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# SEMIANNUAL REPORT TO THE CONGRESS

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April 1, 1992 - September 30, 1992

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

# MANAGEMENT ISSUES CONFRONTING A.I.D.

(See page 7)

SIGNIFICANT PROBLEM AREAS	PRESIDENTIAL COMMISSION (1)	OMB (2)	GAO (3)	OIG (4)	A.I.D. 1991 FMFIA REPORT (5)
<b>OVERALL AGENCY MANAGEMENT</b>					
Strategic Planning		X	X		
Organizational Structure	X		X		
Management of Missions	X	X	X		
<b>PROGRAM/PROJECT MANAGEMENT</b>					
Monitoring and Evaluation		X	X	X	X
Guidance and Procedures		X	X		
Host Country Contributions & Local Currency Accountability	X		X	X	X
<b>PERSONNEL MANAGEMENT</b>					
Workforce Configuration		X	X	X	
Recruitment	X		X		
Assignments	X		X		X
Training	X	X	X		
Performance Evaluation	X	X			
<b>PROCUREMENT/CONTRACT MANAGEMENT</b>					
A.I.D. Procurement Practice			X	X	
Monitoring Contractor Performance		X		X	
Audit Coverage		X	X	X	X
A.I.D.'s Assessment of Host Country's Abilities & Performance	X	X	X	X	X
<b>FINANCIAL MANAGEMENT</b>					
Unliquidated Obligation Review	X		X	X	
Integrated Financial Systems	X	X	X	X	
Primary Accounting System		X	X	X	X
A.I.D. Washington Payments			X	X	X
<b>SELECTED A.I.D-MANAGED PROGRAMS</b>					
Food Aid Program Resources		X		X	X
West Bank/Gaza				X	
Housing Investment Guaranty		X		X	
Private Sector Investment				X	
Participant Training				X	
American Schools & Hospitals Abroad				X	
<b>INFORMATION RESOURCES MANAGEMENT</b>					
Management of Sensitive Information				X	X

- (1) "PRESIDENT'S COMMISSION on the Management of A.I.D. Programs", dated April 16, 1992.
- (2) OMB/AGENCY Swat Team, "Improving Management at the Agency for International Development," dated July 16, 1992.
- (3) GAO, A.I.D. Management, "Strategic Management Can Help A.I.D. Face Current Challenges," dated March 16, 1992; and GAO, Foreign Assistance, A Profile of the Agency for International Development, dated April 3, 1992.
- (4) Recent OIG Reports and Special Studies.
- (5) A.I.D.'s 1991 Federal Managers' Financial Integrity Act Report to the President and the Congress.

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## ABBREVIATIONS

A.I.D.	Agency for International Development
ASHA	American Schools and Hospitals Abroad
FMFIA	Federal Managers' Financial Integrity Act
FSN/TCN	Foreign Service National/Third-Country National
GAO	General Accounting Office
IG	Inspector General
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
P.L.	Public Law
PVO	Private Voluntary Organization
RDO	Regional Development Office
USAID	U.S. Agency for International Development (Mission)
U.S.	United States

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## SUMMARY OF ACTIVITIES AND INITIATIVES

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The second six months of fiscal year 1992 marked a period of continuing challenge and change for the Agency for International Development (A.I.D.). These six months have seen the expansion of the Agency's programs in Eastern Europe and the Newly Independent States of the former Soviet Union. For the Office of the Inspector General (OIG), these changes have and will continue to impact on our operations. For example, the Office of Audit issued the first reports from initial audit work in the Eastern European program. In the Office of Security, the Agency's expansion of its overseas presence with the opening of eight new posts in countries of the former Soviet Union has resulted in increased responsibilities and the consequential workload.

### OFFICE OF AUDIT

The Office of Audit is responsible for conducting and overseeing audits of A.I.D. efforts to provide U.S. economic and humanitarian assistance throughout the world. The audits, which address both performance and financial aspects of A.I.D.'s programs, are conducted in accordance with government auditing standards established by the U.S. Comptroller General. The Office of Audit has six regional offices overseas and three offices in Washington, D.C. The Washington offices are responsible for, among other things (1) establishing audit policy, (2) performing audits of agency-wide programs and major operating systems, and (3) performing quality control reviews of audits conducted for the OIG by other federal audit agencies or independent public accountants.

During this reporting period, the Office of Audit issued 31 performance audit reports and processed 174 financial or financial-related audit reports performed by Agency- and recipient-contracted auditors or other federal government audit organizations. Included in these reports was the first performance audit of the Agency's Central and Eastern European Program. In total, these reports recommended \$206.4 million in deobligations, reprogramming of funds, and other actions that would put funds to better use. The reports also recommended resolution of questioned costs

*Audits Recommended  
Significant Savings  
and Recoveries*

amounting to \$24.6 million, of which \$7.8 million were ineligible and \$16.8 million were unsupported.

The Office concentrated a considerable amount of resources in auditing and reporting on Agency high risk areas and material weaknesses. Of the 31 internal audit reports issued during the six-month period, 15 were performed in areas of high risk or material weakness to include:

- financial management systems and operations (high risk area);
- audit coverage of A.I.D. programs (high risk area);
- evaluating host country contracting (material weakness);
- project monitoring and evaluation (material weakness); and
- management of sensitive information (high risk area).

The Office's fiscal year 1993 audit plan targets about 44 percent of available resources to Agency-reported high risk and material weaknesses. Several of these audits are being coordinated on a worldwide basis with our regional offices. These worldwide audits include (1) Agency oversight of host country contracting, (2) host country counterpart contributions/cost sharing, (3) management of host country-owned local currency, and (4) audit coverage of A.I.D. programs. In addition to the worldwide audits, several regional offices will be evaluating individual Mission's monitoring and evaluation systems.

### **—Performance Audits—**

***With Some  
Exceptions,  
Performance Audits  
Reveal That Agency  
Managers are  
Implementing  
Internal Control  
Systems***

Performance audits are designed to determine the economy, efficiency, and effectiveness of programs and operations. These audits are made by OIG staff and, in accordance with our systems approach to audits, focus on the efficacy of the Agency's major development assistance delivery systems and their associated internal controls. Overall, Agency managers had adequately implemented the internal controls associated with these systems. Of the 31 internal audit reports issued, we received 22 acceptable representation letters. In these 22 reports, we reported on 58 audit objectives providing an unqualified or qualified opinion on 8 and 29 objectives, respectively. An unqualified opinion means that Agency managers had implemented programs and operations in accordance with

established criteria. A qualified opinion means that some problems were found, but agency managers reasonably followed established criteria. For 19 of the 58 audit objectives, Agency managers had not implemented adequate internal control procedures. For two audits, we did not provide an opinion on the objectives because the financial records were inadequate. For the nine reports for which an acceptable representation letter was not received, we disclaimed any opinion on the internal control systems.

As noted above, much of our audit work was targeted toward reported high risk areas and material weaknesses. Audits included reviews of financial management systems and operations, project monitoring and evaluation, and management of sensitive information. Short summaries of audits in these areas follow:

- In response to a Congressional request to the Agency, an audit of controls over unliquidated obligations was performed at three Washington and five overseas accounting offices. The audit sought to determine whether A.I.D. was properly reviewing and reporting its unliquidated obligations. Notwithstanding recent increased Agency emphasis on controls and guidance, the audit showed that six of the eight accounting offices reviewed did not perform the required unliquidated obligation reviews or did not take action to promptly deobligate or reprogram excess funds. These problems were reported previously in Audit Report No. 9-000-89-007, dated July 7, 1989. The recent audit showed that at least \$245.3 million of the \$718.4 million in unliquidated obligations reviewed either were not valid or had no documentation to determine whether the amounts were valid. This is an example of a lack of Agency follow-up to ensure that audit recommendations as well as Agency guidance are implemented. (See page 43)
- A.I.D. established the Buy American Reporting System in mid-1991 to report on the source and origin of goods and services purchased with A.I.D. funds. The audit, performed at the request of the Senate Appropriations Subcommittee on Foreign Operations, sought to determine whether A.I.D. had a reliable system for reporting the source and origin of goods and services purchased with A.I.D.-appropriated funds. The audit found that A.I.D.'s source and origin reporting system, which was recently established, was not reliable. Documentation was not available for 46 percent of the \$253.3 million in disbursements. For the remaining 54 percent (\$136.8 million),

source and origin data was reported correctly for only one-third of the disbursements. Most of the errors had the effect of understating disbursements for goods and services of U.S. source and origin. (See page 40)

- Begun in 1985, a \$90 million small scale irrigation project in Indonesia was authorized to design, test, and apply irrigation technologies and management systems. For this purpose, A.I.D. designed support for all stages of irrigation development: site selection, survey, design, construction, management, and maintenance. As of September 1991, A.I.D. had obligated \$37 million and expended \$13 million on the project. This audit was conducted to determine whether USAID/Indonesia followed A.I.D. controls for monitoring the project's design, progress and resource use. The audit found that the Mission (1) monitored compliance with the conditions precedent to the disbursement of funds, and (2) established systems to monitor use of funds. However, the Mission did not follow A.I.D. policies in comparing project design with results nor did it take action when differences were detected between design and results. As a result, after six years the project was several years behind schedule in meeting overall project objectives and was at least five years behind schedule in constructing irrigation systems. (See page 24)
  
- Audits of the security controls of the Mission Accounting and Control System and its hardware, the Wang VS, were conducted at four missions: Pakistan, Thailand, Yemen and Zimbabwe. Since these Missions use the System to record, analyze, and report accounting data, strong computer security controls are essential. The general objectives of the four audits were to determine whether (1) the security system reasonably ensured that resource use was consistent with laws, regulations, and A.I.D. policies; (2) resources were safeguarded against waste, fraud, and misuse; and (3) reliable data were obtained, maintained, and fairly disclosed in reports. Generally, the audits found that the Missions had implemented adequate safeguards over the systems. For example, at USAID/Zimbabwe no reportable deficiencies were found. However, at the other three Missions visited, the audits reported that additional security improvements were needed to include:
  - improving password administration,
  - developing or documenting contingency emergency plans and procedures,

- encrypting passwords stored on the missions' Wang VS system, and
- maintaining a log of transactions performed with the system's security software. (See page 45)

### **—Financial Audits—**

The objective of financial audits is to determine whether A.I.D. recipients have used federal monies in accordance with laws and regulations. Both U.S. and foreign recipients are subject to audits. Financial audits generally are performed by auditors from other federal agencies, host government audit agencies, or independent public accountants, depending on the type of funding mechanism, the nationality of the recipient, and whether A.I.D. is the cognizant federal agency. Audits can be agency-contracted or recipient-contracted. This area, audit coverage of A.I.D. programs, is one of high risk.

### ***Financial Audits Identify Questioned Costs***

During this period, there were 174 financial or financial-related audit reports performed by auditors from other federal agencies or independent public accountants with oversight by OIG auditors. These audits resulted in recommendations to resolve \$21.0 million in questioned costs and to better use \$4.1 million. In addition to the monetary recommendations, there were many significant internal control and compliance problems disclosed in the financial audits. In 28 of the 61 Agency-contracted audits which were conducted at overseas locations, there were 126 material internal control weaknesses reported. In the remaining 33 reports there were no material internal control weaknesses. In 26 of the Agency-contracted reports, there were 105 instances of material contract or grant noncompliance. In the remaining 35 reports, there were no instances of material noncompliance. For the recipient-funded audits, which were conducted primarily at U.S.-based entities, the results were somewhat better. In 12 of the 44 U.S.-based recipient-contracted audits, there were 36 material internal control weaknesses reported. In the remaining 32 reports, there were no material internal control weaknesses. In 14 of the U.S.-based recipient-contracted reports, there were 36 instances of material contract or grant noncompliance. In the remaining 30 reports, there were no instances of material noncompliance. Because of the risk associated with A.I.D. providing funds to grantees and contractors,

all of our efforts in the financial audit area are critical to improve accountability.

As implementation of the Audit Management and Resolution Program continues, the Agency will increasingly assume responsibility for ensuring that periodic audits are performed of all contractors and grantees—both domestic and foreign. Previously, the OIG had developed the data base and monitored the status of audits of all U.S.-based recipients. This function will be assumed by the Agency beginning October 1, 1992.

The data base for foreign recipients such as indigenous not-for-profit organizations and host government entities is being developed by A.I.D.'s field missions and is expected to be completed by early 1993. Audits of these foreign organizations must receive a high priority if this high risk area is to be corrected. The President's Commission on the Management of A.I.D. Programs held a similar view about the lack of audit coverage in A.I.D. The OIG believes that perhaps as little as 20 percent of these organizations are currently being audited through the non-federal audit program on a routine, periodic basis.

