Fund Control Procedures

Type of Audit: Locally Directed

Synopsis: The West Africa Accounting Center of A.I.D.'s Regional Economic Development Office for West and Central Africa, located in Abidjan, Ivory Coast (REDSO/WCA/WAAC) is the official accounting station for 12 A.I.D. Missions. In this capacity, it is responsible for providing accounting and financial reporting services for 194 projects in those Missions totaling over \$316 million.

The audit will determine whether the West Africa Accounting Center has implemented a system of internal controls resulting in proper disbursement, accounting and financial reporting of project funds.

The audit will answer the following audit objectives:

- (1) Did REDSO/WCA/WAAC follow A.I.D. project accounting and fund control procedures for examining, certifying, and authorizing the payment of project expenditures?
- (2) Did REDSO/WCA/WAAC follow A.I.D. project accounting and fund control procedures for accounting and financial reporting of project expenditures?

3. Audit Title: P.L. 480 Title III Program in Ghana

Type of Audit: Locally Directed

Synopsis: The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), amended in 1990, created the Title III bilateral grant program to offset food scarcity in least developed countries and to use sales proceeds of Title III commodities for developmental activities. A country is eligible as a "least developed country" if it meets the criteria for inclusion on the World Bank's Civil Works Preference List or if the country is a "food deficit" country.

Responsibility for administering the Title III program is assigned to A.I.D.'s Food for Peace Office in the United States and individual A.I.D. Missions worldwide. Commodities are donated to the recipient country either through the Commodity Credit Corporation or through private trade channels. The commodities may be used for direct feeding programs, emergency food reserves, or sold in the recipient country and the sales proceeds used for agreed upon economic development purposes. The resulting local currencies are used

to support indigenous nongovernmental organization development programs, to the extent practicable.

P.L. 480 Title III obligations for Ghana during Fiscal Years 1991 and 1992 totaled \$12.2 million, one of the largest programs in the region.

The audit will assess management of commodities provided under the P.L. 480 Title III program.

The audit will answer the following audit objectives:

- (1) Did OAR/Ghana follow A.I.D. procedures and Public Law 480 in planning and authorizing the use of commodities under the Title III program?
- (2) Did OAR/Ghana follow A.I.D. procedures and Public Law 480 in monitoring the receipt, storage, sale, and use of commodities under the Title III program?
- (3) Did OAR/Ghana follow A.I.D. procedures and Public Law 480 in monitoring the follow-up of losses and spoilage of Title III commodities and recovery of related claims?

4. **Audit Title: USAID/Tunisia's Participant Training Program**

Type of Audit: Locally Directed

Synopsis: With an annual funding of about \$250 million, A.I.D. sponsors participant training in 71 countries to develop human resources--a most precious asset in the third world.

USAID/Tunisia has sponsored a long-term participant training project since 1981 with a funding level of approximately \$45 million. Other Mission projects have participant training components, primarily for long-term degree training to develop the country's academic and technical base.

Participant training is monitored by a training section within the Mission which maintains trainee files and coordinates training activities with two U.S. private voluntary organizations and cognizant A.I.D. and host country officials.

The audit will assess Mission management of participant training. It will cover the Mission long-term participant

training project as well as participant training components of other Mission projects.

The audit will answer the following audit objectives:

- (1) Did USAID/Tunisia follow A.I.D. policies and procedures in planning for participant training?
- (2) Did USAID/Tunisia follow A.I.D. policies and procedures in ensuring proper screening and selection of candidates sponsored for participant training?
- (3) Did USAID/Tunisia follow A.I.D. policies and procedures in monitoring participant training to ensure that it was provided and used as intended?
- (4) Did USAID/Tunisia follow A.I.D. policies and procedures in following up on participants and periodically evaluating the participant training program?

5. **Audit Title:** P.L. 480 Title II Program in Burkina Faso

Type of Audit: Locally Directed

Synopsis: Under the P.L. 480 Title II program, the U.S. Government donates food and other commodities to combat famine and malnutrition; promote economic and community development; and develop sound environmental practices.

A.I.D.'s Food for Peace Office in the United States and its Missions worldwide are responsible for administering the program in coordination with host governments and public or private voluntary organizations. Non-emergency assistance may also be provided through Private Voluntary Organizations, cooperatives, and intergovernmental organizations. Title II commodities may be sold commercially (monetized), with the proceeds used for specific development purposes.

Between Fiscal Years 1990 and 1992, A.I.D.'s P.L. 480 Title II obligations for Burkina Faso totaled \$19.3 million.

The audit will answer the following audit objectives:

- (1) Did OAR/Burkina Faso follow A.I.D. procedures and Public Law 480 in planning for the procurement and use of commodities under the Title II program?
- (2) Did OAR/Burkina Faso follow A.I.D. procedures and Public Law 480 in monitoring the receipt, storage, sale, and use of commodities under the Title II program?
- (3) Did OAR/Burkina Faso follow A.I.D. procedures and Public Law 480 in monitoring the follow-up of in-country losses and spoilage of Title II commodities and prompt recovery of related claims?

6. Audit Title: A.I.D.'s Cash Transfer Programs in Ghana

Type of Audit: Locally Directed

Synopsis: A.I.D. links cash transfer assistance to economic stabilization and policy reforms made by recipient countries. Conditions attached by A.I.D. to such assistance depend on U.S. interests in the country involved and what reforms A.I.D. judges to be appropriate for each country.

In monitoring cash transfer grants, A.I.D. is responsible for ensuring that conditions and covenants are met. However, prior RIG/A/Dakar audits reported that the conditions are often ambiguous, not clearly measurable or quantifiable and therefore difficult to monitor. Moreover, conditions precedent were reported by the Mission as having been met when, in fact, the host government had only expressed an intent to take action.

Between October 1990 and March 1992, cash transfers disbursed by the A.I.D. Mission in Ghana totaled \$16.5 million, which accounted for approximately 40 per cent of all cash transfers made by A.I.D. in West Africa during that period.

The audit will determine if the cash transfers are being planned and implemented efficiently and effectively and in compliance with applicable legislation and Agency policies and procedures.

The audit will answer the following audit objectives:

- (1) Did the A.I.D. Mission in Ghana release cash transfers based on host government progress in meeting conditions precedent or effecting stabilization and policy reforms in accordance with A.I.D. authorized agreements?
- (2) Did the A.I.D. Mission in Ghana ensure that the release, deposit, audit, and use of cash transfer dollars were in compliance with applicable provisions of cash transfer agreements, the Foreign Assistance Act and A.I.D. policies and procedures?
- (3) Did the A.I.D. Mission in Ghana measure and evaluate host country implementation of stabilization and policy reforms in accordance with A.I.D. policies and procedures and A.I.D. cash transfer agreements?

7. **Audit Title: REDSO/WCA's Monitoring of Emergency Food Relief Efforts in Liberia**

Type of Audit: Locally Directed

Synopsis: Since late 1990, the U.S. Government has been providing emergency food assistance to Liberia. The distribution in-country has been handled by the Catholic Relief Service and monitored by A.I.D.'s Regional Office (REDSO/WCA) in Abidjan. Up to four different ports, two in Liberia and two in Ivory Coast, have been used to import the food grains from the U.S. Various modes of transportation have been used to deliver food to the intended recipients, making this a complex logistical operation. The U.S. Government has spent tens of millions of dollars on this effort to date.

The audit will cover REDSO/WCA's monitoring of the emergency food relief provided to Liberia between January 1991 and December 1992.

The audit will answer the following audit objectives:

- (1) Did REDSO/WCA follow A.I.D. procedures in establishing a system for monitoring the provision of emergency food aid to Liberia?

- (2) Did REDSO/WCA follow A.I.D. procedures to ensure that the aid was reaching the intended recipients?
- (3) Did REDSO/WCA follow A.I.D. procedures in reporting on and evaluating the food aid programs and making changes as necessary?

8. **Audit Title: OAR/Burkina Faso's Technical Services**

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: Many projects require the expertise of contractors in areas such as banking, agriculture, health, and engineering in order to accomplish project objectives. A.I.D. uses two contracting methods to procure technical services. Under the A.I.D.-direct contracting method, technical services are procured directly by a Mission or by AID/Washington. Under the host-country contracting method, technical services are procured by the host country under supervision of a Mission. This audit will assess the A.I.D.-direct contracting process because the Missions in West and Central Africa generally contract directly for technical services.

OAR/Burkina Faso administers \$14.4 million of technical assistance in support of A.I.D.-funded bilateral projects of which \$12.7 million has been committed and \$9.13 million expended as of December 31, 1991.

The audit will cover A.I.D.'s systems for planning, procuring and monitoring technical services by contractors.

The audit will answer the following audit objectives:

- (1) Did OAR/Burkina Faso plan technical services in accordance with A.I.D. policies and procedures?
- (2) Did OAR/Burkina Faso procure technical services competitively, at a fair price, in a timely manner and from qualified contractors in accordance with A.I.D. policies and procedures?
- (3) Did OAR/Burkina Faso monitor contractor performance to ensure that technical services were provided and used as prescribed in A.I.D. policies and procedures?

- (4) Did OAR/Burkina Faso expend and account for technical services funds in compliance with Agency policies and procedures?

9. Audit Title: USAID/Senegal's Controls Over A.I.D.-Direct Contracts for Technical Assistance

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: USAID/Senegal relies extensively on A.I.D.-direct contracts for technical assistance to implement its project. The Mission plans, negotiates, procures, and monitors these contracts and ensures that A.I.D. funds spent on technical assistance are properly accounted for. The Mission's Regional Contracting Officer provides technical support in processing, negotiating and finalizing the contracts.

Between January 1, 1989 and December 31, 1991 USAID/Senegal earmarked approximately \$34 million for technical services contracts under 31 projects.

The audit will assess USAID/Senegal's controls over A.I.D.-direct contracts for technical assistance.

The audit will answer the following audit objectives:

- (1) Did USAID/Senegal follow A.I.D. policies and procedures and U.S. Government regulations in planning for technical assistance?
- (2) Did USAID/Senegal follow A.I.D. policies and procedures and U.S. Government regulations in procuring technical services competitively, at a fair price, in a timely manner and from qualified contractors?
- (3) Did USAID/Senegal follow A.I.D. policies and procedures and U.S. Government regulations in earmarking, committing, expending and accounting for technical services funds?
- (4) Did USAID/Senegal follow A.I.D. policies and procedures and U.S. Government regulations in monitoring contractors' performance of technical services?

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REGIONAL INSPECTOR GENERAL FOR AUDIT/NAIROBI
FISCAL YEAR 1993**

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1. **Audit Title:** Management of Host Country-Owned Local Currency

Type of Audit: Centrally Directed - Worldwide Theme

Participating Offices: RIG/A/Nairobi - Lead Office,
RIG/A/Cairo, RIG/A/Singapore, and
RIG/A/Tegucigalpa

Countries: Costa Rica, Dominican Republic, Egypt, Malawi,
Philippines, Rwanda, and Tanzania

Synopsis: A.I.D.'s revised policy on local currency is contained in Policy Determination, PD-18, dated July 30, 1991. This guidance supersedes both PD-5 of 1983 and the supplemental guidance of 1987. PD-18 describes the generation, management, and programming of host country-owned local currency. The policy clarifies circumstances under which local currency is generated and must be deposited and it permits Missions to jointly program local currency to help fund a government's deficit or reduce its debt. Most importantly, it adopts accountability standards as explained in State cable 204855 entitled "Supplemental Guidance on Programming and Monitoring Host Country-Owned Local Currency," dated June 21, 1991.

The revised policy became effective on July 1, 1991, was not retroactive, and applies only to host country-owned local currency resulting from assistance provided under the Foreign Assistance Act (FAA). Local currency generated under Public Law (P.L.) 480 and the Agriculture Act of 1949 (Section 416 (b)) is not covered under the revised policy and is therefore excluded from this audit; however, important provisions associated with P.L. 480 and Section 416(b) local currency are included in PD-18 as implementation guidance.

The accountability standards for host country-owned local currency are particularly important to the achievement of A.I.D.'s objectives for local currency. These standards (1) define Mission responsibility in programming and managing local currency, (2) contain specific requirements for managing local currency special accounts, including assessing host government capabilities to manage special accounts, and (3) provide guidelines for assuring that local currencies disbursed from the special accounts were used for agreed-upon purposes. The accountability standards also include requirements for host government reporting, Mission oversight, audits, and evaluations.

The audit will answer the following audit objectives:

- (1) Did A.I.D. implement in grant agreements and amendments the provisions for (a) generating, (b) managing, and (c) programming host country-owned local currency to achieve A.I.D.'s policy on local currency in Policy Determination Paper 18 and the supplemental guidance?
- (2) Did A.I.D. follow accountability standards in Policy Determination Paper 18 and the supplemental guidance to ensure that the accountability environment in the host country was assessed?
- (3) Did A.I.D. follow accountability standards in Policy Determination Paper 18 and the supplemental guidance to ensure that the local currencies were deposited and disbursed as required?
- (4) Did A.I.D. follow accountability standards in Policy Determination 18 and the supplemental guidance to ensure that the local currencies were programmed and used for the intended purposes?
- (5) Did A.I.D. follow accountability standards in Policy Determination Paper 18 and the supplemental guidance to ensure that the impact of the local currency program was evaluated?