Critical to improvement in this area will be the extent to which A.I.D. can eventually rely on recipient-contracted audits by foreign organizations. In this regard, OIG field offices, particularly in Tegucigalpa, Dakar, and Singapore, have been active in training foreign auditors, and in meeting with host country supreme audit organizations to determine their capability to perform audits of A.I.D. funds provided to their governments.

### **—Chief Financial Officers (CFO) Act Audits—**

#### ***Significant Problems Noted in CFO Audits***

The OIG carried out its responsibilities under the Act by conducting, with the assistance of an independent public accountant, audits of the Agency's Housing and Other Credit Guaranty Programs and the Private Sector Investment Program for the year ending September 30, 1991. Both audits, performed by an independent public accountant, resulted in disclaimers of opinion, which signify that the condition of the programs' financial records did not permit supportable conclusions or opinions on the accuracy and reliability of the financial statements.

Of concern is the financial condition of the Housing Program. After a quarter century of operations, the Program has sponsored \$2.5 billion in commercial loans to developing countries whose principal and interest

carry the “full faith and credit” guaranty of the U.S. Government. Originally intended to be financially self-sufficient, program revenues have fallen far short of outlays in recent years. As a result, the Program has borrowed some \$130 million from the U.S. Treasury and registered operating deficits in excess of \$170 million over the past three years.

As part of these audits, the OIG made an assessment of the Agency’s program performance indicators as required by the Office of Management and Budget. Our work found that the program indicators that accompany the financial statements did not present program data which could be linked to the financial statements.

The audits also disclosed in both programs, several internal control material weaknesses and noncompliance with applicable laws. The reports noted that the Housing and Private Sector Investment Programs had not been reported as material weaknesses in the FMFIA, an oversight that the reports recommended be corrected in the 1992 FMFIA report. (See page 38)

### **—Agency FMFIA Reporting—**

Under the FMFIA of 1982, which was enacted to enhance federal agencies’ procedures for maintaining accounting systems and internal controls over the Federal Government’s resources, the Inspectors General are responsible for providing technical assistance to agency heads in carrying out their FMFIA programs. In an attempt to assist the Agency’s internal control assessment, the OIG synthesized the results of recent highly publicized external reviews, as well as OIG reports to identify potential weaknesses in management controls. The external reviews, conducted by the General Accounting Office, the President’s Commission on the Management of A.I.D. Programs, and the combined Office of Management and Budget/A.I.D. Swat Team, criticized the Agency’s management practices and performance.

*Agency Recommended  
to Include Additional  
FMFIA Weaknesses*

The results of our analysis, which are presented as a matrix on the inside cover of this report, identified 27 significant problem areas in seven general management categories. To contrast our analysis with the Agency’s 1991 FMFIA reporting, only one-third of the 27 specific problem areas were identified as material weaknesses or high risk areas in the Agency’s 1991 FMFIA report. The impairments exist in the following general management categories: (1) overall agency management, (2)

program/project management, (3) personnel management, (4) procurement/contract management, (5) financial management, (6) information resource management, and (7) selected A.I.D.-managed programs. Although the Agency has addressed the reports' recommendations in a management improvement plan, we recommended that the weaknesses be addressed in the 1992 FMFIA assessment and be reported to the President and to the Congress.

### **—Representation Letter Use by A.I.D. Managers—**

#### ***Progress Made in Representation Letter Use by A.I.D. Managers***

Although problems still exist, our initiative of requesting management representation letters for performance audits made progress primarily as a result of thoughtful discussions and negotiations between OIG staff and A.I.D. management. For A.I.D. managers, providing representation letters signifies acceptance of the responsibilities for internal controls and execution of their programs. Auditors use management representation letters to ask managers to confirm to the best of their knowledge, in writing, that they are responsible for the internal control systems under review; have complied with applicable laws, regulations, and Agency policies and procedures; have provided the auditors with accurate and complete information; and have disclosed all known irregularities. Such representations allow us to include the positive aspects of A.I.D.'s performance in our audit reports as well as any negative findings. As seen in the graph on the next page, we issued 25<sup>1</sup> audit reports during this period with representation letters and 6 reports without representation letters.

In an effort to address the representation letter issue, the Agency released a policy statement, dated May 13, 1992, which contained a sample representation letter as guidance for managers in the field. This guidance was inadequate because it:

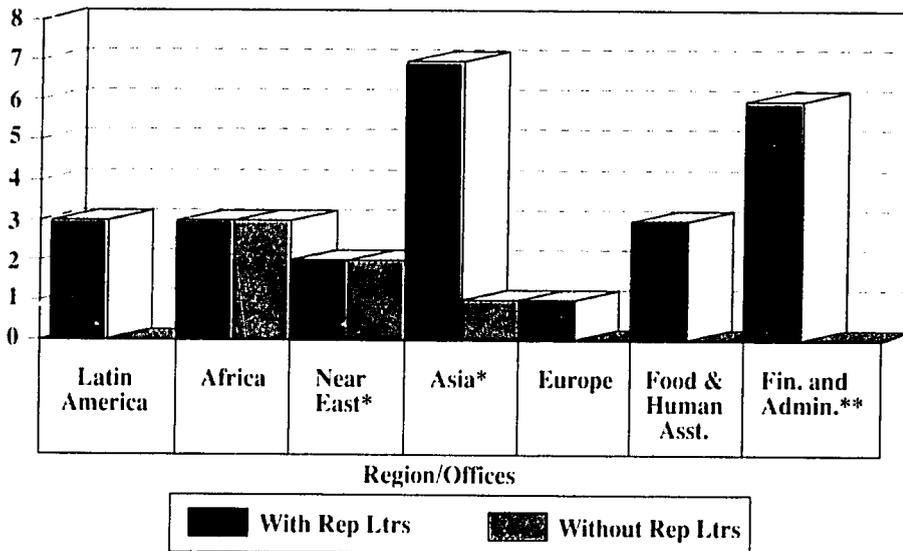
- did not specifically state that the representation letter should answer—to the best of management's knowledge and belief—the questions asked by the auditors;

<sup>1</sup>There were three audits for which we received inadequate audit representation letters that resulted in disclaiming an opinion on one audit and qualifying an opinion on the other two audits.

- stated that for field programs only the mission director and the deputy should sign the representations; and
- suggested that anyone without “legal training” should not sign representation letters that conclude that management is complying with the laws, regulations, contracts and policies that management is required to implement.

Updated guidance was subsequently issued by the Agency, dated August 21, 1992. This represented a step forward in obtaining acceptable representation letters from A.I.D. auditees, because it contained examples of actual “acceptable” representation letters signed by A.I.D. managers. Notwithstanding this added guidance, problems still remain in obtaining acceptable representation letters from A.I.D. managers, particularly regarding (1) the completeness of the representations given, and (2) the signatories of the letters.

**STATUS OF REPRESENTATION LETTERS FOR INTERNAL  
AUDIT REPORTS ISSUED FOR THE SIX-MONTH PERIOD  
ENDING SEPTEMBER 30, 1992**



\* Three representation letters were issued that were not acceptable (Near East 2, Asia 1)  
 \*\* The Bureau for Private Enterprise provided two representation letters which are included in Finance and Administration totals.

Some USAID missions are interpreting the Agency's guidance to mean that only mission directors should sign representation letters and not the officials most knowledgeable about the audited activity. Also, some of the representation letters provided to us have been only partially acceptable, because some of the representations given were incomplete in substance and meaning and one Mission Director in Africa has advised an A.I.D. grantee not to sign a representation letter for a financial audit performed by an Agency-contracted auditor. This is the first time such action has been taken in the seven years that the OIG has conducted the Agency-contracted audit program. As a result, the OIG has suspended all financial audits for that Mission until the problem is resolved.

## **OFFICE OF INVESTIGATIONS**

The Office of Investigations has investigative responsibility for A.I.D. programs in countries receiving U.S. foreign assistance funds. Investigations of serious criminal and administrative violations cover all facets of A.I.D.'s worldwide operations.

In compliance with legal requirements, the Office of Investigations refers to the U.S. Department of Justice for prosecutive consideration all investigative findings which indicate possible violations of federal law. However, in many investigations jurisdiction lies with foreign governments, in which case our agents collaborate closely with foreign judicial and investigative authorities. Investigations also result in administrative sanctions, such as dismissals and suspensions, debarment of companies, and issuance of bills for collection. These actions are taken by A.I.D. officials after reviewing investigative findings.

### **—Current Activities—**

The Office of Investigations received 89 complaints during the current reporting period. The majority, 76, concerned fraud and procurement irregularities. Forty-four percent of the total involved A.I.D. contractors and suppliers, ten percent involved A.I.D. U.S. direct-hire employees, ten percent involved foreign national employees and thirty-six percent involved others. A total of 69 criminal investigations were opened following evaluation of the complaints.

Investigative results during this reporting period included 17 convictions or confinements, four suspensions of companies from participation in A.I.D. programs, four administrative or disciplinary actions, \$1,429,161 in recoveries and \$4,269,517 in savings or avoidance of unnecessary expenditures.

*Investigations Result  
in \$5.7 Million in  
Recoveries or Cost  
Avoidances*

### **—Contemporary Issues—**

The Office of Investigations welcomes the recent appointment by A.I.D. of a full-time Independent Ethics Counsel. This appointment will provide the foundation for A.I.D. personnel upon which a heightened awareness of ethics in decision making can be created. As the Ethics Counselor moves to promote ethical awareness in implementing the foreign aid program, the Office of Investigations expects to see a reduction in the number of employee misconduct referrals.

Many Agency programs involve large-dollar procurements and are vulnerable to unscrupulous business practices. For instance, the Office of Investigations has found a broad range of fraudulent acts in numerous transactions funded by the Commodity Import Program.

Pursuant to the Commodity Import Program, A.I.D. finances the purchase of A.I.D.-approved commodities and materials, which are unavailable locally, for host country governments and businesses. Examples of such practices, usually brought to light by mission employees, have been reported in recent semiannual reports. Millions of foreign aid dollars are involved in these procurements, and people have been found to engage in overpricing, product substitution, bid-rigging, false invoicing, and other schemes designed to defraud the United States Government. These cases are generally prosecutable in United States courts, and they often afford the Office of Investigations an opportunity to recover Agency monies lost to unscrupulous business people.

Successful investigative cases emanating from the Commodity Import Program, and other programs involving large-dollar procurements, are usually complex and require extensive, concentrated efforts on the part of investigators and prosecutors. This is due, in part, to the scope of the investigations, which encompass international banking transactions, domestic and foreign corporations doing business across international boundaries, and many third-country, non English-speaking nationals. The

Office of Investigations will continue to pursue these large-dollar transactions since they represent an area of high vulnerability to fraud against the United States Government.

## OFFICE OF SECURITY

During the reporting period, the Office of Security undertook inspection and operational activities to fulfill its responsibilities for worldwide programs designed to protect A.I.D. employees and facilities from acts of violence and classified materials from unauthorized disclosure. This mission was accomplished through diverse programs involving the design and installation of physical security devices, armored vehicles, residential security, local radio networks, information security and investigative/adjudicative activities involving security, suitability and counterintelligence issues.

The Office of Security continued to support Agency expansion in the Newly Independent States to include establishing A.I.D. offices, recruiting local staffs, and briefing employees and contractors.

### *36 of 99 Agency Overseas Facilities Visited*

Thirty-six of the Agency's 99 overseas facilities were visited by security personnel. Radio communication surveys, designs, repairs and installations occurred at 22 posts while an additional 14 facilities were inspected to determine the adequacy of the post's overall security posture. No major deficiencies were noted. Where necessary and possible, corrective measures were made on the spot, with unserviceable equipment scheduled for replacement. Eight posts received Office of Security funding and/or equipment to offset U.S. Department of State residential security shortfalls.

Negotiations between the Office of Security and the Agency's Office of Administrative Services resulted in a final proposal to transfer A.I.D./Washington physical security responsibilities to the OIG. In fiscal year 1993, the Office of Security assumes program responsibility while funding remains with the Agency. In fiscal year 1994, the OIG will assume funding for the program. During the reporting period, 13 A.I.D. operations sites within the Washington, D.C. area were surveyed. Although generally adequate, improvements in access control procedures are planned.

Security violation reports dropped during the reporting period, due partially to the fact that "chronic violators" were referred to the Director of Human Resources Development and Management for disciplinary consideration. Security education continued, with emphasis on both offenders and management personnel.

The Office of Personnel Management inspected the Agency for compliance with Chapters 731 and 732 of the Federal Personnel Manual. Included therein was a thorough review of the Office of Security's Investigative Program. No significant deficiencies were noted and the Office of Security, as well as the Agency, were complimented for its program.