Audit Responsibilities: RIG/A/Nairobi will be the lead region for this worldwide audit of Missions' adherence to policy directives and accountability standards issued last year on host country-owned local currency. In addition to conducting audit work in Malawi, Tanzania, and Rwanda, RIG/A/Nairobi will develop an audit program, coordinate audit work of participating regions, and prepare a summary report on overall results. Participating RIGs may issue reports directly to Missions audited.

2. Audit Title: USAID/Jordan Management of Technical Assistance Contracts

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: A.I.D. Missions frequently procure the technical services of contractors in areas such as health, agriculture,

training and engineering to support or implement A.I.D.-funded project activities. Often these technical services are procured under the A.I.D.-direct contracting method whereby the services are procured directly by a Mission or through AID/Washington. When the technical services are procured by a Mission, the Mission performs all of the required contracting procedures and is responsible for implementing a monitoring system to ensure that the contractor fulfills the terms of the contract. Also, Project Officers are responsible for reviewing payment vouchers submitted by the contractor to ensure that the Mission does not pay for technical services which it does not receive.

As of July 30, 1991, USAID/Jordan had obligated over \$49 million and disbursed about \$37 million for technical services.

The audit will answer the following audit objectives:

- (1) Did USAID/Jordan follow A.I.D. policies and procedures in planning for technical assistance?
- (2) Did the A.I.D. Regional Contracting Office follow U.S. Government and A.I.D. policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors?
- (3) Did USAID/Jordan and the A.I.D. Regional Contracting Office follow U.S. Government and A.I.D. policies and procedures in monitoring contractor performance?
- (4) Did USAID/Jordan and the A.I.D. Regional Contracting Office follow U.S. Government and A.I.D. policies and procedures in reviewing contractor vouchers for reimbursement, processing contractor progress payments in a timely manner, and ensuring that contractor indirect cost rate proposals were submitted and acted upon in a timely manner?

3. **Audit Title: USAID/Uganda Management of Technical Assistance Contracts**

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: A.I.D. Missions frequently procure the technical services of contractors in areas such as health, agriculture, training and engineering to support or implement A.I.D.-funded project activities. Often these technical services are procured under the A.I.D.-direct contracting method whereby the services are procured directly by a Mission or through AID/Washington. When the technical services are procured by a Mission, the Mission performs all of the required contracting procedures and is responsible for implementing a monitoring system to ensure that the contractor fulfills the terms of the contract. Also, Project Officers are responsible for reviewing payment vouchers submitted by the contractor to ensure that the Mission does not pay for technical services which it does not receive.

As of October 1991, USAID/Uganda had obligated over \$65 million and disbursed about \$26.7 million for technical services.

The audit will answer the following audit objectives:

- (1) Did USAID/Uganda follow A.I.D. policies and procedures in planning for technical assistance?
- (2) Did the A.I.D. Regional Contracting Office follow U.S. Government and A.I.D. policies and procedures in procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting qualified contractors?
- (3) Did USAID/Uganda and the A.I.D. Regional Contracting Office follow U.S. Government and A.I.D. policies and procedures in monitoring contractor performance?
- (4) Did USAID/Uganda and the A.I.D. Regional Contracting Office follow U.S. Government and A.I.D. policies and procedures in reviewing contractor vouchers for reimbursement, processing contractor progress payments in a timely manner, and ensuring that contractor indirect cost rate

proposals were submitted and acted upon in a timely manner?

**PERFORMANCE AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/SINGAPORE
FISCAL YEAR 1993**

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**PERFORMANCE AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/SINGAPORE
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12. Monitoring, Reporting, and
Evaluation Systems at USAID
Representative - Cambodia 79

1. **Audit Title: Audit of A.I.D. Controls Over Cost Sharing and Matching Contributions by Host Countries**

Type of Audit: Centrally Directed - Worldwide Theme

Participating Offices: RIG/A/Singapore - Lead Office,
RIG/A/Dakar, RIG/A/Nairobi,
RIG/A/Tegucigalpa

Countries: Botswana, El Salvador, Guatemala, Honduras,
Indonesia, Morocco, Philippines, Sri Lanka,
and Zambia

Synopsis: The requirement for cost sharing matching contributions by foreign governments has been a legal requirement for 18 years. Section 110 was added as part of the Foreign Assistance Act (FAA) of 1973 (22 U.S.C. 215). This section requires A.I.D. to ensure that countries receiving assistance under the Act contribute at least 25 percent of the cost of projects or activities. However, A.I.D. has not actively pursued the Missions to ensure that the contributions were made.

On April 27, 1991, A.I.D.'s Office of Financial Management issued a worldwide cable (91 State 138349) requiring Missions to establish a system to monitor host government contributions, include requirements for host government reporting on their contributions in project agreements or project implementation letters, and review the adequacy of host country contributions. In addition, the cable stated that Section 110 applies not only to Development Assistance funds but also to the Development Fund for Africa and many of the Economic Support Fund agreements. Therefore, most A.I.D. assistance provided since 1974 has been subject to host government contribution requirements.

The audit will assess Mission compliance with 91 State 138349.

The audit will answer the following audit objectives:

- (1) Did the Mission follow A.I.D.'s 1991 cable guidance to ensure that systems are in place to obtain information on host government contributions and that such information is recorded in the official records/files of the Mission?
- (2) Did the Mission follow A.I.D.'s 1991 cable guidance to include in agreements or project implementation

letters a requirement for host governments to report at least annually on their contributions?

- (3) Did the Mission follow A.I.D.'s 1991 cable guidance to (1) review the adequacy of the host government contribution during project implementation reviews and (2) test the reliability of the reports by Mission site visit reviews and evaluations?
- (4) Did the Mission follow A.I.D.'s 1991 cable guidance to adhere to A.I.D. Handbook 3, Chapter 2, Appendix 2G and Handbook 1, Part VII, 2.41 for computing the value of in-kind contributions and rates of exchange to be used in calculating host government contributions?

Audit Responsibilities: The audit will assess the Agency's progress in implementing the new guidance. In addition to performing audit work in Indonesia, Philippines, and Sri Lanka, RIG/A/Singapore will develop an audit program, coordinate audit work of participating regions, and prepare a summary report on overall results. Participating RIGs will issue reports directly to Missions audited.

2. Audit Title: Direct A.I.D. Contracts for Technical Assistance - Thailand

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: USAID/Thailand awards and administers millions of dollars of technical assistance contracts in support of A.I.D.-funded bilateral assistance projects. To ensure the efficient and effective use of these contracts, A.I.D. regulations require that USAID/Thailand establish and properly implement four management subsystems: planning, procurement, monitoring, and accounting for the use of A.I.D. funds.

As of November 30, 1990, USAID/Thailand was responsible for administering technical assistance contracts it awarded under five active bilateral projects. Total obligations and expenditures for these contracts at that time were \$17.3 million and \$8.0 million, respectively.

The audit will determine whether funds for technical assistance are being spent efficiently and effectively.

The audit will answer the following audit objectives:

- (1) Did USAID/Thailand follow A.I.D. procedures in planning for technical services?
- (2) Did USAID/Thailand follow A.I.D. procedures to assure that technical services were procured at a fair price, in a timely manner, and from qualified contractors?
- (3) Did USAID/Thailand follow A.I.D. procedures in monitoring contractor performance to ensure the technical services were provided and used?
- (4) Did USAID/Thailand obligate, spend, and account for technical services funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?

3. **Audit Title: Direct A.I.D. Contracts for Technical Assistance - Pakistan**

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: USAID/Pakistan awards and administers millions of dollars of technical assistance contracts in support of A.I.D.-funded bilateral assistance projects. To ensure the efficient and effective use of these contracts, A.I.D. regulations require that USAID/Pakistan establish and properly implement four management subsystems: planning, procurement, monitoring, and accounting for the use of A.I.D. funds.

As of November 30, 1990, USAID/Pakistan was responsible for administering technical assistance contracts it awarded under five active bilateral projects. Total obligations and expenditures for these contracts at that time were \$49.2 million and \$19.8 million, respectively.

The audit will determine whether funds for technical assistance are being spent efficiently and effectively.

The audit will answer the following audit objectives:

- (1) Did USAID/Pakistan follow A.I.D. procedures in planning for technical services?

- (2) Did USAID/Pakistan follow A.I.D. procedures to assure that technical services were procured at a fair price, in a timely manner, and from qualified contractors?
- (3) Did USAID/Pakistan follow A.I.D. procedures in monitoring contractor performance to ensure the technical services were provided and used?
- (4) Did USAID/Pakistan obligate, spend, and account for technical services funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?

4. **Audit Title: Direct A.I.D. Contracts for Technical Assistance - Bangladesh**

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: USAID/Bangladesh awards and administers millions of dollars of technical assistance contracts in support of A.I.D.-funded bilateral assistance projects. To ensure the efficient and effective use of these contracts, A.I.D. regulations require that USAID/Bangladesh establish and properly implement four management subsystems: planning, procurement, monitoring, and accounting for the use of A.I.D. funds.

As of November 30, 1990, USAID/Bangladesh was responsible for administering technical assistance contracts it awarded under five active bilateral projects. Total obligations and expenditures for these contracts at that time were \$49.2 million and \$19.8 million, respectively.

The audit will determine whether funds for technical assistance are being spent efficiently and effectively.

The audit will answer the following audit objectives:

- (1) Did USAID/Bangladesh follow A.I.D. procedures in planning for technical services?
- (2) Did USAID/Bangladesh follow A.I.D. procedures to assure that technical services were procured at a fair price, in a timely manner, and from qualified contractors?

- (3) Did USAID/Bangladesh follow A.I.D. procedures in monitoring contractor performance to ensure the technical services were provided and used?
- (4) Did USAID/Bangladesh obligate, spend, and account for technical services funds in compliance with A.I.D. policies and procedures and applicable laws and regulations?

5. **Audit Title: Monitoring, Reporting, and Evaluation Systems at USAID Representative - Afghanistan**

Type of Audit: Locally Directed

Synopsis: A.I.D. policy requires that each Mission ensure that adequate project monitoring, reporting and evaluation systems are in place. This policy also requires that, using these systems, project results be continuously reviewed through completion of the project.

As of September 30, 1990, the A.I.D. Representative for Afghanistan had active bilateral non-projects with total obligations and expenditures of \$229.4 million and \$147.4 million, respectively.

The audit will determine whether the A.I.D. Representative for Afghanistan has implemented adequate project monitoring, reporting, and evaluation systems and if these systems were properly used for project implementation.

The audit will answer the following audit objectives:

- (1) Did the A.I.D. Representative for Afghanistan follow A.I.D. policies and procedures in establishing and following an overall system for project monitoring, reporting, and evaluation?
- (2) Did the A.I.D. Representative for Afghanistan follow A.I.D. policies and procedures in monitoring project design, inputs, expenditures, outputs, purpose, goals, and completion?
- (3) Did the A.I.D. Representative for Afghanistan follow A.I.D. policies and procedures on project reporting?

- (4) Did the A.I.D. Representative for Afghanistan follow A.I.D. policies and procedures on project evaluation?

**6. Audit Title: Grants and Cooperative Agreements -
Afghanistan**

Type of Audit: Locally Directed

Synopsis: Grants and cooperative agreements are gifts to nonprofit organizations in support of agreed-upon purposes. They involve less oversight by A.I.D. than contracts and are awarded to support grantees' programs which are consistent with A.I.D. objectives. As of June 30, 1992, the A.I.D. Representative/Afghanistan had obligated and expended approximately \$106 million and \$69 million, respectively, through grants and cooperative agreements under six projects.

The audit will determine whether A.I.D. funds are being efficiently and effectively spent through grants and cooperative agreements.

The audit will answer the following audit objectives:

- (1) Did the A.I.D. Representative/Afghanistan follow A.I.D. policies and procedures in reviewing and authorizing nonprofit organization proposals and in negotiating grants and cooperative agreements?
- (2) Did the A.I.D. Representative/Afghanistan follow A.I.D. policies and procedures in obligating, expending, and accounting for funds?
- (3) Did the A.I.D. Representative/Afghanistan follow A.I.D. policies and procedures in monitoring, reporting, and evaluating grants and cooperative agreements?
- (4) Did the A.I.D. Representative/Afghanistan follow A.I.D. policies and procedures in closing out expired grants and cooperative agreements?

7. **Audit Title: Grants and Cooperative Agreements - India**

Type of Audit: Locally Directed

Synopsis: Grants and cooperative agreements are gifts to nonprofit organizations in support of agreed-upon purposes. They involve less oversight by A.I.D. than contracts and are awarded to support grantees' programs which are consistent with A.I.D. objectives. For the year ending September 30, 1990, USAID/India's obligations and expenditures were approximately \$369 million and \$311 million, respectively, under 16 Missions funded, regionally funded and centrally funded projects. These include umbrella-type projects designed to fund multiple grants and cooperative agreements, individual projects designed to fund a specific grant or cooperative agreement for a specific nonprofit organization, and bilateral projects designed, in part, to fund grants and cooperative agreements.

The audit will determine whether A.I.D. funds are being efficiently and effectively spend through grants and cooperative agreements.