OIG representatives from the recently instituted Computer Security Inspection Program coordinated with the Agency's Office of Information Resources Management in the promotion of A.I.D. Computer Security Policies. Noteworthy was a policy decision which interpreted security standards and authorized relaxed procedures for the automated processing of classified information.

This reporting period mirrors the anticipated security challenges for both the Agency and the Office of Security in fiscal year 1993. Agency attitudinal and operational changes will be required to protect U.S. interests within the Newly Independent States' environment. Protected communications and automated systems will grow in importance and become an Office of Security focal point in an effort to strengthen the Operational Security posture of the Agency. Thirty of the 99 A.I.D. posts abroad are rated by the Department of State's Bureau of Diplomatic Security as critical or high threat risks for acts of terrorism, war, insurgency, civil disturbance, crime and narco-terrorism. Therefore, continued high priority will be assigned to the protection of these and the remaining A.I.D. personnel and facilities worldwide through the analysis of intelligence, a collaborative effort with Agency Management and the continued prioritized enhancement and inspection of security systems and programs.

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## OFFICE OF THE INSPECTOR GENERAL ORGANIZATION

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

*Office  
Authority*

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

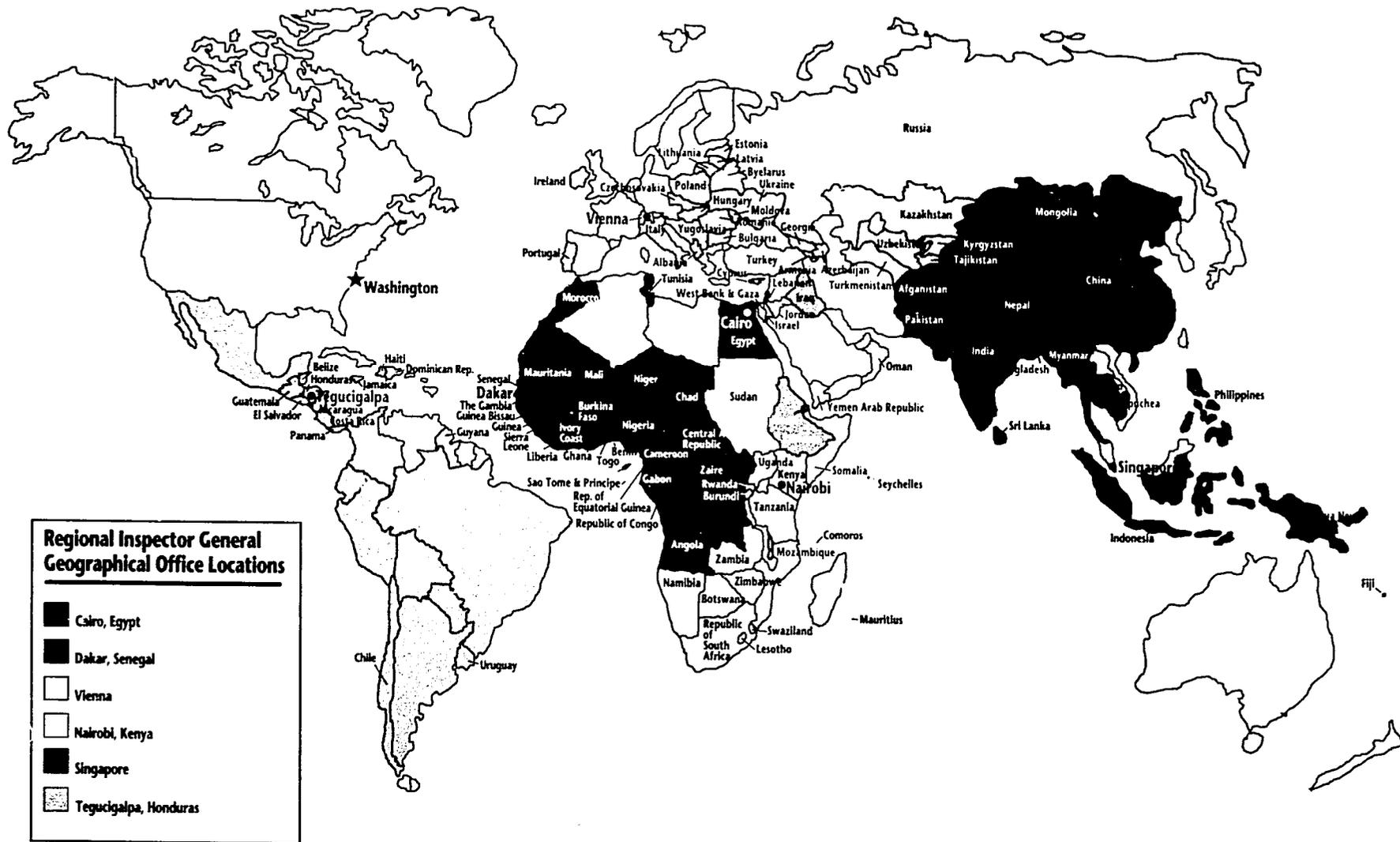
*Role and  
Responsibility*

The Inspector General Act of 1978 authorizes the Inspector General to conduct and supervise audits and investigations that recommend policies to promote economy, efficiency and effectiveness, and detect and prevent fraud and abuse in the programs and operations of A.I.D. The Inspector General is responsible for keeping the A.I.D. Administrator and the Congress fully informed about problems and deficiencies in A.I.D. programs and operations, as well as the necessity for, and progress of, corrective actions.

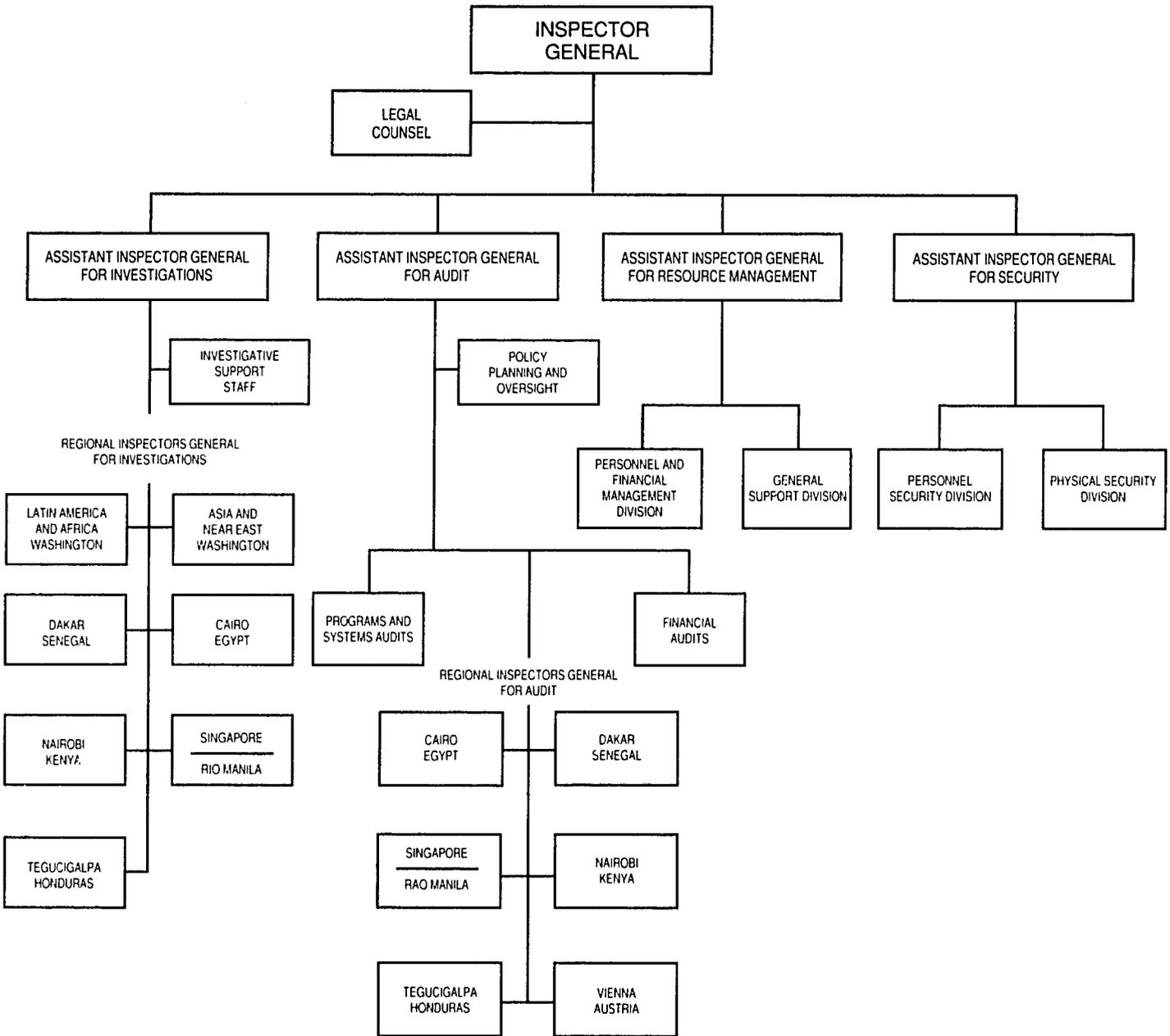
The Office of the Inspector General has four major offices, each headed by an Assistant Inspector General: Office of Audit, Office of Investigations, Office of Security, and Office of Resource Management. Overseas, the Regional Inspectors General for Audit and Regional Inspectors General for Investigations—who are each responsible for assigned geographical areas—report to their respective Assistant Inspectors General. The overseas office locations and assigned geographical areas are presented on the following map.

*Regional Inspector  
General Geographical  
Responsibility*

# Regional Inspector General Geographical Office Areas



# INSPECTOR GENERAL ORGANIZATION CHART



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## OFFICE OF AUDIT

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The Office of the Assistant Inspector General for Audit is responsible for conducting audits of A.I.D.'s worldwide foreign economic assistance activities. Foreign aid helps developing countries meet the basic needs of their people through sustained, broadly based economic assistance. This assistance includes such major funding mechanisms as:

### *Audit Responsibility*

- bilateral project assistance,
- bilateral nonproject assistance,
- grants and cooperative agreements,
- the participant training program,
- the disaster assistance program,
- the housing guaranty program, and
- the private sector investment program.

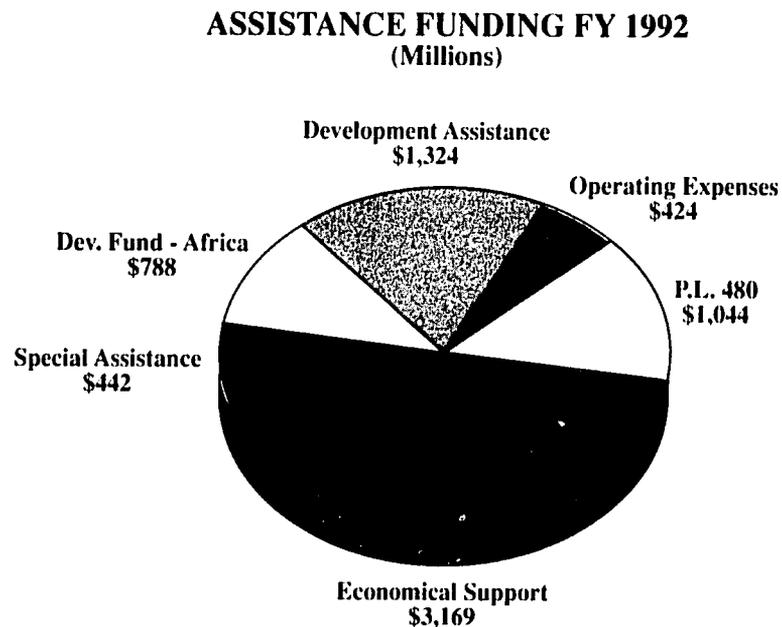
In fiscal year 1992, A.I.D.'s economic assistance budget, as enacted by the Congress, was \$6.2 billion, and was made up of the following appropriations:

- \$3.2 billion for the Economic Support Fund,
- \$1.3 billion for development assistance,
- \$788 million for the Development Fund for Africa,
- \$442 million for special assistance initiatives, and
- \$474 million for operating expenses.

U.S. food aid programs are administered by A.I.D. and the Department of Agriculture, primarily under the authority of the Agricultural Trade

Development and Assistance Act, known as P.L. 480, first passed in 1954 and amended most recently in 1990. In accordance with the 1990 legislation, the Department of Agriculture is responsible for administering Title I of the Act, and A.I.D. is responsible for administering Titles II and III. Food aid programs are funded by the Department of Agriculture. The fiscal year 1992 budget for Title II and Title III food aid programs is expected to be about \$1 billion.

The following chart illustrates the composition of this assistance.



***Audit  
Accomplishments***

During this semiannual reporting period, the Office of Audit issued 31 internal audit reports and processed 174 reports performed by Agency- and recipient-contracted auditors or other federal government audit organizations. These reports recommended \$206.4 million in deobligations, reprogramming of funds, and other actions that would put funds to better use. The reports also recommended resolution of questioned costs amounting to \$24.6 million of which \$7.8 million were ineligible and \$16.8 million were unsupported. Questioned costs are costs that the auditors consider to be potentially ineligible because the expenditures is for items that are (1) not permitted by law or legislation, (2) unnecessary/unreasonable, and (3) not supported by adequate

documentation. The questioned costs are referred to the contracting officer for final resolution.

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

- A.I.D. Management reached resolution on \$186.5 million in efficiencies (funds to be put to better use) and questioned costs identified in Inspector General audit reports. Of this total, \$185 million (\$183.3 million—efficiency and \$1.7 million—questioned costs) was agreed to by A.I.D.
- A.I.D. Management reached resolution on \$41.1 million in efficiencies and questioned costs in financial-related audit reports (external reports) by Agency-contracted, recipient-contracted, and other governmental audit agencies. Of this total, \$4.7 million (\$1.1 million in efficiencies and \$3.6 million in questioned costs) was sustained by A.I.D.
- A total of \$287 million (\$284.1 million from Inspector General audit reports and \$2.9 from external audit reports) was actually recovered or saved by A.I.D. management through increased efficiencies during the past six months as a result of audit work in this and prior periods.
- As of September 30, 1992, \$134.4 million in recommended efficiencies and questioned costs were awaiting A.I.D. determination, of which \$72.4 million (53.9 percent) represented recommendations over six months old.
- As of September 30, 1992, \$79.9 million in recommended efficiencies and questioned costs were agreed to by A.I.D., but final action/collection was not taken.

***A.I.D. Puts to Better Use or Recovers \$287 Million as a Result of Audit Recommendations***

Of the 31 internal audit reports issued, we received 22 acceptable representation letters. Overall, the Agency had adequately implemented the internal controls associated with the systems. In these 22 reports, we reported on 58 audit objectives providing an unqualified or qualified opinion on 8 and 29 objectives, respectively. An unqualified or qualified opinion means that Agency managers had implemented procedures in at least a minimally adequate manner. For 19 of the 58 audit objectives,

Agency managers had not implemented adequate internal control procedures. For two audits, we did not provide an opinion on the objectives because the financial records were inadequate. For the nine reports for which an acceptable representation letters was not received, we disclaimed any opinion on the internal controls systems.

## **AUDITS OF BILATERAL PROJECT ASSISTANCE**

A.I.D. uses project assistance to address specific developmental or economic problems. Project agreements are executed with one host government (bilateral) or a group of governments (regional) for activities in areas such as agriculture, rural development, and nutrition; population planning; health; education and human resources; or energy. Agriculture, rural development, and nutrition projects, for example, are designed to increase agricultural production, improve diets, and support agricultural research in developing countries where hunger and malnutrition are major constraints to economic development. Health projects reinforce comprehensive child survival initiatives such as immunizations and prenatal screening, improve the management and logistics of health care and environmental sanitation programs, and support biomedical research and field testing of important new technologies such as malaria vaccines.

In fiscal year 1992, the Office of Audit redirected its resources to evaluate Agency activities using a systems approach which is keyed to specific audit objectives. The objectives for audits of bilateral assistance are specifically selected to evaluate the Agency's internal control systems in providing such assistance.

During the past six months, the Office of Audit has issued significant reports that addressed the internal control systems underlying the Agency's processes for:

- managing commodities;
- contracting for technical assistance;
- monitoring, reporting, and evaluating project activities; and
- managing participant training activities.

Highlights of the audits of bilateral project assistance performed during this reporting period follow.

### **—Monitoring, Reporting, and Evaluation—**

#### **Audit of the Malawi Enterprise Development Program, USAID/Malawi**

The Malawi Enterprise Development Program was designed to stimulate the growth of the private industrial and commercial sectors of that country's economy by supporting policies directed at enhancing sector development. Initiated in August 1988, the six-year program included cash transfers of \$35 million from A.I.D. to be disbursed in three payments upon completion of specified policy and institutional reforms by the Government of Malawi. The Government of Malawi was also required to match A.I.D.'s cash transfers by generating the local currency equivalent of \$35 million. The Program included \$1.6 million in A.I.D. project assistance, primarily to provide technical assistance for local businesses. As of September 1991, \$20 million in cash transfers and \$41,000 in project assistance was disbursed, and local currency of \$20 million was deposited by the Government of Malawi.

The audit was designed to determine whether USAID/Malawi followed grant provisions and A.I.D. policies in (1) obligating and disbursing cash transfers to the Government of Malawi; (2) monitoring the generation, deposit, and use of program local currency; and (3) monitoring the performance of the technical assistance grantee.

The audit found that USAID/Malawi followed grant provisions and A.I.D. policies in obligating and disbursing cash transfers and in monitoring the generation and use of program local currencies, but not in monitoring the deposit of these currencies. The local currency equivalent of approximately \$1 million in interest could have been earned if the Government of Malawi had been required to use an interest-bearing account. Interest of \$465,000 could also have been earned for another USAID/Malawi project if an interest-bearing account had been used.

Moreover, USAID/Malawi failed to monitor the activities of a U.S. private voluntary organization providing technical assistance to local businesses.

*Use of an Interest-Bearing Account for Local Currency Funds Could Have Earned \$1.4 Million to Promote Program Objectives*



As a result, four of ten local firms assisted by this organization were parastatals and large firms—contrary to the grant agreement.

The audit resulted in six recommendations. When the report was issued, one recommendation was closed, three were resolved and two remained unresolved. USAID/Malawi continued to believe it had adequate justification to waive the A.I.D. policy preference for an interest-bearing account, but subsequently succeeded in getting the Government of Malawi to establish one for its other ongoing programs. (*Audit Report No. 3-612-92-014, July 31, 1992*)

### **Audit of the Management of the Small Scale Irrigation Management Project No. 497-0347, USAID/Indonesia**

#### ***After Six Years, Little Progress Made on Irrigation Project***



Begun in 1985, the \$90 million Small Scale Irrigation Project was authorized to design, test, and apply irrigation technologies and management systems in three of Indonesia's provinces. For this purpose, A.I.D. designed support for all stages of irrigation development: site selection, survey, design, construction, management, and maintenance. As of September 1991, A.I.D. had obligated \$37 million and expended \$13 million on the Project.

The audit was conducted to determine the status of the Project and whether USAID/Indonesia followed A.I.D. policies and procedures for:

- monitoring the validity of project design;
- monitoring the use of A.I.D. inputs;
- reporting on project status; and
- evaluating project progress.

The audit found that, after six years, the Project still had not yielded sufficient economic benefits. It was several years behind schedule in meeting overall project objectives, and at least five years behind schedule in constructing irrigation systems. For example, although the construction of ten surface water systems was to be completed by 1991, construction had started on only one system. This limited progress was due to several factors, including an overly optimistic project design and weaknesses in USAID/Indonesia's controls.



***Insufficient Host Government Funding Halted Completion of Prior Surface Water Project***

In addition to assessing internal controls and compliance with legal requirements, the auditors made six recommendations. In responding to the recommendations, the Mission disagreed with the auditors' interpretations of facts. While some recommendations have been resolved or closed, others remained unresolved pending agreement on necessary corrective actions. (*Audit Report No. 5-497-92-010, August 31, 1992*)

**—Commodity Management—**

**Audit of Commodity Systems, USAID/El Salvador**

Worldwide, A.I.D. normally has spent over \$1 billion a year on commodities for assistance programs. With a development assistance portfolio of 57 active projects using \$250 million in commodity funds, USAID/El Salvador's program was the fourth largest assistance program in A.I.D.

***A Review of Funds With Expired End Dates Resulted in the Reprogramming or Deobligation of \$41 Million***



This audit was performed to determine if USAID/El Salvador's commodity management systems complied with A.I.D. guidance. The audit tested 8 of the 57 projects to see whether:

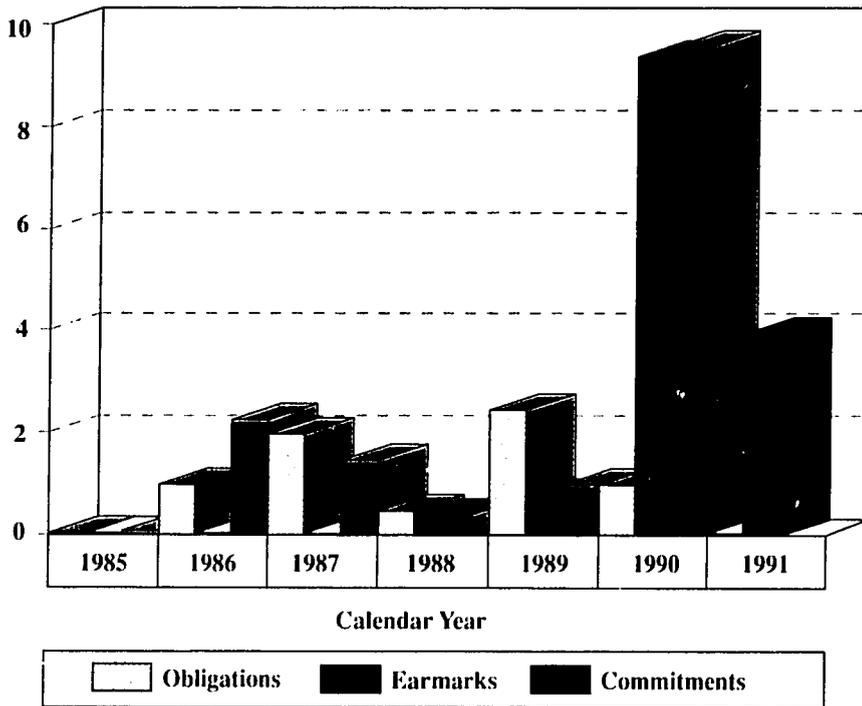
- (1) project papers included procurement plans;
- (2) commodity procurement followed A.I.D. procedures;
- (3) commodity funds accounting followed A.I.D. procedures; and
- (4) commodities were monitored for proper end-use.

In three of the projects, USAID/El Salvador did not plan the procurement of commodities according to A.I.D. policies and procedures. Two projects lacked procurement plans, and one had a deficient plan.

Although USAID/El Salvador procured commodities in accordance with A.I.D. requirements, about 1,000 completed contracts and other procurement documents from 1984 still awaited contract closeout. The result was an estimated \$8 million that could have been reprogrammed for use in other projects.

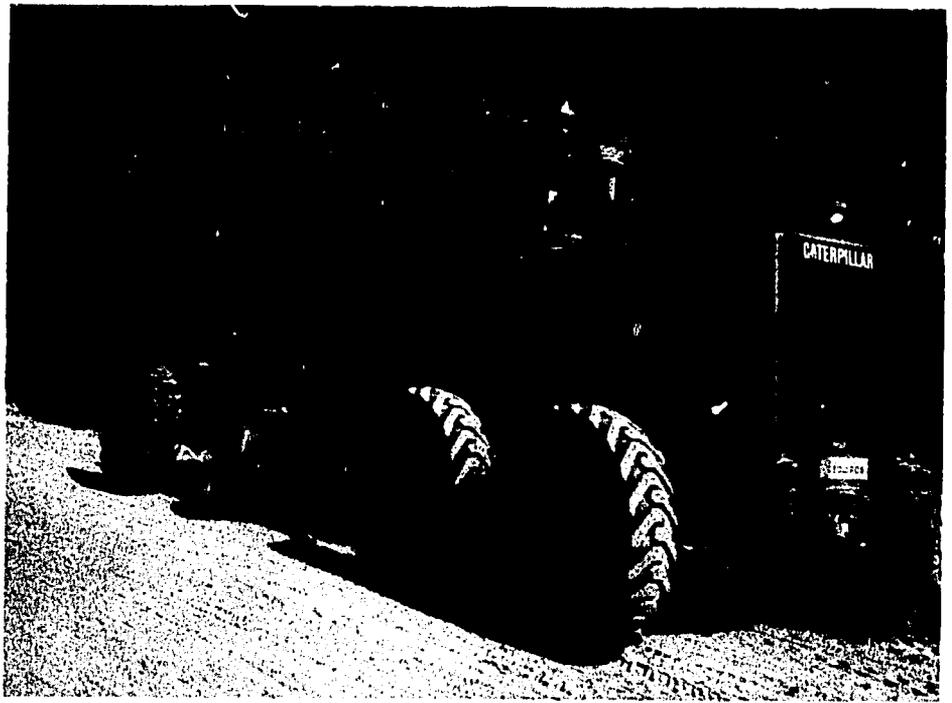
USAID/El Salvador accounted for commodity funds as required. But because the Mission was not conducting a continuing review of unliquidated balances, it had expired obligations of \$3.9 million that should have been deobligated and returned to A.I.D./Washington. In addition, reports indicated \$32.1 million in obligations, commodities, and earmarks with expired ending dates that should have been reviewed for possible reprogramming or appropriate adjustment of expiration dates. During the audit, the Mission implemented review procedures and identified an excess of existing commitments totalling \$47 million for deobligation or reprogramming. To date, the Mission had deobligated, decommitted or de-earmarked about \$41 million.