The audit will answer the following audit objectives:

- (1) Did USAID/India follow A.I.D. policies and procedures in planning, reviewing, selecting, and authorizing grants and cooperative agreements?
- (2) Did USAID/India follow A.I.D. policies and procedures in negotiating and awarding grants and cooperative agreements?
- (3) Did USAID/India follow A.I.D. policies and procedures in obligating, controlling, expending, and accounting for grants and cooperative agreements?
- (4) Did USAID/India follow A.I.D. policies and procedures in monitoring, evaluating, and reporting on grants and cooperative agreements?

8. **Audit Title: Grants and Cooperative Agreements - Indonesia**

Type of Audit: Locally Directed

Synopsis: Grants and cooperative agreements are gifts to nonprofit organizations in support of agreed-upon purposes. They involve less oversight by A.I.D. than contracts and are awarded to support grantees' programs which are consistent with A.I.D. objectives. For the year ending September 30, 1990, USAID/Indonesia's obligations and expenditures under grants and cooperative agreements were approximately \$465 million and \$286.4 million, respectively.

The audit will determine whether A.I.D. funds are being efficiently and effectively spent through grants and cooperative agreements.

The audit will answer the following audit objectives:

- (1) Did USAID/Indonesia follow A.I.D. policies and procedures in planning, reviewing, selecting, and authorizing grants and cooperative agreements?
- (2) Did USAID/Indonesia follow A.I.D. policies and procedures in negotiating and awarding grants and cooperative agreements?
- (3) Did USAID/Indonesia follow A.I.D. policies and procedures in obligating, controlling, expending, and accounting for grants and cooperative agreements?
- (4) Did USAID/Indonesia follow A.I.D. policies and procedures in monitoring, evaluating and reporting on grants and cooperative agreements?

9. Audit Title: Participant Training Program - Philippines

Type of Audit: Locally Directed

Synopsis: The A.I.D. participant training program assists countries to develop the managerial, technical, and policy leadership required to plan and implement their own development programs. Participant training, as used here, refers to A.I.D.-sponsored training in the United States and in other countries for selected individuals from the recipient countries.

As of September 30, 1990, USAID Philippines' obligations and expenditures for participant training were approximately \$92.7 million and \$40.6 million, respectively.

The audit will determine whether A.I.D. funds are being efficiently and effectively spent on participant training activities.

The audit will answer the following audit objectives:

- (1) Did A.I.D. plan participant training in accordance with Agency policies and procedures?
- (2) Did A.I.D. and its contractors follow Agency policies and procedures in implementing the participant training program to provide adequate pre- and post-departure support for participants?
- (3) Did A.I.D. obligate, expend, and account for participant training program funds in compliance with Agency policies, procedures, and applicable laws and regulations?
- (4) Did A.I.D. monitor and evaluate participant training program activities and provide adequate post-training follow-up for participants in accordance with A.I.D. policies and procedures?

10. Audit Title: Participant Training Program - Sri Lanka

Type of Audit: Locally Directed

Synopsis: The A.I.D. participant training program assists countries to develop the managerial, technical, and policy leadership required to plan and implement their own development programs. Participant training, as used here, refers to A.I.D. sponsored training in the United States and in other countries for selected individuals from the recipient countries.

As of December 31, 1990, USAID/Sri Lanka's obligations and expenditures for participant training under eight active projects were approximately \$19.5 million and \$11.4 million, respectively.

The audit will determine whether A.I.D. funds are being efficiently and effectively spent on participant training activities.

The audit will answer the following audit objectives:

- (1) Did A.I.D. plan participant training in accordance with Agency policies and procedures?
- (2) Did A.I.D. and its contractors follow Agency policies and procedures in implementing the participant training program to provide adequate pre- and post-departure support for participants?
- (3) Did A.I.D. obligate, expend, and account for participant training program funds in compliance with Agency policies, procedures, and applicable laws and regulations?
- (4) Did A.I.D. monitor and evaluate participant training program activities and provide adequate post-training follow-up for participants in accordance with A.I.D. policies and procedures?

11. Audit Title: **Monitoring, Reporting, and Evaluation Systems at USAID Representative - ASEAN**

Type of Audit: Locally Directed

Synopsis: A.I.D. policy requires that each Mission ensure that adequate project monitoring, reporting and evaluation systems are in place. This policy also requires that, using these systems, project results be continuously reviewed through completion of the respective project.

As of September 30, 1990, the A.I.D. Representative for ASEAN had active non-bilateral projects with total obligations and expenditures of \$37.5 million and \$29.5 million, respectively.

The audit will determine whether the A.I.D. Representative for ASEAN has implemented effective project monitoring, reporting, and evaluation systems and if these systems are properly used for project implementation.

The audit will answer the following audit objectives:

- (1) Did the A.I.D. Representative for ASEAN follow A.I.D. policies and procedures in establishing and following an overall system for project monitoring, reporting, and evaluation?
- (2) Did the A.I.D. Representative for ASEAN follow A.I.D. policies and procedures in monitoring project design, inputs, expenditures, outputs, purpose, goals, and completion?
- (3) Did the A.I.D. Representative for ASEAN follow A.I.D. policies and procedures on project reporting?
- (4) Did the A.I.D. Representative for ASEAN follow A.I.D. policies and procedures on project evaluation?

12. Audit Title: **Monitoring, Reporting, and Evaluation Systems at USAID Representative - Cambodia**

Type of Audit: Locally Directed

Synopsis: A.I.D. policy requires that each Mission ensure that adequate project monitoring, reporting and evaluation systems are in place. This policy also requires that, using these systems, project results be continuously reviewed through completion of the respective project.

As of September 30, 1990, the A.I.D. Representative for Cambodia had active nonbilateral projects with total obligations and expenditures of \$21.9 million and \$18.4 million, respectively.

The audit will determine whether the A.I.D. Representative for Cambodia has implemented effective project monitoring, reporting, and evaluation systems and if these systems are properly used for project implementation.

The audit will answer the following audit objectives:

- (1) Did the A.I.D. Representative for Cambodia follow A.I.D. policies and procedures in establishing and following an overall system for project monitoring, reporting, and evaluation?

- (2) Did the A.I.D. Representative for Cambodia follow A.I.D. policies and procedures in monitoring project design, inputs, expenditures, outputs, purpose, goals, and completion?
- (3) Did the A.I.D. Representative for Cambodia follow A.I.D. policies and procedures on project reporting?
- (4) Did the A.I.D. Representative for Cambodia follow A.I.D. project evaluation policies and procedures?

**PERFORMANCE AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/TEGUCIGALPA
FISCAL YEAR 1993**

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1. **Audit Title:** Technical Service Activities - USAID/Honduras

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: A.I.D. Missions frequently procure the technical services of contractors in areas such as health, agriculture, training and engineering to support or implement A.I.D.-funded project activities. Often these technical services are procured under the A.I.D.-direct contracting method whereby the services are procured directly by a Mission or through AID/Washington. When the technical services are procured by a Mission, the Mission performs all of the required contracting procedures and is responsible for implementing a monitoring system to ensure that the contractor fulfills the terms of the contract. Also, Project Officers are responsible for reviewing payment vouchers submitted by the contractor to ensure that the Mission does not pay for technical services which it does not receive.

As of December 1991, USAID/Honduras had obligated \$43 million and expended about \$30 million for technical services under 13 active projects.

The audit will answer the following audit objectives:

- (1) Did USAID/Honduras procure technical services in accordance with A.I.D. policies and procedures?
- (2) Did USAID/Honduras monitor and document contractor performance to ensure the technical services were provided and used as prescribed in A.I.D. policies and procedures?
- (3) Did USAID/Honduras expend and account for technical services funds in compliance with Agency policies and procedures?

2. **Audit Title:** Technical Service Activities - USAID/Jamaica

Type of Audit: Locally Directed - Worldwide Theme

Synopsis: A.I.D. Missions frequently procure the technical services of contractors in areas such as health, agriculture, training and engineering to support or implement A.I.D.-funded project activities. Often these technical services are procured under the A.I.D.-direct contracting method whereby

the services are procured directly by a Mission or through AID/Washington. When the technical services are procured by a Mission, the Mission performs all of the required contracting procedures and is responsible for implementing a monitoring system to ensure that the contractor fulfills the terms of the contract. Also, Project Officers are responsible for reviewing payment vouchers submitted by the contractor to ensure that the Mission does not pay for technical services which it does not receive.

As of June 1991, USAID/Jamaica had obligated more than \$11 million and disbursed about \$8 million for technical services under 10 active projects.

The audit will answer the following audit objectives:

- (1) Did USAID/Jamaica procure technical services in accordance with A.I.D. policies and procedures?
- (2) Did USAID/Jamaica monitor and document contractor performance to ensure the technical services were provided and used as prescribed in A.I.D. policies and procedures?
- (3) Did USAID/Jamaica expend and account for technical services funds in compliance with Agency policies and procedures?

3. **Audit Title:** Operating Expenses at USAID/Peru

Type of Audit: Locally Directed

Synopsis: Operating expenses represent those costs associated with overall Mission management. Included in this category are personnel costs (except for U.S. direct hire personnel salaries), travel, allowances, housing, and supplies. During Fiscal Year 1991, USAID/Peru obligated \$5.6 million for operating expenses.

The audit will answer the following audit objectives:

- (1) Did USAID/Peru follow A.I.D. policies and procedures in the management of real property?

- (2) Did USAID/Peru follow A.I.D. policies and procedures in budgeting, obligating, advancing, and disbursing operating expense funds?
- (3) Did USAID/Peru follow A.I.D. policies and procedures in providing general and administrative support services?
- (4) Did USAID/Peru follow A.I.D. policies and procedures for managing personnel, travel, and allowances?

4. **Audit Title:** Operating Expenses at USAID/Nicaragua

Type of Audit: Locally Directed

Synopsis: Operating expenses represent those costs associated with overall Mission management. Included in this category are personnel costs (except for U.S. direct hire personnel salaries), travel, allowances, housing, and supplies. During Fiscal Year 1991, USAID/Nicaragua obligated \$4.4 million for operating expenses.

The audit will answer the following audit objectives:

- (1) Did USAID/Nicaragua follow A.I.D. policies and procedures in the management of real property?
- (2) Did USAID/Nicaragua follow A.I.D. policies and procedures in budgeting, obligating, advancing, and disbursing operating expense funds?
- (3) Did USAID/Nicaragua follow A.I.D. policies and procedures in providing general and administrative support services?
- (4) Did USAID/Nicaragua follow A.I.D. policies and procedures for managing personnel, travel, and allowances?

5. **Audit Title:** Equipment/Commodities at USAID/Honduras

Type of Audit: Locally Directed

Synopsis: Commodities and equipment are essential components in the majority of A.I.D.'s bilateral development assistance projects. The high dollar value of these components makes them especially susceptible to waste, fraud, or abuse. Commodities can include construction material, foodstuffs, agricultural equipment, medical supplies, spare parts, office equipment, vehicles of all types, and many other types of items. Commodities can be procured by (1) the host country, (2) the Mission, (3) technical assistance contractors, or (4) AID/Washington through Procurement Services Agents.

As of December 1991, USAID/Honduras had obligated about \$15 million for commodities under 9 active projects.

The audit will answer the following audit objectives:

- (1) Did USAID/Honduras plan the procurement of commodities in accordance with A.I.D. policies and procedures?
- (2) Did USAID/Honduras procure commodities in accordance with A.I.D. policies and procedures?
- (3) Did USAID/Honduras monitor and document that the commodities procured were received, stored, maintained, and utilized in accordance with A.I.D. policies and procedures?

6. Audit Title: Equipment/Commodities at USAID/Peru

Type of Audit: Locally Directed

Synopsis: Commodities and equipment are essential components in the majority of A.I.D.'s bilateral development assistance projects. The high dollar value of these components makes them especially susceptible to waste, fraud, or abuse. Commodities can include construction material, foodstuffs, agricultural equipment, medical supplies, spare parts, office equipment, vehicles of all types, and many other types of items. Commodities can be procured by (1) the host country, (2) the Mission, (3) technical assistance contractors, or (4) AID/Washington through Procurement Services Agents.

As of December 1991, USAID/Peru had obligated about \$13 million for commodities under 8 active projects.

The audit will answer the following audit objectives:

- (1) Did USAID/Peru plan the procurement of commodities in accordance with A.I.D. policies and procedures?
- (2) Did USAID/Peru procure commodities in accordance with A.I.D. policies and procedures?
- (3) Did USAID/Peru monitor and document that the commodities procured were received, stored, maintained, and utilized in accordance with A.I.D. policies and procedures?

7. **Audit Title:** Environmental Activities in Latin America and the Caribbean

Type of Audit: Locally Directed

Synopsis: Economic growth in most developing countries is possible only with a reliable and sustainable supply of domestic natural resources. Yet the resources essential to economic development are threatened by problems such as rapid population growth, extreme poverty, and short-sighted economic policies.

A.I.D.'s environmental and natural resource policies address these fundamental threats to the environment as well as the more immediate consequences of environmental degradation. The Agency's central environmental objective is to promote environmentally sound, long-term economic growth by assisting developing countries to conserve and protect the environment and manage their exploited resources for sustainable yields.

To meet this objective, A.I.D. has committed about \$240 million to environmentally-related projects within the Latin America and Caribbean Region. Projects focuses on sustaining production, maintaining natural ecosystems, and meeting human needs by improving environmental quality.

Audit work will be conducted at two or more USAID Missions within the Latin America and the Caribbean Region.