**FUNDS OBLIGATED, EARMARKED, OR COMMITTED  
BUT NOT USED AS OF SEPTEMBER 30, 1991  
(Unaudited)**



*An analysis of funds showed that unused monies from commitments that expired in 1985 remained on the books.*

USAID/El Salvador needed to improve monitoring of commodities. For example, it did not verify the receipt of commodities on six of nine USAID/El Salvador projects reviewed. Nor did it require commodity end-use or site-visit reports.



***4.I.D.-Financed Heavy Equipment in El Salvador Used Less Than 60 Percent of Available Time***

The report contained seven recommendations, mainly involving (1) fixing responsibility, (2) eliminating backlog, (3) reprogramming or returning unused funds, and (4) requiring project officers to monitor commodities.

Since the Mission's management agreed with these recommendations, they were considered resolved. Based on corrective actions taken by the Mission, three of the recommendations, including the aggressive continuing review of unliquidated commitments, were closed when the report was issued. (*Audit Report No. 1-519-92-009, August 28, 1992*)

### **Audit of the Management of Commodities, USAID/Uganda**

As of October 1991, USAID/Uganda's portfolio of active and recently completed projects consisted of total obligations of about \$175 million. Of that amount, USAID/Uganda had obligated about \$92 million and disbursed about \$60 million for commodities such as vehicles, computers, furniture, spare parts, fertilizers, cement and farming instruments. The Mission had obligated another \$63 million and disbursed about \$26 million for grants and technical assistance contracts that also included an undetermined amount of commodities.

The objectives of the audit were to determine whether USAID/Uganda followed A.I.D. policies and procedures in (1) planning for commodity needs; (2) monitoring the receipt, storage and use of commodities; and (3) disposing of commodities.

USAID/Uganda's management would not provide us with written confirmation that, to the best of their knowledge and belief: (1) they had provided us with all essential information; (2) the information provided was accurate and complete; and (3) management had followed A.I.D. policies. For this reason, the auditors could not provide an opinion in the Mission's adherence to A.I.D. policies and procedures in planning for commodity needs.

However, Mission records did show that:

- USAID/Uganda did not have a system to ensure that at least \$59.5 million of commodities were received, stored and used as intended; and

***The Mission Did Not Implement a System to Account for \$59.5 Million of Commodities***



- at least \$12.7 million of commodities may not have been disposed of in accordance with A.I.D. policies and procedures.

The audit made two recommendations:

- (1) that USAID/Uganda establish and implement a monitoring system for commodities, provide training to project officers, and include requirements for commodity management in employee evaluation reports; and
- (2) that if these weaknesses were not corrected, the problems with the receipt, storage, use and disposal of commodities be reported to the Assistant Administrator as material weaknesses in the next Federal Managers' Financial Integrity Act reporting cycle.

USAID/Uganda agreed to implement most of the recommendations but stated that, because of the passage of time and other factors, it would not conduct inventories for the \$12.7 million worth of commodities in two of the projects. The auditors believed that conducting the inventories was cost beneficial; thus, this recommendation was unresolved at the time the report was issued. (*Audit Report No. 3-617-92-011, July 9, 1992*)

#### **Audit of Controls Over Equipment Utilization, USAID/Pakistan**

*Improvements Were Needed in USAID/Pakistan's System for Ensuring A.I.D.-Funded Equipment Was Used for Allowable Project Purposes*



As of September 30, 1991, USAID/Pakistan had expended an estimated \$242 million for equipment under 25 active programs and projects. Problems with equipment utilization had been the subject of several Office of Inspector General audit reports since 1985. A July 1988 audit report, for example, stated that equipment problems “. . . are likely to continue until USAID/Pakistan establishes a process to remedy significant equipment utilization problems as they become known.”

This audit was made to determine if the Mission had established and implemented an A.I.D.-approved system for ensuring that A.I.D.-funded equipment was used only for allowable project purposes. USAID/Pakistan had established and partially implemented such a system. For example, in 1989 USAID/Pakistan developed a commodity tracking system to ensure, among other things, that all commodities were received and properly used. In a March 1991 memorandum to staff, the Mission Director reemphasized the importance of end-use checks, stating that all project officers were expected to verify that project-related equipment was being used properly.

While USAID/Pakistan had made considerable progress in this area, improvements were still needed. The audit found that problems disclosed by end-use checks were not being formally reported, as required, to Mission management for corrective actions. As a result, Mission management was not aware of some equipment problems or had incorrectly assumed problems had been corrected. The audit identified equipment valued at \$5.3 million that had been idle for years.



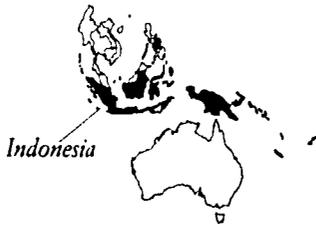
*Under-utilized Irrigation Workshop in Quetta, Pakistan*

USAID/Pakistan generally agreed with the report findings and recommendations and was taking action to implement the recommendations. (*Audit Report No. 5-391-92-007, July 8, 1992*)

## —Award Process for Technical Assistance Contracts—

### Audit of Controls Over Direct Contracts for Technical Assistance, USAID/Indonesia

#### *The Mission Needed to Strengthen Controls Over Direct Contracts for Technical Assistance*



Direct contracts for technical assistance were used to support most A.I.D.-funded projects in Indonesia. As of December 31, 1991, USAID/Indonesia administered 15 such contracts with authorized costs of \$95 million. A.I.D. obligations and expenditures for these contracts were \$74 million and \$35 million, respectively.

An audit was made of USAID/Indonesia's controls over direct contracts to determine whether the Mission followed appropriate policies and procedures in:

- planning for technical assistance;
- procuring technical assistance at a fair price, selecting the appropriate type of contract, providing for full and open competition, and selecting responsible contractors;
- monitoring contractor performance;
- reviewing contractors' vouchers for reimbursement, processing contractors' progress payments in a timely manner, and ensuring that contractors' final indirect cost rates were promptly negotiated; and
- closing out expired direct technical assistance contracts.

Because USAID/Indonesia's management did not provide an acceptable representation letter, the auditors could not fully answer the audit objectives. The audit of USAID/Indonesia's records showed that the Mission identified the technical assistance needs in the project designs and prepared procurement plans according to A.I.D. policies and procedures. However, the Mission did not prepare well-defined work statements that included performance standards.

Audit tests also showed that USAID/Indonesia was earmarking, committing, and disbursing funds timely, but it did not follow policies and procedures for ensuring that contractors' final indirect cost rates were promptly negotiated. Furthermore, the audit found that USAID/Indonesia

did not ensure that contractors adequately prepare the work plans and progress reports necessary to objectively measure its performance, and it did not ensure that contractors meet contract requirements for controlling A.I.D.-funded non-expendable property. The Mission, however, did establish a system to monitor the closeout of expired contracts.

USAID/Indonesia generally agreed with most of the audit report findings and recommendations, but did not agree that its system for monitoring contractor performance was deficient. The Mission believed the audit report recommendation concerning finalizing indirect cost rates should have been directed to the A.I.D./Washington level. (*Audit Report No. 5-497-92-008, July 17, 1992*)

### **Audit of Project Technical Services Procured by the Government of Egypt, USAID/Egypt**

A.I.D. obtained project technical assistance services in one of two ways: either by contracting directly for the services or by using host country contracts, in which A.I.D. financed the procurement but the host government acted as the contracting party. Nonetheless, A.I.D. was responsible for monitoring the host government's procurement and award process. During the two years ending September 30, 1991, USAID/Egypt recorded 11 new awards of this latter type, with total estimated costs of \$35.3 million. An audit was made of the Mission's system used to monitor these awards to determine whether USAID/Egypt followed A.I.D. policies and procedures to:

- establish technical service needs;
- ensure that the host country identified acceptable sources of technical services contracts and selected an allowable and applicable type of contract;
- ensure that the host country's pre-qualification process was performed in compliance with A.I.D.'s requirements;
- ensure that the host country used acceptable competitive or noncompetitive procedures when selecting potential contractors; and

*The Mission Generally Followed A.I.D. Policies in Monitoring Host Government Procurements of Technical Services Contracts But Improvements Were Needed*



- ensure that the host country awarded technical services contracts at a fair price to qualified and eligible contractors in compliance with A.I.D.'s negotiation and award requirements.

The auditors qualified the opinion on the positive findings because USAID/Egypt provided a written representation letter that was not acceptable. Some of the letter's representation were incomplete and only the Mission Director signed the letter and not the officials most knowledgeable about the audited activities.

Except for the qualified opinion due to the lack of an acceptable representation letter, the auditors found that USAID/Egypt followed A.I.D. policies and procedures in establishing technical services needs, ensuring appropriate contractor and contract-type selections, and using proper pre-qualification, competitive and noncompetitive procedures. But USAID/Egypt did not always:

- confirm contractors' eligibility to participate in A.I.D.-financed procurement programs;
- approve executed contracts before financing; and
- follow procedures to ensure contracts were awarded at a fair price in accordance with A.I.D.'s negotiation and award requirements.

The report contained seven recommendations. USAID/Egypt agreed to take action to implement each recommendation. (*Audit Report No. 6-263-92-008, September 24, 1992*)

### **—Management of Participant Training Program—**

#### **Audit of the Participant Training Program, USAID/Guinea**

#### ***The Audit Showed a Common Pattern of Three Significant Deficiencies***

To meet Guinea's needs for managerial and technically skilled personnel in economics, agriculture, energy, management, and public health, A.I.D. financed participant training through two regionally funded programs. USAID/Guinea planned to sponsor 256 candidates for this training in fiscal year 1991. As of May 1992, the Mission's obligations and expenditures for this activity totaled \$3.2 million and \$952,426, respectively.

The audit objectives were to determine whether USAID/Guinea followed A.I.D. policies and procedures in (1) planning, screening and selecting candidates for training; (2) monitoring training programs and obligating funds; (3) following up on returned trainees; and (4) periodically evaluating the training programs.



While the audit found no weaknesses in the Mission's planning, fund obligating, and evaluation functions, it did reveal the following three significant deficiencies:

- Candidates sponsored for long-term United States training lacked even the minimum acceptable proficiency in English, requiring lengthy language training in the United States at a cost of \$95,000;
- Host country trainee selection committee and advisory board members were sponsored for training by the same committees and boards they served on, which raised serious doubts about the integrity and impartiality of the selection process; and
- Fourteen of the 228 candidates sent to the U.S. for long-term training did not return to Guinea. Consequently, \$423,000 of A.I.D. funds spent for training was wasted. To make matters worse, 3 of the 14 non-returnees were reported to be working illegally in the United States, thereby depriving American citizens of jobs during a period of acute recession and high unemployment.

The report contained four recommendations, which have all been resolved.  
(*Audit Report No. 7-675-92-010, July 20, 1992*)

## **AUDITS OF BILATERAL NONPROJECT ASSISTANCE**

Bilateral nonproject assistance is generally used as a mechanism for providing dollar or commodity resources to alleviate the balance of payments and/or budgetary problems of a host country. These dollar or commodity resources are often provided to a host government on the condition that it undertake specified stabilization or policy reform actions to address the obstacles which are the cause of the balance of payments and/or budgetary problems. This conditionality is predicated on the rationale that the host government would increase its dependence on such

assistance without appropriate corrective measures. In providing nonproject assistance, three methods are used:

- Commodity Import Program,
- Cash Transfers, and
- Sector Grants.

As noted previously, the Office of Audit has redirected its approach to internal audits by using a systems approach which is driven by specific audit objectives. The objectives are designed to evaluate the effectiveness of the Agency's internal control systems.

Highlights of the audit issued in the current reporting period follow.

### —Cash Transfers—

#### **Audit of A.I.D.'s Management of the South Pacific Fisheries Treaty Program Project No. 897-0011**

#### ***A.I.D. Was Unable to Verify the Actual Use of \$40 Million in Cash Transfers***

*Oceania*



In June 1988, A.I.D.'s Regional Development Office/South Pacific (RDO/South Pacific) and the South Pacific Forum Fisheries Agency (Fisheries Agency), representing 16 South Pacific countries (Treaty countries), signed grant agreements to provide \$50 million to implement the South Pacific Fisheries Treaty Program. The purposes of the Program were to:

- (1) carry out U.S. Government undertakings through the Treaty on Fisheries,
- (2) capture a reasonable share of the tuna harvested by U.S. boats in the fishing territories of the Treaty countries for their economic development, and
- (3) increase development cooperation among A.I.D., the Fisheries Agency, and the Treaty countries.

Through 1992, A.I.D. had disbursed \$40 million of the \$50 million authorized for the Fisheries Agency and the Treaty countries.

The agreement provided that the Fisheries Agency was to use the cash transfer funds solely to support economic development purposes to comply with Section 531(e) of the Foreign Assistance Act. The agreement also provided that the grantee should recognize relevant policies that these funds be used for budget support, debt service to U.S. or international development institutions, trust funds, U.S. imports, or project development costs. The agreement prohibited commodity expenditures or activities for Communist countries, military equipment/services, surveillance equipment, police/law enforcement activities, abortion equipment and services, and luxury goods and gambling equipment.

The audit determined that RDO/South Pacific monitored the distribution of the \$40 million cash transfer assistance. The Office of the Auditor General of the Solomon Islands made annual audits of the Fisheries Agency's Economic Development Fund, where cash transfer dollars were deposited and disbursements to Treaty countries were made. However, RDO/South Pacific, did not monitor whether the Treaty countries used the cash transfer assistance for the purposes specified in the cash transfer/grant agreement because:

- The Treaty countries were not parties to the agreement's provisions on the use of and accountability for the funds;
- The Treaty and its implementing agreements did not place restrictions on the Treaty countries with respect to the use of the funds; and
- In authorizing this program, Congress included provisions to waive the applicable legislative requirements on the use of and accountability for the funds.

Because of inconsistencies between the cash transfer/grant agreement, the Treaty and the authorizing legislation, A.I.D. was unable to ensure full compliance with the agreement as required and verify the actual use of the dollars provided by the U.S. Government.

Agency officials did not completely agree with the findings, but agreed with the recommendations made. A.I.D. had made a policy decision to maintain the prohibition on military and paramilitary uses and to require annual assurances from each Treaty country without audit or enforcement mechanisms. (*Audit Report No. 5-897-92-012, August 31, 1992*)

## **AUDITS OF THE HOUSING GUARANTY AND PRIVATE SECTOR INVESTMENT PROGRAM**

The Housing Guaranty Program, managed within the A.I.D. Bureau for Private Enterprise, assists host countries to provide improved shelter and related infrastructure to the less-advantaged portions of their population. Through this program, U.S. organizations such as private sector banks and insurance companies provide long-term loan financing for low-income shelter and neighborhood upgrading programs in developing countries. The U.S. Government, through A.I.D., guaranties repayment of the loans to the U.S. private investors. The U.S. investors in turn charge the host countries below market interest rates to reflect the A.I.D. repayment guaranty. For this guaranty, A.I.D. charges the host government a guaranty fee. This fee covers operating expenses and possible loan losses incurred under the program.

The IG's strategy is to ensure that financial audits of the programs' financial statements are performed annually; and to conduct audits of selected performance aspects of the program using IG audit staff.

These audits are in response to the Chief Financial Officers Act of 1990. The Act requires the Inspector General to audit the Agency's financial statements in accordance with generally accepted government auditing standards, including, assessing the reliability of program performance data.

The Chief Financial Officers Act requires that annual audits be performed starting in fiscal year 1991. A summary of the audits follow.

### **Audit of A.I.D.'s Housing and Other Credit Guaranty and Private Sector Investment Program**

After almost 30 years of operation, the Housing Guaranty Program had outstanding guarantees as of September 31, 1991 of about \$2.5 billion in commercial loans made by private U.S. lenders to foreign governments. The Program's purpose was to promote urban-sector policy reform and to fund shelter and infrastructure construction and community upgrading in developing countries. The Program charged fees to loan borrowers to defray program operating costs. Also, to meet claim obligations under the loan guarantees, the Housing and Other Credit Guaranty Programs were

*Two Audits of A.I.D. Loan Guaranty Programs Showed That Financial Records Were Inadequate, Internal Controls Were Deficient, and the Agency Had Not Complied With Relevant Laws and Regulations*

allowed, to the extent that reserves are not sufficient, to borrow from the U.S. Treasury.

The Private Sector Investment Program (formerly the Private Sector Revolving Fund), in existence for about 10 years, guaranteed loans to stimulate and expand private sector commercial activities. It also made direct loans for private sector development. As of September 30, 1991, its loan portfolio included over \$100 million of committed loan guarantees and direct loans outstanding.

With the enactment of the Chief Financial Officers Act of 1990, A.I.D. was required to prepare financial statements for fiscal year 1991 and have these statements audited on both programs. The OIG performed the audits in conjunction with a public accounting firm.

The objectives of the audits were to determine whether:

- (1) the financial statements of the two programs presented fairly the financial position, results of operations, reconciliations to budgets, and cash flow;
- (2) the internal control structures were adequate; and
- (3) the two programs had complied with laws and regulations for those transactions and events that may have had a material effect on the financial statements.

Another audit objective was to determine whether the financial statements included relevant program and financial performance information as required by OMB guidance.

The auditors could not make the tests necessary to reach conclusions about the accuracy and reliability of the financial statements because the books and financial records were inadequate. Accordingly, both audits resulted in disclaimers of opinions of the financial statements. The audits also disclosed several material weaknesses in the Programs' internal controls, as well as noncompliance with certain laws and regulations. For example, the Agency did not comply with requirements of the Federal Managers' Financial Integrity Act (FMFIA) because it had not reported the Programs' material weaknesses. The report recommended that this situation be remedied in the 1992 FMFIA report.

Overall, the Programs did not present adequate performance information, nor could program data be linked with the fiscal year 1991 financial statements. A particular concern was the current financial condition of the Housing and Other Credit Guaranty Program. As of September 31, 1991, the Program had sponsored over \$2.5 billion in commercial loans to developing countries, with principal and interest guaranteed by the U.S. Government. The audit noted that some \$680 million was at risk of default and may have to be paid by the U.S. Treasury.

In total, the two reports contained 24 recommendations, 16 for action by the Associate Administrator for Finance and Administration and 8 for action by the Assistant Administrator for Private Enterprise. Management expressed general concurrence with the recommendations, saying, however, that it might take some time to fully implement them. (*Audit Report Nos. 0-000-92-001 and 0-000-92-002, July 31, 1992*)

## **AUDITS OF FINANCIAL MANAGEMENT SYSTEMS, INFORMATION SECURITY, AND MANDATED SUBJECTS**

The Office of Audit reviews major management systems to determine the efficiency and effectiveness of Agency foreign assistance programs or the systems used to administer assistance dollars on a country-specific, regional, or Agency-wide basis. The Office of Audit undertakes audits to evaluate the effectiveness and efficiency of Agency administrative operations. Also, the Office of Audit is required by the Congress or the Executive Branch to review mandated areas of special interest.

Highlights of significant audits performed this reporting period follow.

### **—Financial Management Systems Audits—**

#### **Audit of A.I.D.'s Buy American Reporting System**

***The Buy American  
Reporting System Was  
Not Reliable***

A.I.D. established the Buy American Reporting System to report on the source and origin of goods and services purchased with A.I.D. funds. The first report under the system, which covered the period from October 1, 1991 through December 31, 1991, included information on disbursements

of \$978.4 million. According to the report, 56 percent of these disbursements were of U.S. source and origin.

The audit, performed at the request of the Chairman and Ranking Minority Member of the Senate Appropriations Subcommittee on Foreign Operations, sought to determine whether A.I.D. had a reliable system for reporting the source and origin of goods and services purchased with A.I.D.-appropriated funds.

The audit found that although A.I.D. did have a system in place for reporting on the source and origin of goods and services, it was not a reliable one. Documentation on source and origin was not available for 46 percent of the disbursements reviewed. (This included 18 percent in A.I.D. payroll disbursements, for which it would have been difficult and probably unreasonable to document the "origin.") For the remaining 54 percent of the disbursements reviewed, source and origin data was reported correctly for only about one-third of the disbursements. Most of the errors had the effect of understating disbursements for goods and services of U.S. source and origin.

The audit report recommended that A.I.D. either implement a more reliable system or strengthen the internal controls in the current system. A.I.D. management generally agreed with the audit finding and agreed to implement the recommendation to improve its existing system of internal controls. The recommendation was resolved and will be closed when corrective actions have been implemented. (*Audit Report No. 9-000-92-008, July 17, 1992*)

### **Audit of Procedures Used by A.I.D. Controllers for Processing and Liquidating Advances**

At three missions, the A.I.D. Controllers were responsible for establishing a system of internal controls over the mission accounting function, one that included controls over processing and liquidating advances. Such a system was needed to ensure that:

- resource use was consistent with A.I.D. policies;
- resources were safeguarded against waste, loss, and misuse; and
- reliable data were obtained, maintained, and fairly disclosed in reports.

***All Three A.I.D. Controllers Followed A.I.D. Procedures for Processing and Liquidating Advances***

The IG/Programs and Systems Audit Office, with the assistance of three Regional Inspectors General for Audit, audited the Controllers' operations at three overseas missions: USAID/Indonesia, USAID/Egypt, and Nairobi's Regional Financial Management Center. Each of these Missions operated in a different environment and served missions with different programs. The audit was designed to answer the following question:

Did the three Controllers' offices have in place and follow procedures for processing and liquidating advances in accordance with A.I.D. Handbooks 19 and 22, the Controller's Guidebook, and GAO standards for internal controls in the Federal Government?

The auditors found that the three Controllers' offices had in place and were following both Federal and A.I.D. policies and procedures for processing and liquidating advances. Therefore, the audit report contained no recommendations. (*Audit Report No. 9-000-92-009, September 9, 1992*)

### **Audit of the Master Disbursing Account**

***The Master  
Disbursing Account  
Did Not Ensure  
Accountability for  
Participant Training  
Funds***

Established by A.I.D. in the early 1970s to manage participant training funds, the Master Disbursing Account was used to pay contractors hired by the Office of International Training. According to Office of Financial Management reports, transfers into the account totalled \$66.3 million and disbursements totalled \$56.8 million during the year ending March 31, 1991. The reported cash balance was \$17.5 million. The Office of Financial Management requested an audit of the account because it was concerned about several problems affecting the account.

The audit objectives were to determine whether (1) budgets were prepared accurately and promptly and were revised when necessary; (2) credit transfers were made and recorded accurately and promptly; (3) disbursements were recorded accurately and promptly; (4) funds were correctly certified to be available; (5) unliquidated obligations were reviewed and accrual accounting information was maintained; and (6) the accounting system for the Master Disbursing Account was adequately documented.

In brief, the audit found that:

- although the Office of International Training and the Office of Financial Management ensured that budgets were prepared accurately,

they did not ensure that budgets were prepared on time or revised when necessary. Hundreds of administrative fund control violations resulted;

- credit transfers were frequently not made on time or in the correct amount;
- disbursements were not recorded promptly or accurately; as a result, accurate information could not be obtained from the official accounting records;
- the Office of Financial Management certified that funds were available for obligation when, in fact, they were not;
- the Office of Financial Management had not reviewed the unliquidated obligations in the Master Disbursing Account and did not keep the accounting records on an accrual basis; and
- the Office of Financial Management had not adequately documented the accounting system for the Master Disbursing Account, thereby contributing to errors and delays.

The Agency began corrective actions and planned to address several of the report recommendations by requesting Congressional authority to replace the Master Disbursing Account with a revolving fund. However, the Agency estimated that it will take at least two years to establish such a fund. Several recommendations were unresolved, either because management did not agree with them or because the auditors believed appropriate interim actions also needed to be taken. (*Audit Report No. 9-000-92-010, September 2, 1992*)

### **Audit of A.I.D.'s Practices for Reviewing and Reporting on Unliquidated Obligations**

Federal law and A.I.D. procedures require that A.I.D. controllers, in coordination with other A.I.D. offices, periodically review unliquidated obligations to determine if the obligations exceed the requirements for which the funds are obligated and to deobligate promptly any excess funds. Federal law also requires each Federal agency to provide an annual report to the President and the U.S. Treasury identifying the agency's unliquidated obligations. A.I.D. accounting offices reported, as of

***The Audit Identified  
the Potential to  
Deobligate or  
Reprogram at Least  
\$245.3 Million***

September 30, 1991, that A.I.D.'s unliquidated obligations totalled \$10.8 billion.