The audit will answer the following audit objectives:

- (1) What is the progress of the USAID's environmental program?

- (2) Did the USAID implement a system to plan all projects in accordance with A.I.D. environmental policies and procedures?
- (3) Did the USAID implement a system to monitor and evaluate environmental project activity in accordance with A.I.D. policies and procedures?

8. **Audit Title: Private Sector Development Activities at the Regional Office for Central American Programs**

Type of Audit: Locally Directed

Synopsis: A society in which individuals have freedom of economic choice, freedom to own the means of production, freedom to compete in the market place, freedom to take economic risk for profit, and freedom to receive and retain the rewards of economic decisions is a fundamental objective of the A.I.D. program in less developed countries.

The goals of A.I.D.'s policy on private enterprise are to:

- encourage LDCs to open their economies to a greater reliance on competitive markets and private enterprise in order to meet the basic human needs of their poor majorities through broadly-based self-sustained economic growth, and
- foster the growth of productive, self-sustaining income and job producing private enterprises in developing countries.

During recent years A.I.D. has been promoting the development of the private sector in Central America through the Regional Office for Central American Programs (ROCAP). As of September 30, 1991, ROCAP reported four active projects promoting the private sector in Central America with total funding of about \$11 million.

The audit will answer the following audit objectives:

- (1) What is the progress of the Regional Office for Central American Programs's private sector development program?

- (2) Did the Regional Office for Central American Programs implement a system in accordance with A.I.D. policies and procedures to monitor private sector development project progress?
- (3) Did the Regional Office for Central American Programs implement a system in accordance with A.I.D. policies and procedures to evaluate private sector development projects?

9. **Audit Title:** Selected Monitoring Systems at the Regional Development Office for the Caribbean

Type of Audit: Locally Directed

Synopsis: The Regional Development Office for the Caribbean (RDO/C) includes Barbados, Guyana, Surinam and several small island nations of the Eastern Caribbean. For Fiscal Year 1991, RDO/C obligated \$19.3 million for developmental assistance and \$2.1 million for economic support.

The audit will answer the following audit objectives:

- (1) Did the Regional Development Office for the Caribbean establish and implement a system in accordance with A.I.D.'s policies and procedures for monitoring, reporting, and evaluating local nonprofit organizations' implementation of grants or cooperative agreements?
- (2) Did the Regional Development Office for the Caribbean establish and implement a system in accordance with A.I.D.'s policies and procedures in providing, liquidating, and accounting for advances of A.I.D. funds to nonprofit organizations?
- (3) Did the Regional Development Office for the Caribbean establish procedures in accordance with A.I.D. policies and procedures for the financial close-out of projects?
- (4) Did the Regional Development Office for the Caribbean follow A.I.D. policies and procedures in processing project evaluation recommendations?

- (5) Did the Regional Development Office for the Caribbean establish and implement systems to ensure that contributions from host governments and nonprofit organizations were met in accordance with A.I.D. policies and procedures?

10. Audit Title: Selected Monitoring Systems at USAID/Guatemala

Type of Audit: Locally Directed

Synopsis: USAID/Guatemala had a large and diverse project portfolio as of September 30, 1991. The Mission had 29 active projects with about \$357 million in obligations and \$241 million in expenditures. But in fiscal year 1992, the Mission began sharpening the focus of its development program to maximize impact upon Guatemala's most critical developmental constraints and to more efficiently utilize declining dollar resources. To accomplish this change in focus, the Mission established strategic objectives to guide future management of its portfolio, and may have restructured its monitoring systems to accommodate the objectives.

The audit will answer the following audit objectives:

- (1) Did USAID/Guatemala establish and implement a system in accordance with A.I.D.'s policies and procedures for monitoring, reporting, and evaluating local nonprofit organizations' implementation of grants or cooperative agreements?
- (2) Did USAID/Guatemala establish and implement a system in accordance with A.I.D.'s policies and procedures in providing, liquidating, and accounting for advances of A.I.D. funds to nonprofit organizations?
- (3) Did USAID/Guatemala establish procedures in accordance with A.I.D. policies and procedures for the financial close-out of projects?
- (4) Did USAID/Guatemala follow A.I.D. policies and procedures in processing project evaluation recommendations?
- (5) Did USAID/Guatemala establish and implement systems to ensure that contributions from host governments

and nonprofit organizations were met in accordance with A.I.D. policies and procedures?

11. **Audit Title:** P.L. 480 Program at USAID/Bolivia

Type of Audit: Locally Directed

Synopsis: A.I.D. has field management responsibility for Titles II and III of P.L. 480. These Titles authorize donations of surplus food and other agricultural commodities to developing countries. Title II provides emergency and non-emergency food aid in support of development projects--many times directly to individuals through the intermediation of American and local private voluntary agencies and other organizations. Title III, otherwise known as "Food for Development", provides food commodities primarily to those developing countries meeting certain "food deficit" criteria: low daily per capita calorie intake, high infant mortality rate, and inability to achieve food self-sufficiency due to a lack of foreign exchange.

Local currency resulting from the sale of these commodities is used for developmental purposes in the agricultural and nutritional sectors.

For Fiscal Year 1991, USAID/Bolivia obligated \$14.3 million for Title II programs and \$22.4 million for programs under Title III.

The audit will answer the following audit objectives:

- (1) Did USAID/Bolivia establish and implement a system in accordance with A.I.D. policies and procedures to monitor and evaluate its P.L. 480 Title II Program?
- (2) Did USAID/Bolivia establish and implement a system in accordance with A.I.D. policies and procedures to monitor and evaluate its P.L. 480 Title III Program?

**PERFORMANCE AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/VIENNA
FISCAL YEAR 1993**

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The focus of these four audits is on the Central and East European Program. Under these audits, the RIG/A/Vienna will be evaluating economic assistance through grants and cooperative agreements, contracts, and interagency agreements. Because of the vast number of activities taking place under these and other mechanisms (such as enterprise funds) and their diffusion throughout central and Eastern Europe, these audits will entail only minimal testing of results. To test whether the results are occurring as planned, RIG/A/Vienna is considering a series of complementary program results audits. When additional staff is made available, the plan will be adjusted to reflect these audits.

In early FY1993, when the organizational structure for the Newly Independent States (NIS) Program is in place, and its activities are underway, RIG/A/Vienna plans to perform a survey of the organizational structure, its processes and program activities. Based on that survey, the plan will be up-dated to include appropriate audits of the NIS Program.

1. **Audit Title: The Bureau for Europe's Interagency Agreements with the Environmental Protection Agency**

Type of Audit: Locally Directed

Synopsis: A.I.D. plays a pivotal role in the receipt and disbursement of funds under the Support for East European Democracy (SEED) Act. Congress appropriates most of the SEED funding for the Central and Eastern Europe Program to A.I.D. Using Interagency Agreements (IAA)'s under 632(a) and (b) of the Foreign Assistance Act (FAA), A.I.D. disburses significant portions of these funds to other Federal agencies.

The other Federal agencies manage their assistance efforts to Central and Eastern Europe under the policy direction of the Office of the Coordinator for Central and Eastern Europe Assistance (Deputy Secretary of State) and through their own procedures. Besides managing its own assistance, A.I.D. is responsible for general oversight of the entire U.S. Assistance Program to Central and Eastern Europe, including programs of the other Federal agencies.

The Environmental Protection Agency (EPA), one of the other agencies, has used SEED funds to implement assistance efforts primarily through the award of grants and contracts. As of March 31, 1992, A.I.D. had transferred about \$22 million to EPA for SEED activities.

Senate Committee on Appropriations Report No. 101-519 provided the A.I.D. Inspector General with the authority to audit SEED funds including those funds provided to the other Federal agencies. The A.I.D. IG has executed Memorandums of Understanding (MOUs) with the Inspectors General of six Federal agencies, including EPA. These MOUs delineate the responsibilities of the A.I.D. IG and the other IGs.

This will be the first audit conducted in cooperation with the IG of another Federal agency. RIG/A/Vienna has asked the EPA IG to assist in auditing A.I.D.'s monitorship of programs implemented by EPA using SEED Act funds. RIG/A/Vienna has also asked the EPA IG to perform a management audit of SEED funds transferred to EPA. The IG would lead the audit work with staff assistance from RIG/A/Vienna.

Audit work at A.I.D. will answer the following audit objectives:

- (1) Did A.I.D.'s Bureau for Europe plan for Support for East European Democracy (SEED) Act assistance provided through EPA in accordance with (a) the SEED Act, (b) AID/EPA Interagency Agreements, (c) A.I.D. policies and procedures as modified for Central and Eastern Europe, and (d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?
- (2) Did A.I.D.'s Bureau for Europe account for SEED Act assistance provided through EPA in accordance with (a) the SEED Act, (b) AID/EPA Interagency Agreements, (c) A.I.D. policies and procedures as modified for Central and Eastern Europe, and (d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?
- (3) Did A.I.D.'s Bureau for Europe monitor SEED Act assistance provided through EPA in accordance with (a) the SEED Act, (b) AID/EPA Interagency Agreements, (c) A.I.D. policies and procedures as modified for Central and Eastern Europe, and (d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?

Audit work at the EPA will answer the following audit objectives:

- (1) Did the Environmental Protection Agency (EPA) plan for assistance under the SEED Act in accordance with (a) the project planning and authorization documents, (b) AID/EPA Interagency Agreements, (c) EPA policies and procedures, and (d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?
- (2) Did EPA procure assistance under the SEED Act in accordance with (a) the project planning and authorization documents, (b) AID/EPA Interagency Agreements, (c) EPA policies and procedures, and (d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?
- (3) Did EPA account for assistance under the SEED Act in accordance with (a) the project planning and authorization documents, (b) AID/EPA Interagency Agreements, (c) EPA policies and procedures, and

(d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?

- (4) Did EPA monitor assistance under the SEED Act in accordance with (a) the project planning and authorization documents, (b) AID/EPA Interagency Agreements, (c) EPA policies and procedures, and (d) Office of the Coordinator for Central and Eastern Europe Assistance policies and procedures?

2. **Audit Title: Bureau for Europe's Contracts Under the Economic Restructuring Component**

Type of Audit: Locally Directed

Synopsis: The Bureau for Europe provides assistance to Central and Eastern Europe through 36 projects which are implemented through grants, contracts, and interagency agreements with Federal agencies. These projects are directed towards three assistance components: (1) Strengthening Democratic Institutions, (2) Economic Restructuring, and (3) Improving Quality of Life. The vast majority of these projects provide assistance on a regional nonbilateral basis through contracts and grants.

As of March 31, 1992, the Bureau had awarded 62 contracts valued at \$57 million under the Economic Restructuring initiative. Most of the contracts are for technical services regarding privatization, business services, investment and trade, management training, agriculture and agribusiness, and energy.

The audit will answer the following audit objectives:

- (1) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, (a) in establishing the need for technical services and (b) in preparing Project Implementation Orders for Technical Services with sufficient specificity to allow the contracting officer to develop and award contracts for which performance could be measured?
- (2) Did the Bureau for Europe and the Office of Procurement under the Economic Restructuring

Component follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, (a) in selecting the type of technical services contract most advantageous to the U.S. Government and (b) in ensuring that technical services were awarded competitively/justifiably to eligible and qualified contractors?

- (3) Did the Bureau for Europe and the Office of Financial Management under the Economic Restructuring Component follow A.I.D. policies and procedures, as modified for Central and Eastern Europe to ensure that (a) correct amounts were recorded as obligations, disbursements, and expenditures for the technical services contracts awarded, (b) payments were made for services rendered, and (c) appropriate audits of contractor expenditures were planned and funded as necessary?
- (4) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in monitoring contractor performance under the Economic Restructuring component to ensure that services rendered achieved anticipated results?

3. **Audit Title: AID/Europe's Grants and Cooperative Agreements Under the Quality of Life Initiative**

Type of Audit: Locally Directed

Synopsis: Grants and cooperative agreements are gifts in support of purposes agreed upon between A.I.D. and a nonprofit organization. They are awarded to support the grantees' programs which are consistent with A.I.D. objectives.

The Regional Mission for Europe provides assistance to Eastern Europe through 34 projects which are implemented through grants, contracts, and interagency agreements with Federal agencies. These projects are directed towards three assistance initiatives: (1) Strengthening Democratic Institutions, (2) Economic Restructuring, and (3) Improving Quality of Life.

Under the Quality of Life initiative the Mission has awarded 16 grants valued at \$32 million. During Fiscal Year 1992, the

Mission expects to award an additional \$40 million in grants under this initiative.

The audit will answer the following audit objectives:

- (1) Did the Regional Mission for Europe follow A.I.D. policies and procedures in planning, reviewing, selecting, and authorizing grants and cooperative agreements under the Quality of Life initiative?
- (2) Did the Regional Mission for Europe follow A.I.D. policies and procedures in negotiating and awarding grants and cooperative agreements under the Quality of Life initiative?
- (3) Did the Regional Mission for Europe follow A.I.D. policies and procedures in obligating, controlling, expending, and accounting for grants and cooperative agreements under the Quality of Life initiative?
- (4) Did the Regional Mission for Europe follow A.I.D. policies and procedures in monitoring, evaluating and reporting on grants and cooperative agreements under the Quality of Life initiative?