As a result of Congressional concerns, the A.I.D. Controller asked the Office of Inspector General to audit A.I.D.'s controls of unliquidated obligations. The audit, conducted at the A.I.D./Washington Office of Financial Management (including three accounting offices) and at five overseas mission accounting offices, sought to determine whether A.I.D. was properly reviewing and reporting on the validity of its unliquidated obligations.

Although there had been increased emphasis on controls and guidance in recent years by the A.I.D. Controller, the audit showed that six of the eight accounting offices did not perform the required reviews of unliquidated obligations or did not take action to deobligate promptly or reprogram excess funds. This situation occurred primarily because:

- (1) there was inadequate coordination between the accounting offices and other A.I.D. offices, such as procurement and project offices; and
- (2) accounting officials considered their staffing levels inadequate to perform the required reviews.

As a result, at least \$245.3 million of the \$719.7 million in unliquidated obligations reviewed either were not valid or lacked documentation to determine whether the amounts were valid. Moreover, A.I.D.'s reports to the President and the U.S. Treasury for fiscal year 1991 erroneously included millions of dollars in unliquidated obligations that were not valid or were not properly supported.

The audit report included 17 recommended actions to improve A.I.D.'s practices in this area. A.I.D. management agreed with the audit findings and had initiated prompt action to implement the recommendations, including deobligating \$111.7 million. (*Audit Report No. 9-000-92-013, September 30, 1992*)

## —Information Security Audits—

### **Audits of Security Controls for the Wang VS Computer Used to Safeguard the Mission Accounting and Control System**

Audits were made of the Mission Accounting and Control System and its hardware, the Wang VS, at four missions: Pakistan, Thailand, Yemen and Zimbabwe. Since these Missions used the Wang to record, analyze, and report accounting data, strong computer security controls were essential. The general objectives of the four audits were to determine whether:

- (1) the security system of the Wang VS reasonably ensured that resource use was consistent with laws, regulations, and A.I.D. policies;
- (2) resources were safeguarded against waste, fraud, and misuse; and
- (3) reliable data were obtained, maintained, and fairly disclosed in reports.

Generally, the audits found that the Missions had implemented adequate safeguards over the systems. At USAID/Zimbabwe, the audit did not disclose any reportable deficiencies and no recommendations were made. At three of the four Missions visited, the audits found that some measure of security improvements were needed. These improvements included:

- improving password administration,
- developing or documenting contingency emergency plans and procedures,
- encrypting passwords stored on the Missions' Wang VS system, and
- maintaining a log of transactions performed with the system's security software.

The Missions agreed with the recommendations and have begun taking corrective actions. (USAID/Pakistan's report is *Audit Report No. 5-391-92-006, June 30, 1992*; USAID/Thailand's report is *Audit Report No. 5-493-92-009, July 23, 1992*; USAID/Yemen's report is *Audit Report No. 3-279-92-010, May 29, 1992*; and USAID/Zimbabwe's report is *Audit Report No. 3-613-92-013, July 29, 1992*)

*Although the Missions Followed A.I.D. Guidelines in Designing Physical Security Controls, There Were Problems Identified During the Audit*

## —Mandated Audits—

### Audit of the Nicaragua Assistance Program, USAID/Nicaragua

*The Mission Needed  
to Improve its  
Monitoring of  
Technical Services  
and Commodities*



Signed into law in May 1990, the Fiscal Year 1990 Dire Emergency Supplemental Appropriations Act included \$300 million in Economic Support Fund assistance to Nicaragua. This assistance program was designed to help the country restore its democracy, economy, and public services and to assist international organizations in mobilizing the former Nicaraguan Resistance and refugees. It was expanded in fiscal year 1991 by \$217.7 million, for a total of \$517.7 million from these two sources.

By September 30, 1991, A.I.D. had developed 3 cash transfer programs, 14 development projects, and 2 food aid programs, and had transferred funds to the U.S. Department of State for resistance and refugee mobilization activities. Program obligations totalled \$515 million and accrued expenditures totalled \$416 million.

The objectives of this audit were to determine whether USAID/Nicaragua had established and maintained financial and administrative systems to ensure that cash transfer, development project, and food aid activities were implemented in accordance with A.I.D. policies and procedures.

The audit found that USAID/Nicaragua ensured that monetary and fiscal targets were met and that progress was being made on policy reforms before disbursing A.I.D. funds to the Government of Nicaragua. However, the audit questioned the progress of certain reforms to meet the conditions precedent for disbursement. Because Agency guidance did not require cash transfer agreements to specify targets and timeframes for achieving reforms, it was difficult to assess whether the Government of Nicaragua's reforms met the Mission's predefined expectations. For example, in the Economic Stabilization and Recovery Program II, the Mission specified the following documentation as a condition for releasing a \$24 million tranche:

- a description of trade monopolies which had been eliminated;
- a description of the terms on which private traders were licensed to participate in foreign trade by the government; and
- the numbers of firms licensed in each product area.

In response to these above conditions, the audit found that the Mission accepted (1) a decree governing international commerce, (2) a set of regulations for licensing exporters, and (3) a list of potential exporters for sesame seeds. The auditors did not agree with the Mission's conclusion that the government fully met the conditions precedent. In response to the audit finding, USAID/Nicaragua did not concur because it was concerned that the report might be construed as criticizing the success of the program.

The audit also found that:

- (1) With one exception, USAID/Nicaragua had established and maintained financial and administrative systems to ensure that these development project activities were implemented in accordance with A.I.D. policies and procedures. The exception was that the Mission needed to improve its monitoring of the delivery of technical services and commodities.
- (2) While A.I.D. no longer had responsibility for the Food for Progress program, the Government of Nicaragua, with the Mission's agreement, was selling a donated commodity below its U.S. cost—a practice that may have been displacing imports from Central American countries and acting as a disincentive to Nicaraguan production.
- (3) USAID/Nicaragua had established and maintained financial and administrative systems to implement Public Law 480 Title II assistance activities in accordance with A.I.D. policies and procedures. However, it needed to select commodities that could be sold at the U.S. cost and it needed to improve program monitoring.



*Road-paving work in Managua, Nicaragua's capital city, funded under A.I.D.'s \$20.9 million Employment Generation Subproject.*



*This was a Managua office of the single private entity the Government of Nicaragua presented as evidence that it had licensed financial intermediaries under the second cash transfer program and licensed banks to buy and sell foreign exchange under the third cash transfer program.*

After the audit cut-off date and in response to allegations that U.S. aid was financing political organizations, the auditors performed a limited survey of the issue and concluded that these organizations did benefit from U.S. dollar-financed commodity imports under the first cash transfer program. But the survey could not conclusively determine to what extent, if any, the organizations benefitted. Nevertheless, it should be noted that A.I.D.'s assistance agreements had not established benefit prohibitions based on political affiliation.

The Mission's management agreed with the audit report's four recommendations and took appropriate corrective actions. (*Audit Report No. 1-524-92-007, July 16, 1992*)

## **AUDITS OF GRANTS AND COOPERATIVE AGREEMENTS**

A grant or cooperative agreement is a gift in support of an agreed-upon purpose. The grant or cooperative agreement is awarded to support a nonprofit organization whose program activities are consistent with A.I.D.'s own objectives. In this regard, A.I.D. is supporting a program designed and implemented by the nonprofit organization. This program may be designed in response to a request from A.I.D. or it may be an unsolicited proposal which A.I.D. finds unique and worth supporting. Appropriate provisions are attached to the grant or cooperative agreement limiting the use of A.I.D. funds.

Though a grant and cooperative agreement are often used synonymously, a cooperative agreement differs from a grant in the sense that it is characterized by soliciting A.I.D.'s involvement in approving implementation plans, budgets, contracts, subgrants, etc. A.I.D. uses a cooperative agreement to have a more active approval role in the implementation of the nonprofit organization's program. However, because the A.I.D. cooperative agreement (and grant) is in the nature of a gift to support the nonprofit organization's program, A.I.D., by design, does not exercise a substantial degree of operational control over the program.

Highlights of audits in this area follow.

## **Audit of Controls Over Grants and Cooperative Agreements, USAID/Bangladesh**

### ***The Mission's Controls Over Grants and Cooperative Agreements Were Adequate in Many Areas; Some Improvements Were Still Needed***



From the beginning of 1988 until the end of 1991, USAID/Bangladesh administered 30 grants and cooperative agreements with obligations and expenditures of about \$144 million and \$108 million, respectively.

In reviewing how USAID/Bangladesh administered these grants and cooperative agreements, the auditors found that its controls were adequate in many areas. USAID/Bangladesh (1) properly determined eligibility of recipients to receive A.I.D. funding; (2) selected the proper assistance instrument; (3) included cost-sharing provisions in agreements or waived the requirement for cost sharing; (4) included all standard provisions in the agreements; (5) properly obligated funds and liquidated advances; and (6) conducted site visits.

However, USAID/Bangladesh's controls needed strengthening in several areas; for instance, the Mission did not:

- always document qualification determinations of prospective recipients;
- sufficiently document or review the reasonableness and allowability of costs proposed by recipients;
- always develop benchmarks to measure recipients' progress toward stated objectives;
- verify that recipients had deposited advances in interest-bearing accounts;
- ensure that recipients submitted performance reports that included required information; and
- always promptly close out completed grants and cooperative agreements.

The report contained ten recommendations. Based on the Mission's response to the draft report, in which it concurred with the report's findings and stated its intention to improve the problem areas identified, all

recommendations were resolved. (*Audit Report No. 5-388-92-011, August 14, 1992*)

### **Audits of Grants Under the American Schools and Hospitals Abroad (ASHA) Program**

The American Schools and Hospitals Abroad Program was instituted under the Foreign Assistance Act (Section 214) to provide assistance to schools and hospitals outside the U.S. In return, these schools and hospitals were to serve as study and demonstration centers for American ideas and practices. Two foundations were awarded grants to assist such centers in the People's Republic of China. Between 1987 and 1991, the two foundations received A.I.D.-funded grants totalling \$8 million, of which approximately \$7.7 million was spent.

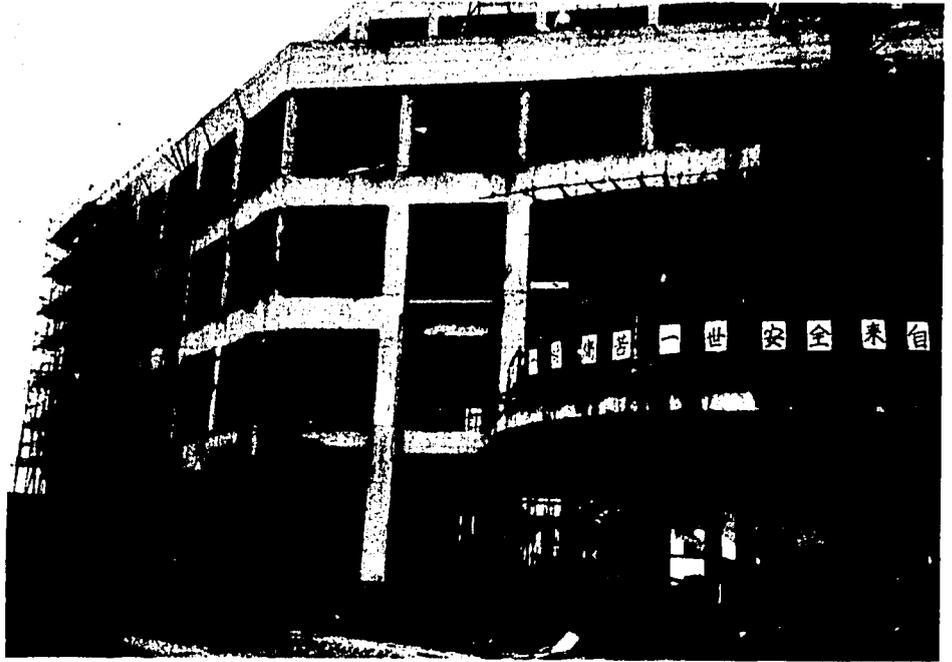
Three audits were performed. One, a performance audit, was designed to determine if A.I.D./ASHA followed A.I.D. policies and procedures in selecting the foundations, awarding the grants, and monitoring the foundations' performance. The other two were financial audits of each foundation to determine whether it complied with the terms of the grants and whether A.I.D. payments to the foundations were used only for allowable costs.