4. **Audit Title:** Bureau for Europe's Sector Grant to
Czechoslovakia Under the Economic
Restructuring Component

Type of Audit: Locally Directed

Synopsis: The Bureau for Europe provides assistance to Central and Eastern Europe through 36 projects which are implemented through grants, contracts, and interagency agreements with Federal agencies. These projects are directed towards three assistance components: (1) Strengthening Democratic Institutions, (2) Economic Restructuring, and (3) Improving Quality of Life. The vast majority of these projects provide assistance on a regional nonbilateral basis. The one exception is the Balance of Payments Support Project which funded bilateral sector grants to Hungary, Czechoslovakia, and Bulgaria during Fiscal Years 1991 and 1992.

The goal of the Sector Grant Program in Czechoslovakia is to enhance environmental protection. The purpose of the grant is

to encourage policy reforms to create a positive regulatory atmosphere that promotes environmental protection. The policy reforms will run parallel to reforms provided for in the Structural Adjustment Loan (SAL) negotiated between the Government of the Czech and Slovak Federal Republic (CSFR) and the World Bank.

The sector grant will be a \$15 million cash transfer released into a Dollar Separate Account, controlled by A.I.D., in a single tranche following the confirmation of completion of the specified policy reforms as evidenced by approval of the SAL by the World Bank board. A.I.D. will release funds from this account to reimburse the CSFR for expenditures for imports of U.S. goods, eligible for A.I.D. financing. As of April 27, 1992, A.I.D. had approved releases totaling \$2.1 million.

The sector grant also requires the CSFR to deposit local currency, equivalent to the program dollars, into a separate local currency account to support environmental protection in Czechoslovakia. Specifically, the local currency "generated" by the grant will be programmed for use by the CSFR's constituent republics to help endow environmental clean-up funds.

The audit will answer the following audit objectives:

- (1) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in designing and planning cash transfer assistance under the Czechoslovakia Sector Grant?
- (2) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in negotiating the Czechoslovakia Sector Grant Agreement in accordance with the Authorization Memorandum and the related Program Assistance Approval Document (PAAD)?
- (3) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in ensuring that dollar funds were deposited and used in accordance with the applicable provisions of the Czechoslovakia Sector Grant Agreement?
- (4) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in monitoring the generation, deposit,

programming, use of, accounting for, and reporting on local currency generated under the Czechoslovakia Sector Grant?

- (5) Did the Bureau for Europe and the Office of Financial Management follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in accounting for the Czechoslovakia Sector Grant funds?
- (6) Did the Bureau for Europe follow A.I.D. policies and procedures, as modified for Central and Eastern Europe, in monitoring and evaluating the Czechoslovakia Sector Grant to ensure that policy reform is achieved?

FINANCIAL AUDITS

Overview

Financial audits may be divided into two general categories: those performed on the books and records of Agency contractors and grantees (including holders of cooperative agreements) and those made on AID's own financial records and statements. Although IG audit staff may occasionally make such audits, they are normally done under contract with other Federal auditors such as the Defense Contract Audit Agency (DCAA), American CPA firms, foreign CPA firms affiliated with well known American firms, or by host government auditors. Audits of AID funds should be made in accordance with Government Auditing Standards which, for financial audits, comprise AICPA standards, although certain international auditing standards may be used on occasion, especially by private and public foreign auditing organizations.

The Financial Audit Process

If anything, financial auditing procedures may be thought of as the model after which performance auditing procedures under OIG's new systems approach have been patterned. The auditors' primary focus is upon the reliability of the audited entity's internal control structure. The assessment of an organization's internal controls will determine to a significant extent the number and type of individual transaction tests needed to confirm the accuracy of its 'funds accountability' or financial statements, and its compliance with pertinent laws, regulations, and contractual agreements.

Audits of American contractors and grantees differ somewhat from private sector financial audits in that Federal contracts and grants are governed by the Federal and A.I.D. Acquisition Regulations (FAR), and pertinent OMB Circulars whose provisions set forth the criteria against which auditors measure the allowability, allocability, and reasonableness of costs incurred or proposed under such contracts and grants.

Audits of AID Contractors and Grantees

Financial or financially-related audits of AID contractors and grantees also fall into three general categories: Agency-contracted

audits, recipient-contracted audits, and audits made by other Federal auditors.

Agency-Contracted Audits

Agency contracted audits are used mainly to review the financial statements, internal controls and compliance of for-profit contractors and certain non-governmental organizations (NGOs) working with AID, especially if they are foreign-based. Summary figures in the last two IG Semiannual reports indicate that a total of 135 Agency-contracted audits (including one pre-award survey) were made during the year ending 31 March 1992, resulting in questioned costs of \$28 million. Only about one in three of these reports resulted in an unqualified or favorable opinion on the auditees' "Funds Accountability Statements" (how they handled monies received from AID). Only about one in every two auditees possessed an adequate internal control structure to ensure AID funds would be used as intended, and the same could be said for their compliance with applicable laws, regulations and the provisions of their contracts/agreements with AID.

OIG's role in these audits is to supervise and ensure the quality of the contracted CPA firm's work.

Examples of agency-contracted audits performed within the past year follow:

Contractors Failed to maintain Adequate Books and Records

Two Agency-contracted audits in Honduras and Yemen disclosed that neither contractor had maintained an adequate accounting of the monies received from AID Missions in those countries. This caused the auditors to "disclaim" an opinion (meaning there was insufficient evidence in the form of books and records kept in accordance with applicable accounting standards for them to reach a conclusion on the accuracy and reliability of the financial statements). Of the nearly \$14 million combined contract value, nearly \$1.2 million, or 9 cents of every dollar, charged to AID was considered questionable. The auditors also determined the contractors' internal controls and compliance to be inadequate.

Deficient Accounting for AID Monies by Host Government Agencies

A CPA audit of a Family Planning Project intended to finance contraceptive distribution, training for government workers, and family planning information and services to Guatemalans resulted in

a disclaimer and a recommendation that AID recover all of the nearly \$900,000 received by the local implementing agency. The recommendation was based on the absence of an adequate accounting system; inadequate controls over funds, commodity inventory, and distribution; and deficient documentation for disbursements.

In Peru, the implementing agency's funds accountability statement was generally acceptable; however, over \$600,000 in project expenses were questioned due to a lack of supporting documentation. Additionally, deficiencies in the agency's accounting practices and controls caused the host government's counterpart contributions to the project to be overstated by \$2.4 million -- about 30% of the local support amount scheduled.

Large-Scale Food Distribution Program Could Be Improved

Over 86,000 metric tons of foodstuffs valued at nearly \$38 million made available over a two-year period benefitted over 5 million people in India. An audit of the nationwide distribution program managed by an American private voluntary organization concluded that a comprehensive distribution system had been established ensuring that needy persons were being assisted. However, a number of deficiencies having to do with food storage, program oversight and documentation, and correction of known problems had limited the program's effectiveness. The CPA firm made recommendations designed to enhance the program sponsor's operational controls and improve its statements of commodity usage.

Recipient-Contracted Audits

OMB Circular A-73, mentioned earlier herein, directs Federal Departments and Agencies to rely on financial audits of grantees (recipients) which they themselves contract for with independent CPA firms, **provided those audits meet generally accepted government auditing standards.** Furthermore, OMB Circular A-133, also alluded to previously, requires recipients of Federal assistance to have audits made not less than every two years. These audits test the fiscal integrity of financial transactions and the efficacy of recipients' internal control structures, as well as compliance with the terms and conditions contained in their agreements with AID. In March 1992, The Agency established an **Audit Management and Resolution Program** that establishes responsibilities among AID components in Washington and overseas to ensure that its agreements with all recipients including host government implementing agencies require periodic audits, and that those audits are in fact performed and acted upon. **We expect a substantial increase in the**

number of recipient-contracted audits performed by independent public accountants and foreign government auditors to occur over the next several years. The OIG is participating in training efforts to help develop audit expertise overseas.

Over the past two semiannual reporting periods 109 recipient-contracted audits made under OMB Circular A-133 and its predecessor, A-110, were reviewed by the Office of Financial Audits. Of this total, 83 were accepted and 26 rejected as deficient in one way or another under Government Auditing Standards. The reports identified almost \$15 million in questioned or unsupported costs billed to AID as well as hundreds of internal control and compliance deficiencies.

OIG's role in these audits is to make desk reviews of the audit reports submitted by recipients and to conduct selective, detailed quality control reviews of auditors' workpapers.

Examples of recipient-contracted audits performed within the past year follow.

Reports over Five Years Demonstrate Long-Standing Problems

Five annual A-110 audit reports of the same recipient revealed that it had no system of internal controls to ensure the proper use of AID funds. Not surprisingly, it was found that the grantee's Federal Letter of Credit drawdowns had exceeded expenditures by \$1.2 million, and that the more than \$13 million in costs questioned included \$2.1 million billed to AID but not recorded in the organization's accounting records.

Subrecipient Audits Not Obtained

Another AID recipient had received almost \$6 million during the audited period of which just over \$1 million had been passed on to 18 subrecipients. However, the primary grantee did not receive any audit reports from its subgrantees as required by OMB Circular A-133, nor had the primary grantee assured through other procedures that the subrecipients spent funds properly, causing the amounts of all 18 subgrants to be questioned.

A-133 Audit Reflects Problems Cited Earlier by Another IG

An AID-funded grantee's A-133 audit report resulted in 16 reportable internal control deficiencies. Similar deficiencies had

been identified previously in an audit made by another Federal IG. Both IGs consequently recommended that their Agencies suspend further disbursements and make no further grant awards to the recipient because of its serious fiscal management problems.

Audits of AID Recipients by Other Federal Agencies

OIG's Office of Financial Audits coordinates extensively with other Federal audit organizations to ensure coverage of all AID contractors and grantees. The two groups most involved in this audit liaison with AID are the Defense Contract Audit Agency and the Dept. of Health & Human Services' OIG.

Other Federal auditors submitted 139 audit reports over the past two semiannual reporting periods. The reports made a total of 133 recommendations with the objectives of: improving recipients' accounting and internal controls, more closely monitoring the performance of certain recipients whose financial situation was deemed precarious, finalizing indirect cost rates, and resolving over \$2 million in questionable costs incurred or proposed for future awards by AID.

OIG's role is to process these audit reports and distribute them to cognizant AID officials.

Examples of reports by other Federal auditors performed within the past year follow.

Pre-award Survey Identifies Substantial Savings

The AID Mission in Egypt requested OIG to arrange for a pre-award survey of an organization's five-year technical assistance contract proposal for \$5.9 million. The survey concluded that not one, but two firms were actually involved, whose combined overhead costs would add \$450,000 unnecessarily to contract costs. Furthermore, the prime contractor had not adequately analyzed over \$1 million in proposed subcontract costs, while nearly \$40,000 of its own proposed costs were considered questionable.

University Contract Termination Claim Audited

Due to disturbed conditions in the country where the university was providing technical assistance services, AID was forced to terminate its contract. Of the \$200,000 termination costs claimed

by the university, another Federal audit group found that: \$54,000 in subcontract costs were questionable, nor had a formal subcontract between the two parties been executed; \$94,000 of the subcontractor's fixed fee was questioned based upon the percentage of work completed; and \$21,000 of the university's own claimed costs were considered questionable.

Accounting System Inadequate to Support \$25 Million Charged to AID

An audit made at OIG's request covered six years and \$25 million in costs billed to AID. The auditors found that the contractor's accounting system could not provide adequate support for the charges nor had the contractor ever reconciled billed costs with its own accounting records. The auditors recommended all funding be suspended until the contractor had an adequate, functioning accounting system in place.

AID Financial Statement Audits

The Chief Financial Officers Act of 1990

In addition to establishing Chief and Deputy Chief Financial Officers at all major Federal Departments and Agencies, the CFO Act requires Agencies to prepare and submit for audit by their Inspectors General consolidated financial statements (at certain pilot Agencies, but not AID) or statements for discrete funds and programs. The overall intent of the Act is to attempt to link an Agency's budgets and appropriations with actual financial and program performance, as reflected in the financial statements and accompanying performance indicators. If this linkage can be achieved, then senior Agency managers and legislators would be able to reach conclusions about the benefits being obtained with the expenditure of appropriated monies.

Earlier this fiscal year AID prepared and OIG arranged to have audited the FY1991 financial statements and accompanying performance indicators of the Housing Investment (HIG) and Other Guaranty and Private Sector Investment Programs. These same programs will be audited during the forthcoming audit cycle together with the following additional activities: Direct AID Loan Portfolio, Advance Acquisition of Excess Property, and Trust Fund Accounts.

The results of the HIG and PSIP FY1991 Financial Statement audits have been described previously in this Plan (see pages 21 to 23).

As in the case of performance audits, each OIG audit component has also developed a financial audit plan the elements of which are listed on the following pages.

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**OFFICE OF FINANCIAL AUDITS
FISCAL YEAR 1993**

The Office of Financial Audits is responsible for the financial audit coverage of (1) all U.S.-based contractors and grantees doing business with A.I.D. and (2) the Agency's financial statements. The objectives of these audits are to ensure that contractors, grantees and Agency officials

- * properly account for the use of funds,
- * maintain internal control systems which minimize the potential for fraud, waste and abuse of the funds, and
- * comply with applicable U.S. laws and regulations.

During FY 1993, the Office will conduct the following financial audit-related activities:

Federal Audit Oversight

- * The Office of Financial Audits will coordinate financial audits contracted to other Federal auditors, primarily the Defense Contract Audit Agency, for performance. The Office will also review and process all audit reports received from various Federal agencies which cover A.I.D. funds.

Non-Federal Audit Oversight

- * The Office of Financial Audits will initiate, coordinate, and review reports resulting from audits contracted to non-Federal auditors. Quality Control Reviews on at least five percent of the audit reports will be conducted.

OMB Circular A-110 and A-133 Oversight

- * The Office of Financial Audits will monitor, review and process the OMB Circular A-110 and A-133 audits of about 125 non-profit organizations for which A.I.D. is the cognizant audit agency and about 80 non-profit organizations receiving grants under the American Schools and Hospitals Aboard (ASHA) program. Quality Control

Reviews on at least five percent of the reports will be accomplished.

CFO Audit Oversight

- * In conjunction with certified public accounting firms contracted by the Agency, the Office of Financial Audits will conduct financial statement audits of five activities under requirements of the Chief Financial Officers Act of 1990. These audits will also encompass a review of program performance indicators asserted by management as reflecting inputs, outputs, and achievements, obtained with the expenditure of monies appropriated to or guaranteed by A.I.D. The five activities are the:

- . Advance Acquisition of Excess Property Fund;
- . Direct Loan Program;
- . Housing and Other Credit Guaranty Programs;
- . Private Sector Investment Program; and
- . Trust Fund Accounts.

The audit of each activity will answer the following audit objectives:

- (1) Did the activity's Fiscal Year 1992 financial statements and the notes to the financial statements present fairly in all material respects the financial position, operations and government equity (deficiency), results of operations, cash flows, and reconciliation to budget in accordance with the applicable accounting standards?
- (2) Did the activity have an adequate internal control structure?
- (3) Did the activity comply with laws and regulations that could have a direct and material effect on the financial statements and certain other laws and regulations designated by OMB and A.I.D.?

- (4) Did the activity's Fiscal Year 1992 Annual Financial Statement comply the program performance reporting guidance contained in OMB Bulletin No. 91-15, "Guidance on Form and Content on FY1991 Activity," and OMB's February 5, 1992 guidance, "Financial Statements and Performance Measures" (and/or subsequent OMB guidance)?
- (5) Did the activity's Fiscal Year 1992 Annual Financial Statement comply with financial performance reporting guidance contained in OMB Bulletin No. 91-15, "Guidance on Form and Content on FY1991 Activity," and OMB's February 5, 1992 guidance, "Financial Statements and Performance Measures" (and/or subsequent OMB guidance)?

Audit Recommendation Follow-up

- * Through an automated recommendation tracking system, the Office of Financial Audits will monitor implementation of audit recommendations made in financial audit reports issued by the Office.

Coordination with the Office of Investigations

- * The Office of Financial Audits will coordinate its audit efforts with the OIG Office of Investigations.

Technical Support and Information Management

- * The Office of Financial Audits will provide technical support for its audit teams, develop and maintain automated data bases, including the data base on contractor/grantee audit histories.

Financial-related audits of A.I.D.'s West Bank/Gaza Program conducted during FY1992 under supervision of the Office of Financial Audits illustrate the type of work the Office performs.

A.I.D.'s West Bank/Gaza Program has distributed more than \$160 million over a fifteen-year period in the West Bank and Gaza Territories. The purposes of the Program are to demonstrate American concern, help meet humanitarian and economic development needs of Palestinians in the occupied territories, and support U.S. efforts to peacefully revolve the Arab-Israeli conflict.

A.I.D.'s former Bureau for Asia, Near East and Europe requested the OIG to audit the entire West Bank/Gaza Program. In addition to a performance audit conducted by the Office of Programs and Systems Audits, the Office of Financial Audits engaged an independent public accounting firm to perform financial-related audits of six private voluntary organizations (PVOs) which had received about \$27.8 million in A.I.D. funds under the Program since October 1987. The six audits questioned more than \$800,000--\$266,000 in ineligible and \$568,000 in unsupported costs--charged to A.I.D. grants and cooperative agreements.

Following are results of two of the six financial-related audits:

Audit of A.I.D. Grants to a U.S. PVO Under the West Bank/Gaza Program

A.I.D. had provided \$25 million to a PVO for institution building of Palestinian organizations in the West Bank/Gaza Territories. The audit covered \$7.7 million for three years of operations through September 30, 1990.

Objectives of the audit were to determine whether the

- * Schedules of Financial Assistance were presented fairly and in accordance with generally accepted accounting principles,
- * internal control structure was adequate, and
- * PVO had complied with applicable laws, regulations, and grant provisions.

The accounting firm found that the Schedules of Financial Assistance were fairly presented, but about \$248,000 in costs were questioned. These included \$64,000 of ineligible and \$184,000 of unsupported costs. Internal controls and compliance needed improvement.

The report identified a problem which may affect other AID-financed organizations operating in the West Bank and Gaza Territories. Although the PVO had tax exempt status, it did not systematically monitor tax payments to ensure that reimbursements were made to the project. Also, the PVO's sub-grantees were not taking advantage of the PVO's tax-exempt status.

The monetary findings are unresolved. However, the PVO has agreed to correct the internal control and compliance weaknesses found by the audit.

Audit of A.I.D. Grants to a U.S. PVO under the West Bank/Gaza Program and the PVO's Activities under the Food for Peace Program

A.I.D. had provided about \$18 million to a U.S. PVO over a fifteen-year period. The grantee, in turn, provided technical assistance and resources to Palestinian institutions and individuals in the West Bank and Gaza Territories. The audit covered \$4.4 million for operations through September 30, 1990, provided under four grants.

Objectives of the audit were to determine whether the

- * Schedules of Financial Assistance were presented fairly and in accordance with generally accepted accounting principles,
- * internal control structure was adequate, and
- * PVO had complied with applicable laws, regulations, and grant provisions.

Audit of the Food for Peace Program was limited to a review of program implementation practices in effect during July and August 1991.

The accounting firm disclaimed an opinion on the Schedules of Financial Assistance for one grant because of evidence that funds had been fraudulently misused. About \$334,000 in costs charged to the grant were questioned. The Schedules of Financial Assistance for the three other grants were fairly presented.

The report also identified material internal control and compliance weaknesses which resulted in a recommendation to A.I.D. to suspend payments to the PVO until action is taken to strengthen internal controls.

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**FINANCIAL AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/CAIRO
FISCAL YEAR 1993**

| <u>Auditee/Project</u> | <u>Requesting Office</u> |
|--|--------------------------|
| Ministry of Health | USAID/Egypt |
| Child Survival | |
| State Information Service | USAID/Egypt |
| Population and Family Planning | |
| Teaching Hospitals Organization | USAID/Egypt |
| Diarrheal Diseases | |
| Ministry of Education/NIB | USAID/Egypt |
| Basic Education | |
| National POP - RTC | USAID/Egypt |
| Population and Family Planning | |
| Diarrheal Diseases Office | USAID/Egypt |
| Diarrheal Diseases | |
| Current Development Center | USAID/Egypt |
| Basic Education | |
| Ministry of Higher Education | USAID/Egypt |
| Peace Fellowships | |
| Supreme Council of Universities | USAID/Egypt |
| University Linkages | |

| | |
|--|--------------------|
| Governorates Cairo/Alexandria | USAID/Egypt |
| Local Development II | |
| Ismailia, Dakahlia, K.E. | USAID/Egypt |
| Local Development II | |
| Cairo Governorate | USAID/Egypt |
| Local Development II | |
| Ministry of Public Works | USAID/Egypt |
| Irrigation Management (Four Proposed Audits) | |
| Ministry of Agriculture | USAID/Egypt |
| NARP Technology Transfer | |
| Ministry of Agriculture | USAID/Egypt |
| NARP Research Component (Two Proposed Audits) | |
| Ministry of Agriculture | USAID/Egypt |
| NARP Seed Component (Two Proposed Audits) | |
| Coptic Association | USAID/Egypt |
| Population and Family Planning | |
| Ain Shams University | USAID/Egypt |
| Population and Family Planning | |
| International Islamic Center | USAID/Egypt |
| Population and Family Planning | |
| Ministry of Social Affairs | USAID/Egypt |
| Population and Family Planning | |

| | |
|--|--------------------|
| Water Research Center | USAID/Egypt |
| Irrigation Management | |
| Egyptian Fertility Care | USAID/Egypt |
| Population and Family Planning | |
| Principle Bank for Development | USAID/Egypt |
| Agriculture Production Credit | |
| Cost Recovery for Health Office | USAID/Egypt |
| Cost Recovery for Health | |
| SPAAC | USAID/Egypt |
| Local Development II | |
| Alexandria Business Association | USAID/Egypt |
| Small and Micro Enterprises | |
| Curative Care Organization | USAID/Egypt |
| Cost Recovery for Health | |
| Egyptian Small Enterpirses | USAID/Egypt |
| Small and Micro Enterprises | |
| Syndicate of Commerce | USAID/Egypt |
| Technical Cooperation | |
| US-Egypt Joint Business Council | USAID/Egypt |
| Technical Cooperation | |

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**FINANCIAL AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/DAKAR
FISCAL YEAR 1993**

| <u>Auditee/Project</u> ¹ | <u>Requesting Office</u> |
|--|--------------------------|
| Morocco's Ministry of Finance Export Promotion (Two Proposed Audits) | USAID/Morocco |
| Ghana's Ministry of Education Primary Education Program | USAID/Ghana |
| Ghana's Ministry of Health Family Planning and Health Program | USAID/Ghana |

¹ Based on recent experience, the Regional Inspector General for Audit Dakar anticipates conducting 11 audits in addition to the 4 identified here, for a total of 15 financial audits during Fiscal Year 1993. Auditees for the 11 additional audits will be determined by audit requests received from Missions within the audit region.

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**FINANCIAL AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/NAIROBI
FISCAL YEAR 1993**

| <u>Auditee/Project</u> | <u>Requesting Office</u> |
|--|---------------------------|
| Kenya's Ministry of Health Kenya Health Care | USAID/Kenya |
| Kenya's Ministry of Finance Kenya Market Development | USAID/Kenya |
| Kenya's Ministry of Agriculture Institutional Development and Agricultural Training | USAID/Kenya |
| Kenya's Ministry of Finance National Agricultural Research | USAID/Kenya |
| Kenyan Wildlife Services Park Rehabilitation and Management | USAID/Kenya |
| Kenya's Ministry of Finance Fertilizer Price Marketing Reform | USAID/Kenya |
| Kenya's Ministry of Finance Private Enterprise Development | USAID/Kenya |
| League of the Red Cross Ethiopia Drought Rehabilitation | REDSO/ESA |
| Voluntary Agency Development Assistance Voluntary Agency Development | USAID/Kenya, REDSO/ESA |

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|--|-----------------------------------|
| Center for African Studies | USAID/Kenya, REDSO/ESA |
| Population and Family Planning | |
| International Rice Research Institute | REDSO/ESA |
| Malagasy Rice Research | |
| AMREF | USAID/Sudan, REDSO/ESA |
| Rural Health Support | |
| Experiment in International Living | USAID/Uganda |
| Private Sector AIDS Education Prevention | |
| Auditee To Be Determined | USAID/Oman |
| Water Resources | |
| Burundi's Ministry of Plans and Finance, Burundi Central Bank | USAID/Burundi |
| Burundi Enterprise Promotion Program | |

**FINANCIAL AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/SINGAPORE
FISCAL YEAR 1993**

| <u>Auditee/Project</u> | <u>Requesting Office</u> |
|--|--------------------------|
| International Medical Corps PVO Co-Financing | A.I.D. Rep/Afghanistan |
| Asia Institute of Technology - Bangkok, Thailand ASEAN Human Resources Development | A.I.D. Rep/ASEAN |
| International Center for Living Aquatic Resources Management ASEAN Coastal Resources Management | A.I.D. Rep/ASEAN |
| S.F. Ahmad and Company Financial Sector Credit Technical Assistance | USAID/Bangladesh |
| The Bangladesh Bank Fertilizer Distribution Improvement II | USAID/Bangladesh |
| HIID | USAID/Indonesia |
| MUCIA | USAID/Indonesia |
| Woodward Private LTD. Social Marketing of Contraceptives | USAID/Pakistan |
| Family Welfare Cooperative Society Project Design and | USAID/Pakistan |

Implementation Fund

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|---|--------------------------|
| All Pakistan Women Association | USAID/Pakistan |
| Project Design and Implementation Fund | |
| Film Makers | USAID/Pakistan |
| Behbood Associates | USAID/Pakistan |
| Geological Survey of Pakistan | USAID/Pakistan |
| Energy Planning and Development | |
| J.V. Manifold Construction | USAID/Philippines |
| Rural Infrastructure | |
| W. Red Construction and Development Corporation/Abo-Abo | USAID/Philippines |
| Rural Infrastructure | |
| W. Red Construction and Development Corporation/Mabini Circumferential | USAID/Philippines |
| Rural Infrastructure | |
| R.L. Umali Construction Corporation | USAID/Philippines |
| Rural Infrastructure | |
| IRED | USAID/Sri Lanka |
| PVO Co-Financing II | |
| Agricultural Cooperative Developmental International | USAID/Sri Lanka |
| PVO Co-Financing II | |
| Friend In-Need Society | USAID/Sri Lanka |
| PVO Co-Financing II | |

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| Terre des Homes | USAID/Sri Lanka |
| PVO Co-Financing II | |
| The Welfare Society of the Mentally Sub-Normal Child | USAID/Sri Lanka |
| PVO Co-Financing II | |
| Sri Jinaratana Adyapana Ayathena Palaka Subrahawa | USAID/Sri Lanka |
| PVO Co-Financing II | |
| University of Colombo | USAID/Sri Lanka |
| PVO Co-Financing II | |
| Disaster Assistance/Civil Strife | USAID/Sri Lanka |
| Project #907-0049 | |
| International Disaster Assistance | USAID/Sri Lanka |
| Project #907-0063 | |

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**FINANCIAL AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/TEGUCIGALPA
FISCAL YEAR 1993**

| <u>Auditee/Project</u> | <u>Requesting Office</u> |
|--|---------------------------|
| Fundacion de la Ley - Argentina Intercountry Technology Transfer Regional Administration of Justice | A.I.D. Rep/Uruguay |
| Poder Ciudadano - Argentina Intercountry Technology Transfer | A.I.D. Rep/Uruguay |
| Antigua's Ministry of Economic Development Regional Non-Formal Skills Training | RDO/Caribbean |
| CAIC Small Enterprise Development | RDO/Caribbean |
| CARLELEC Infrastructure Expansion Maintenance Systems | RDO/Caribbean |
| Caribbean Development Bank Basic Needs Trust Fund | RDO/Caribbean |
| OECS Project #538-0640 | RDO/Caribbean |

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|--|--------------------------|
| St. Kitts' Ministry of Education | RDO/Caribbean |
| Regional Non-Formal Skills Training | |
| St. Lucia's Ministry of Community Development | RDO/Caribbean |
| Regional Non-Formal Skills Training | |
| St. Vincent's Ministry of Education | RDO/Caribbean |
| Regional Non-Formal Skills Training | |
| University of the West Indies | RDO/Caribbean |
| Regional Management Training Pilot Project | |
| Caribbean Law Institute | |
| Caribbean Leadership Dev. Training | |
| Caribbean Justice Improvement | |
| Innovative Scientific Research | |
| Belize Agribusiness Company | A.I.D. Rep/Belize |
| Commercialization of Alternative Crops | |
| Belize Enterprise for Sustained Technology | A.I.D. Rep/Belize |
| Commercialization of Alternative Crops | |
| Ministry of Agriculture | A.I.D. Rep/Belize |
| Livestock Production | |
| National Development Foundation (Phase II) | A.I.D. Rep/Belize |
| National Development Foundation | |

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|--|--------------------------|
| PRIDE Belize | A.I.D. Rep/Belize |
| Drug Awareness | |
| Caja Nacional de Seguridad Social | USAID/Bolivia |
| Reproductive Health | |
| Campana Educativa Sobre Estupefacientes | USAID/Bolivia |
| Project #511-0613 | |
| CAPEL | USAID/Bolivia |
| Democratic Institutions Grant | |
| Comision Transicion Industrial | USAID/Bolivia |
| Industrial Transition | |
| Consejo Nacional de Poblacion | USAID/Bolivia |
| Reproductive Health | |
| Fe y Alegria | USAID/Bolivia |
| Radio Learning | |
| Federacion Boliviana de la Pequena Industria | USAID/Bolivia |
| Microenterprise Development | |
| Federacion Nacional de Cooperativas de Credito Y Ahorro | USAID/Bolivia |
| Microenterprise Development | |
| ILANUD | USAID/Bolivia |
| Justice Sector Project | |
| Instituto Boliviano de Tecnologia Agropecuaria | USAID/Bolivia |
| Chapare Regional Development | |

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| Instituto Desarrollo Empresarios Y Administradores | USAID/Bolivia |
| Chapare Regional Development | |
| Ministry of Health (AIDS Prevention and Control) | USAID/Bolivia |
| Community and Child Health | |
| Programa De Coordinacion En Supervivencia Infantil - Procosi | USAID/Bolivia |
| PVO Child Survival II | |
| Programa de Desarrollo Alternativo | USAID/Bolivia |
| Chapare Regional Development | |
| Promocion y Desarrollo de la Microempresa (PRODEM) | USAID/Bolivia |
| Microenterprise Development | |
| Servicio Nacional de Caminos SNC | USAID/Bolivia |
| Chapare Regional Development | |
| Sistema Educ. Antidrogadiccion y de Movilizacion Social | USAID/Bolivia |
| Project #511-0613 | |
| CIDE | A.I.D. Rep/Chile |
| Intercountry Technology Transfer | |
| Inst. Chileno-Norteamericano de Cultura | A.I.D. Rep/Chile |
| LAC Training Initiatives II | |
| North American/Chilean Institute | A.I.D. Rep/Chile |
| Intercountry Technology Transfer | |

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| Ministry of Health | A.I.D. Rep./Chile |
| Immediate Improvement of Primary Health Care | |
| Univ. of Chile Foundation | A.I.D. Rep/Chile |
| Intercountry Technology Transfer | |
| Universidad Catolica de Chile | A.I.D. Rep/Chile |
| Innovative Scientific Research | |
| Universidad de Concepcion | A.I.D. Rep/Chile |
| Innovative Scientific Research | |
| Departamento Nacional de Planeacion | A.I.D. Rep/Colombia |
| Economic Revitalization Program | |
| FES | A.I.D. Rep/Colombia |
| Intercountry Technology Transfer | |
| Fundacion Carbajal | A.I.D. Rep/Colombia |
| Intercountry Technology Transfer | |
| ACORDE | USAID/Costa Rica |
| Support to PVO's | |
| ADIFAC | USAID/Costa Rica |
| Drug Awareness | |
| AMV | USAID/Costa Rica |
| Northern Zones Consolidation | |
| Caja Costarricense de Seguridad Social | USAID/Costa Rica |
| Family Planning Self-Reliance | |
| Centro Cientifico Tropical | USAID/Costa Rica |
| Project #940-0002 | |

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| CINDE | USAID/Costa Rica |
| Training for Private Sector Development | |
| EARTH | USAID/Costa Rica |
| Regional Agricultural Education | |
| Fundacion Nacional Clubes 4-S | USAID/Costa Rica |
| Costa Rica Peace Scholarships | |
| CLASP II | |
| Project #597-0001 | |
| Fundacion Neotropica | USAID/Costa Rica |
| Forest Conservation and Management | |
| FUNDECORV | USAID/Costa Rica |
| Forest Management | |
| ILANUD | USAID/Costa Rica |
| Justice Sector Improvement | |
| Project #597-0002 | |
| Regional Administration of Justice | |
| Ministry of Planning | USAID/Costa Rica |
| Northern Zones Consolidation | |
| Profamilia Asdecosta S.A. | USAID/Costa Rica |
| Family Planning Self-Reliance | |
| Universidad De Costa Rica | USAID/Costa Rica |
| Innovative Scientific Research | |

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|--|----------------------|
| AIRD | USAID/Dom Rep |
| Industrial Linkages | |
| Central Bank | USAID/Dom Rep |
| Debt Conversion | |
| EDUCA | USAID/Dom Rep |
| Private Primary Education | |
| FONDOMICRO | USAID/Dom Rep |
| Microenterprise Development | |
| FUNDAPEC | USAID/Dom Rep |
| Development Training | |
| PTIIC | |
| INDHRI | USAID/Dom Rep |
| On-Farm Water Management | |
| IPC | USAID/Dom Rep |
| Export Investment Promotion | |
| ISA | USAID/Dom Rep |
| University Agribusiness Partnership | |
| SESPAS | USAID/Dom Rep |
| AIDS Support | |
| STP | USAID/Dom Rep |
| PVO Co-Financing | |
| APROFE | USAID/Ecuador |
| Population and Family Planning II | |

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| ASOPROFAR | USAID/Ecuador |
| Private Pharmaceutical Distribution | |
| CEMOPLAF | USAID/Ecuador |
| Population and Family Planning II | |
| Centro Juvenil San Patricio | USAID/Ecuador |
| Technical Training - OPG | |
| Charles Darwin Foundation | USAID/Ecuador |
| Project #518-0107 | |
| CODEU | USAID/Ecuador |
| RTAC Program | |
| Comision Fulbright | USAID/Ecuador |
| LAC Training Initiatives II | |
| Direccion General De Rentas | USAID/Ecuador |
| Fiscal Administration Development | |
| FEDEXPOR | USAID/Ecuador |
| Trade and Investment Program | |
| Fundacion de Nuestros Jovenes | USAID/Ecuador |
| Drug Awareness and Public Education | |
| Fundacion Ecuador | USAID/Ecuador |
| Trade and Investment Program | |
| Fundacion Wilson Popenoe | USAID\Ecuador |
| Agricultural Education II - OPG | |

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| FUNDAGRO | USAID/Ecuador |
| Agricultural Research, Extension, and Education | |
| IDEA | USAID/Ecuador |
| Agricultural Sector Reorientation Program | |
| INCAE | USAID/Ecuador |
| Policy Dialogue Support | |
| MAG | USAID/Ecuador |
| Agricultural Sector Reorientation Program | |
| MOF (NPA) | USAID/Ecuador |
| Population and Family Planning II | |
| PROEXANT | USAID/Ecuador |
| Nontraditional Agricultural Exports | |
| SNEM | USAID/Ecuador |
| Malaria Control | |
| CENITEC | USAID/El Salvador |
| Strengthening Democratic Process | |
| Central Reserve Bank | USAID/El Salvador |
| Free Zone Development | |
| FEPADE | USAID/El Salvador |
| Training for Productivity Competitiveness | |

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| FIPRO | USAID/El Salvador |
| Occupational Safety FIPRO OPG | |
| Fundacion Teleton Pro-Rehabilitacion, (FUNTER) | USAID/El Salvador |
| Project #519-0345 | |
| FUNDASALVA | USAID/El Salvador |
| FUNDASALVA - OPG | |
| FUSADES | USAID/El Salvador |
| IND Stabilization/Recovery | |
| Water Management | |
| Small and Microenterprise Program OPG | |
| Free Zone Development | |
| Agribusiness Development | |
| Project #519-0338 | |
| HABITAT | USAID/El Salvador |
| Earthquake Reconstruction | |
| Ministry of Economy | USAID/El Salvador |
| IND Stabilization/Recovery | |
| Ministry of Agriculture | USAID/El Salvador |
| Water Management | |
| Ministry of Education | USAID/El Salvador |
| Education Quality Enhancement | |
| Salvadoran Democracy Association | USAID/El Salvador |
| Family Health Services/MCH | |

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| Asociacion de Amigos del Pais | USAID/Guatemala |
| Private Sector Education Initiatives | |
| Asociacion Guatemalteca de Educacion Sexual | USAID/Guatemala |
| Expansion of Family Planning Services | |
| Asociacion Guatemalteca de Gerentes | USAID/Guatemala |
| Private Sector Education Initiatives | |
| Asociacion Nacional del Cafe | USAID/Guatemala |
| Smaller Farmer Coffee | |
| Asociacion Pro-Bienestar de la Familia de Guatemala | USAID/Guatemala |
| Expansion of Family Planning Services | |
| Banco de Guatemala | USAID/Guatemala |
| Low Cost Housing | |
| Agri-Business Development | |
| Camara Empresarial | USAID/Guatemala |
| Private Sector Development Coordination - OPG | |
| Private Enterprise Development | |
| Comision Nacional de Areas Protegidas | USAID/Guatemala |
| Maya Biosphere Natural Resources Management | |
| Federacion Nacional de Cooperativas | USAID/Guatemala |
| Cooperative Strengthening | |

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| Fundacion del Centavo | USAID/Guatemala |
| Pilot Commercial Land Markets II (OPG) | |
| Importadora de Productos Farmaceuticos | USAID/Guatemala |
| Expansion of Family Planning Services | |
| Instituto Nacional de Electrificacion | USAID/Guatemala |
| Rural Electrification | |
| Rural Electrification III | |
| Ministerio de Educacion | USAID/Guatemala |
| Basic Education Strengthening (Proyecto Best) | |
| Ministry of Public Finance | USAID/Guatemala |
| Fiscal Administration Improvement | |
| Small Farmer Coffee | |
| Ministry of Health (Saneamiento del Medico) | USAID/Guatemala |
| Community-Based Health and Nutritional Systems | |
| Procuraduria de los Derechos Humanos | USAID/Guatemala |
| Strengthening Democratic Institutions | |
| Proyecto Nacional de Educacion Bilingue (PRONEBI) | USAID/Guatemala |
| Rural Education Improvement | |

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| Secretaria de Planificacion Economica (SEGEPLAN) | USAID/Guatemala |
| Guatemala Peace Scholarships | |
| Development Planning, Training, and Support | |
| Tribunal Supremo Electoral | USAID/Guatemala |
| Election System Support | |
| Unidad Sectorial de Investigacion y Planificacion Educactiva | USAID/Guatemala |
| Primary Education Management Improvement | |
| Universidad del Valle | USAID/Guatemala |
| Development Planning, Training, and Support | |
| Universidad Rafael Landivar | USAID/Guatemala |
| Altiplano Higher Education | |
| Association of Private Health Organizations | USAID/Haiti |
| Voluntary Agencies for Child Survival | |
| Center for Management and Productivity | USAID/Haiti |
| Management and Productivity Center | |
| Centers for Development and Health | USAID/Haiti |
| Expanded Urban Health Services | |
| Child Health Institute | USAID/Haiti |
| Voluntary Agencies for Child Survival | |

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| Eye Care Haiti | USAID/Haiti |
| Voluntary Agencies for Child Survival | |
| FONHEP | USAID/Haiti |
| Incentives to Improve Primary Education | |
| Haitian Association of Voluntary Agencies | USAID/Haiti |
| Voluntary Agencies for Child Survival | |
| Haitian Development Foundation | USAID/Haiti |
| Credit and Financial Markets | |
| Technical Consultancy and Training | |
| Haitian Foundation for Health and Education | USAID/Haiti |
| Voluntary Agencies for Child Survival | |
| Haitian Institute of Community Health | USAID/Haiti |
| Voluntary Agencies for Child Survival | |
| Integrated Rural Development | USAID/Haiti |
| Targeted Watershed Management | |
| Organization for Rehabilitation of the Environment | USAID/Haiti |
| Targeted Watershed Management | |
| SOFIHDES | USAID/Haiti |
| Development Finance Corporation | |

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| Government of Haiti | USAID/Haiti |
| Policy and Administrative Reform | |
| Welfare Committee of Pignon | USAID/Haiti |
| Voluntary Agencies for Child Survival | |
| UNICORS | USAID/Haiti |
| Targeted Watershed Management | |
| AIFLD/Honduras | USAID/Honduras |
| Strengthening Democratic Institutions | |
| ASHONPLAFA | USAID/Honduras |
| Private Sector Population Program II | |
| CADERH | USAID/Honduras |
| Human Resources Development Council | |
| COHEP | USAID/Honduras |
| Policy Analysis and Implementation | |
| Congreso Nacional de Honduras | USAID/Honduras |
| Strengthening Democratic Institutions | |
| Corte Suprema de Honduras | USAID/Honduras |
| Strengthening Democratic Institutions | |
| Camara de Comercio e Industria de Cortes | USAID/Honduras |
| Chamber of Commerce - Cortes | |

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| FACACH/FDF | USAID/Honduras |
| Small Farmer Organizations Strengthening | |
| Treasury Dept. | USAID/Honduras |
| Shelter Sector Program | |
| Honduras Peace Scholarships | |
| Honduras Peace Scholarships II | |
| Treasury/Central Bank of Honduras de Honduras | USAID/Honduras |
| Privitization of State-Owned Enterprises | |
| Ministry of Natural Resources | USAID/Honduras |
| Land Use Productivity Enhancement | |
| SECPLAN | USAID/Honduras |
| Strategic Planning and Technical Support | |
| Tribunal Nacional de Elecciones | USAID/Honduras |
| Strengthening Democratic Institutions | |
| ACOSTRAD | USAID/Jamaica |
| AIDS/STD Prevention and Control | |
| Enterprise Development Trust | USAID/Jamaica |
| Microenterprise Development | |
| Jamaica Agricultural Development Foundation | USAID/Jamaica |
| Agricultural Research | |
| Hurricane Reconstruction | |

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| Jamaica Western Partners | USAID/Jamaica |
| Drug Abuse Prevention | |
| JAMPRO | USAID/Jamaica |
| Export Development and Investment Promotion | |
| Ministry of Agriculture | USAID/Jamaica |
| Hillside Agriculture | |
| Agricultural Export Services | |
| Ministry of Development Planning and Production | USAID/Jamaica |
| Technical Support for Shelter and Urban Services | |
| Ministry of Education | USAID/Jamaica |
| Project #532-0038 | |
| Ministry of Health | USAID/Jamaica |
| Health Sector Initiative | |
| AIDS/STD Prevention and Control | |
| National Council on Drug Abuse | USAID/Jamaica |
| Drug Abuse Prevention | |
| National Development Foundation | USAID/Jamaica |
| Export Development and Investment Promotion | |
| Hurricane Restruction | |
| National Family Planning Board | USAID/Jamaica |
| Population and Family Planning Services | |

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| Population and Family Planning Services II | |
| National Investment Bank of Jamaica | USAID/Jamaica |
| Export Development and Investment Promotion | |
| National Irrigation Commission | USAID/Jamaica |
| Crop Diversification | |
| National Water Commission | USAID/Jamaica |
| Technical Support for Shelter and Urban Services | |
| Planning Institute of Jamaica | USAID/Jamaica |
| Protected Areas Resource Conservation | |
| Essential Infrastructure Improvement | |
| Private Sector Organization of Jamaica | USAID/Jamaica |
| Health Sector Initiative | |
| Tourism Action Plan | USAID/Jamaica |
| Export Development and Investment Promotion | |
| University of the West Indies | USAID/Jamaica |
| UWI Management Education | |
| Urban Development Corporation | USAID/Jamaica |
| Inner Kingston Improvement | |
| Academia Mexicana De Investigacion en Demografia Medica | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |

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|--|--------------------------|
| Centro de Ensenanza Tecnica y Superior | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| Desarrollo Empresarial Mexicano, A.C. | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| Federacion Mexicana de Asociaciones Privadas de Planificacion | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| Mexico Narcotics Demand Reduction | |
| Fundacion Mexicana para la Salud A.C. | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| Fundacion Murieta | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| Mexicanos Contra el SIDA | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| World PVO U.S. Private and Voluntary Organizations | A.I.D. Rep/Mexico |
| Intercountry Technology Transfer | |
| APENN | USAID/Nicaragua |
| Private Agricultural Services | |
| INCAE | USAID/Nicaragua |
| Economic Growth and Development | |
| Family Planning Expansion | |
| Natural Resources Management | |

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| UPANIC | |
| Basic Education | |
| SAPOA (Cardinal Obando y Bravo) | |
| CAPEL/IIDH | USAID/Panama |
| Democratic Initiatives | |
| COSPAE | USAID/Panama |
| Private Sector Scholarship Fund, OPG | |
| MIPPE (Economic Policy) | USAID/Panama |
| Economic Policy Reform | |
| MIPPE (Judicial Reform) | USAID/Panama |
| Judicial Reform | |
| MIPPE (Tribunal Electoral) | USAID/Panama |
| Democratic Initiatives | |
| MIPPE/CONTRALORIA | USAID/Panama |
| Financial Management Reform | |
| MIPPE/INRENARE | USAID/Panama |
| Natural Resources Management | |
| PANAJURU | USAID/Panama |
| PANAJURU Local School - OPG | |
| Centro Interdisciplinario de Derecho Social y Economica | A.I.D. Rep/Paraguay |
| Project #526-0591 | |
| Information Resources Center for Development | A.I.D. Rep/Paraguay |
| Project #526-0616 | |

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| Instituto de Ciencias Penales | A.I.D. Rep/Paraguay |
| Project #526-0642 | |
| ADRA/OFASA | USAID/Peru |
| OPG ADRA/OFASA Nutrition and FFW | |
| APROPO | USAID/Peru |
| Int. Family Planning and Health | |
| CEDRO | USAID/Peru |
| Narcotics Education and Public Awareness | |
| Fe y Alegria | USAID/Peru |
| Special Development Activities | |
| FUNDEAGRO | USAID/Peru |
| Agricultural Technology Transfer | |
| ILD | USAID/Peru |
| Private Sector Institutional Reform | |
| Ministry of Agriculture | USAID/Peru |
| Agricultural Planning and Institutional Development | |
| Agricultural Technology Transfer | |
| Ministry of the Presidency | USAID/Peru |
| Policy Analysis Planning and Implementation | |
| PRISMA | USAID/Peru |
| PRISMA Supplemental Feeding OPG | |
| HIV/AIDS Education and Prevention | |

Private Voluntary Sector Family
Planning Services Expansion

**Centro Agronomico de Investigacion y
Ensenanza** **ROCAP**

Watershed Management

Pest Management (CATIE)

Tree Crop Production

Regional Agricultural
Higher Education

Regional Environmental
and Natural Resource
Management

**Comision Presidencial Centro-
americana de Ambiente** **ROCAP**

Regional Environmental
and Natural Resource
Management

**Escuela Agricola Panamericana
(El Zamorano)** **ROCAP**

Project #520-0360

Central America Peace
Scholarships

Regional Environmental and
Natural Resource Management

**Federacion de Entidades Privadas de
Centro-america** **ROCAP**

Private Sector Initiatives

Regional Development Support

**Instituto Centroamericano de Admin.
de Empresas** **ROCAP**

Economic Policy Research

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| Instituto de Nutricion de Centro-america y Panama | ROCAP |
| ORT, Growth Monitoring and Education | |
| Food Assistance Support | |
| Regional Development Support | |
| INCAP Instructional Strengthening | |
| Instituto Interamericano de Cooperacion para la Agricultura | ROCAP |
| Coffee Rust and Pest Control | |
| Regional Agricultural Technology Networks | |
| Latin American Agribusiness Development | ROCAP |
| Agribusiness Export Development and Promotion | |
| Secretaria de Integracion Economica | ROCAP |
| Project #596-0095 | |
| Economic Policy Research | |
| Desem del Uruguay | ROCAP |
| Intercountry Technology Transfer | |
| U.C.U.D.A.L. | ROCAP |
| Intercountry Technology Transfer | |

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**FINANCIAL AUDITS
REGIONAL INSPECTOR GENERAL FOR AUDIT/VIENNA
FISCAL YEAR 1993**

RIG/A/Vienna will conduct quality control reviews (QCRs) of audits conducted by independent public accountants of four Enterprise Funds which have been established with "Support for Eastern European Democracy (SEED) Act of 1989" funding. The Funds, the Polish-American, Hungarian-American, Czech-Slovak-American, and Bulgarian-American Enterprise Funds, promote economic development in their respective countries of Eastern Europe through an investment bank approach, i.e., loans and equity investments, and by conducting public offerings or private placements for the purposes of soliciting and accepting venture capital to expand entrepreneurial activities.

Enterprise Fund grantees are different from the usual A.I.D. grantees since the regulations imposed on the Funds are, for the most part, limited to their own policies and procedures, which are not as strict and specific as those applied to other A.I.D. grantees. Accordingly, A.I.D. does not expect Enterprise Fund grantees to comply with the requirements of Office of Management and Budget (OMB) Circulars A-110, A-122, A-128 and A-133.

As with other A.I.D. grantees, Enterprise Fund grant agreements require the Funds to engage independent public accountants to perform annual financial audits of their operations. These audits must be done in accordance with generally accepted auditing standards and generally accepted government auditing standards (GAGAS). The annual report must include audited financial statements prepared in accordance with generally accepted accounting principles and the auditors' reports on compliance and internal controls.

The Office of Inspector General for A.I.D. assumes the responsibility and authority for audit activities associated with Enterprise Fund grantees. RIG/A/EUR/W has been tasked with the following specific audit-related responsibilities associated with the four Funds:

- * provide technical assistance to the grantees' auditor(s);
- * receive audit reports from the Enterprise Fund grantees; and

perform desk reviews of the audit reports received and quality control reviews of audit working papers for these reports.

All three of these functions are on-going within RIG/A/EUR/W. For example, all Funds incorporating documentation has been reviewed and compliance supplements prepared for their accounting firms to follow in performing annual audits. Audit reports have been received from two of the Funds and desk reviews and QCRs have been done based on these submissions.

Polish-American Enterprise Fund

The first Fund established under the SEED Act, the Polish-American Enterprise Fund, began operations in April 1990. Located in New York, this Fund is managed in the image of an investment bank, and therefore looks for opportunities to take equity positions in various companies. It has used subsidiaries to further its objectives and is currently planning to make an investment of \$50 million in a partnership with the European Bank for Reconstruction and Development. The Fund's use of equity positions and wholly-owned subsidiaries to promote investment in Poland makes monitoring and reviewing working papers particularly difficult. Total obligations to date are \$188 million with \$245 million in total obligations planned.

Hungarian-American Enterprise Fund

The next Fund established under the SEED Act, the Hungarian-American Enterprise Fund, began operations in April 1990. Originally located in New York with the Polish-American Enterprise Fund, it has subsequently moved to Washington, D.C. where it is collocated with the Czech-Slovak-American Enterprise Fund. The Hungarian Fund has used more of a direct loan approach in providing capital to businesses in Hungary. Typical of a conservative banking entity, this Fund is not taking large equity positions and managerial roles in companies that it is assisting. Total obligations to date are \$46 million with \$65 million in total obligations planned.

Czech-Slovak-American Enterprise Fund

The third Fund established pursuant to the SEED Act, the Czech-Slovak-American Enterprise Fund, began operations in April 1991. It is located in Washington, D.C. QCRs of this Fund have not been performed, therefore no current comments can be made on the Fund's investment philosophy or its operating condition. Total

obligations to date are \$27 million with \$65 million in total obligations planned.

The Bulgarian-American Enterprise Fund

The Bulgarian-American Enterprise Fund began operations early in calendar year 1992. It is located in Chicago, Illinois, and has received funding of \$10 million to date. It is planned that this Fund will receive a total funding package of \$50 million. We have had conversations with the Chief Executive Officer and the Chief Financial Officer of this Fund. As in the case of the other Funds, we have prepared and sent this Fund a Compliance Supplement, our guidance for their auditing firm to follow when preparing the Report of Compliance during the annual audit of the Fund.

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