The performance audit showed that A.I.D. had not established written policies and procedures for selecting recipients, awarding the grants, and monitoring recipients' performance. As a result, A.I.D./ASHA:

- selected the two foundations while higher-ranked applicants were bypassed;
- did not ensure that the foundations were qualified to carry out the grant activities and that the negotiated costs were reasonable;
- did not ensure that financial plans were developed prior to the award of one grant which led to at least \$1.1 million being spent on a building (pictured on the following page) that cannot be used unless an additional \$1.8 million is targeted to complete the construction.

***Internal Controls  
Were Not Established  
to Effectively Manage  
the ASHA Two  
Grants— Auditors  
Questioned \$3.5  
Million of \$7.7 million  
Spent by Two  
Recipients***





*Uncompleted Center for American Studies at a Chinese University*

- did not follow up when the two foundations failed to provide various reports required under the grants. Consequently, A.I.D./ASHA could not assess the effectiveness of the \$7.7 million spent. Also, A.I.D.-funded facilities and commodities were not effectively used. For example, as shown on the following page, a Chinese university room contained books that had never been used since they were procured in calendar year 1989.



*This Chinese university room stored books that had never been used since they were procured in 1989.*

The two financial audits questioned costs totalling \$3.5 million of the \$7.7 million A.I.D. paid to the foundations. Most of the questioned costs were related to the fact that the foundations did not comply with the grants' requirements to purchase goods and services from the U.S. or the People's Republic of China.

The three audit reports included a total of 15 recommendations. Most notably, the performance audit recommended that (1) A.I.D./ASHA establish policies and procedures for selecting recipients, awarding grants, and monitoring recipients' performance, and (2) A.I.D./ASHA perform a comprehensive assessment addressing the internal control weaknesses identified in the report and report them as material weaknesses as required

by the Federal Managers' Financial Integrity Act. The two financial audits recommended that A.I.D./ASHA resolve questioned costs totalling \$3.5 million.

Although A.I.D./ASHA generally agreed with these findings and recommendations, the two questioned costs recommendations were unresolved. (The performance audit report is *Audit Report No. 9-000-92-007, May 28, 1992*. The financial audit reports are *Audit Report No. 9-000-92-011, September 25, 1992*; and *Audit Report No. 9-000-92-012, September 25, 1992*.)

## **AUDITS OF A.I.D.'S ASSISTANCE TO CENTRAL AND EASTERN EUROPE**

U.S. economic assistance to Central and Eastern Europe is provided under the Support for East European Democracy Act of 1989. The Act, signed into law on November 28, 1989, identifies a number of distinct actions to be taken by various U.S. Government agencies. The Act also provides specific funding for such activities as: training for private sector development; creating enterprise funds; providing technical assistance for labor market reforms; and support for developing indigenous credit institutions. Under the Act, funding for most of these actions is appropriated to A.I.D.

The President designated the Deputy Secretary of State as Coordinator of the Program. A Coordinating Council has been formed consisting of all federal agencies involved in the assistance. Under this organizational arrangement, A.I.D. operates as part of an interagency team and serves as the principal implementing agency for the assistance strategy developed by the Coordinator.

To respond to A.I.D.'s new assistance program to Central and Eastern European countries, the Office of the Inspector General established a separate regional audit office, with audit staff located in Vienna, Austria and Washington, D.C., to plan and conduct audits of this new program. The regional audit office will also be responsible for audits of A.I.D.'s assistance to the Newly Independent States of the former Soviet Union which was started during 1992.

The OIG's first audits of the Central and Eastern European program included an audit of A.I.D.'s organizational structure to handle this program and a quality control review of audit work done by independent public accountants of the Polish-American Enterprise Fund established by the Act. No audits have been completed of A.I.D.'s assistance under the Newly Independent States program during this period because the program was just getting started. Audits are currently planned or underway on A.I.D.'s controls over grants and cooperative agreements and technical assistance contracts awarded under the program, interagency agreements, and other selected aspects of the program.

Highlights of audit efforts in the Eastern European program follow.

### **Audit of the A.I.D. Organizational Structure for Central and Eastern Europe**

On November 28, 1989, the Support for East European Democracy Act was signed into law. The assistance program resulting from the Act was structured to respond to and provide quick support for the economic and political reforms occurring in the region. As a result, the Program operated differently from the traditional A.I.D. program. A.I.D.'s Bureau for Europe and the Washington-based Regional Mission for Europe were formed to implement economic assistance under the Act, which included funding of about \$683 million through fiscal year 1991.

The audit was the first OIG audit of A.I.D.'s Eastern European program. The audit described the organizational structure established by the Bureau for Europe and the Regional Mission for Europe to deliver this assistance.

The auditors found that the A.I.D. organizational structure for Central and Eastern Europe was still evolving. The Bureau and the Mission had not fully developed and documented its internal control procedures, but were developing and implementing plans to address this issue. The audit also found that the Bureau and Mission still needed to:

- clarify the role of the A.I.D. Representatives;
- further define and document its operating procedures; and
- include audit clauses for foreign-based entities in A.I.D.'s Interagency Agreements with other Federal agencies.

### *The First OIG Audit Was Performed of A.I.D.'s Eastern European Assistance Program*



In response to the audit's three recommendations, the Bureau for Europe stated that the report provided a thorough and generally accurate description of its responsibilities and would serve A.I.D. management as a useful base document. However, the Bureau took exception to the report's view that the A.I.D. Representatives were not being used effectively. All recommendations were resolved and will be closed once the auditors receive documentation showing that the prescribed actions were completed. (*Audit Report No. 8-180-92-001, June 30, 1992*)

### **Quality Control Review of the Polish-American Enterprise Fund**

*The Annual Quality Control Review Suggested Improvements in Cash Management, Cash Reporting, and Information Provided in the Consolidated Financial Statements*

The Support for East European Democracy Act of 1989 established Enterprise Funds to promote the development of the private sector in various Central and Eastern European countries. The Act required that the Funds submit to the Congress annual reports that include independent audit reports of its financial positions. The OIG reviewed one such report, the Annual Report of the Polish-American Enterprise Fund for the year ending September 30, 1991, and found acceptable the quality and adequacy of audit coverage performed by the Fund's independent public accountants.



In a quality control review transmittal letter, the OIG team commented on the Fund's cash management, consolidated financial statements, and cash reporting. Those comments are summarized below:

- The operating expense cash needs of the Fund averaged \$516,000 per month, while the average total cash balance was over \$30 million. Since the Fund had a letter of credit mechanism available for investment cash needs, the OIG team concluded the Fund's cash position was well in excess of cash needs.
- The Fund's financial statements showed that investments totalled almost \$80 million. However, a closer examination showed that \$43 million of that amount was placed in 100 percent-owned subsidiaries and another \$5.3 million was placed in subsidiaries that were more than 50 percent owned by the Fund. To improve disclosure, the OIG team suggested that the financial statements be consolidated to include all subsidiaries over 50 percent owned.
- The OIG team also noted that at least \$22.6 million was held in cash or cash equivalents by 100 percent-owned subsidiaries. Cash reporting to

A.I.D. would have been improved by including cash held by controlled subsidiaries of the Fund.

The Fund has committed itself to work on these issues in coordination with A.I.D. and the OIG. For example, Fund management recently informed the OIG team that, in response to their concerns, the Fund's average cash balance was significantly reduced during fiscal year 1992. The OIG planned to monitor the Fund's progress in addressing these issues during future quality control reviews. (*QCR No. 92-8-QCR-001, September 16, 1992*)

## **FINANCIAL AUDITS**

Financial audits of A.I.D. and A.I.D.'s contractors and grantees are an integral part of the Agency's internal control structure to ensure that federal funds are adequately accounted for and used for their intended purposes. IG policy states that Agency management is responsible for ensuring that audits are performed and that appropriate action is taken on audit recommendations. In turn, the IG is responsible for determining whether the Agency is meeting its responsibility with respect to its grantee and contractor financial audits and that the audits meet the appropriate auditing standards. In general, Agency-contracted auditors, supervised by the IG, or other cognizant federal auditors perform for-profit contractors' audits; and recipient-contracted independent auditors perform grantees' audits.

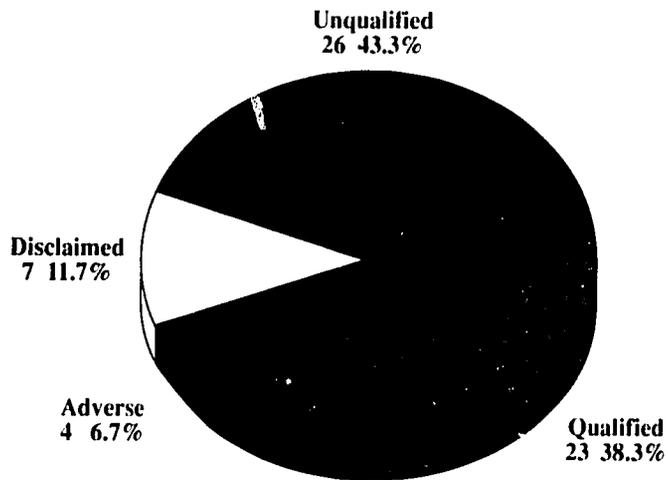
### **—Agency-Contracted Audits—**

The Office of Audit continues to use a worldwide Agency-contracted audit program to conduct financial and financial-related audits of A.I.D. contracts, grants, and cooperative agreements. The success of the Agency-contracted audit program can be measured by audit coverage and cost per audit. For example, in fiscal year 1991, the Regional Inspector General for Audit/Tegucigalpa issued 55 Agency-contracted audits which provided coverage for about \$247 million in A.I.D. funds. In fiscal year 1992, there were also 55 Agency-contracted audits issued by that Office, but the amount of A.I.D. funds covered by the audits increased to over \$500 million while the overall cost of audit decreased from \$31,000 per audit to \$24,000.

The objectives of the Agency-contracted audits are to express opinions on the fairness of the auditee's financial statements (A.I.D.-provided funds) and report on the adequacy of the auditee's internal controls and their compliance with A.I.D. agreements. During this reporting period, 61 Agency-contracted audits were issued through the IG's Regional Inspectors General for Audit and the Office of Financial Audits. These reports included recommendations for the resolution of questioned costs totalling over \$12.6 million, as well as numerous recommendations to improve internal controls and compliance with laws and regulations.

Only 26 of the 61 reports (43 percent) that gave an opinion on the financial statements expressed an unqualified (favorable) opinion; 28 reports contained 126 material internal control weaknesses; and 26 reports contained 105 instances of material noncompliance. The chart below provides an analysis by type of financial statement opinion.

### SUMMARY OF FINANCIAL STATEMENT OPINIONS IN AGENCY-CONTRACTED AUDIT REPORTS\*



\* One of the 61 NFA audit reports was not designed to render an opinion on a financial statement.

*Unqualified opinions* are given when no significant exceptions are found. *Qualified opinions* are given whenever material exceptions are noted. *Adverse opinions* reflect the lowest level of accountability the auditor can report and are given when the financial statements are materially misstated or when internal controls are not adequate to prevent fraud, waste and abuse. *Disclaimer opinions* are usually given due to inadequate records.

Adverse and disclaimer opinions are rarely reported by auditors in the U.S. Government's domestic assistance programs.

Summaries of some of the significant Agency-contracted audits follow.

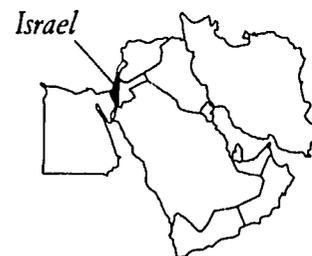
### **Audit of Five Private Voluntary Organizations' Grants Under the Agency's West Bank/Gaza Program**

To express its concern for the Palestinian people living in the occupied territories, and to support U.S. efforts to resolve peacefully the Arab-Israeli conflict, the Congress had appropriated more than \$160 million over the past 15 years for development efforts in the West Bank/Gaza Territories.

The Agency's former Bureau for Asia, Near East and Europe requested the Office of the Inspector General to perform a comprehensive audit of A.I.D.'s West Bank/Gaza Program. In March 1992, the OIG issued a performance audit on A.I.D.'s monitoring of the West Bank and Gaza Program. The audit found that A.I.D. needed to strengthen its monitoring and evaluation systems over the grantee recipients. In addition to conducting a performance audit, the OIG also engaged a public accounting firm to conduct financial-related audits of five Private Voluntary Organizations (PVOs) operating in the West Bank/Gaza Territories. The audits sought to determine whether (1) Schedules of Financial Assistance were presented fairly in accordance with generally accepted accounting principles; (2) the PVOs' internal control structures were adequate; and (3) the PVOs had complied with applicable laws, regulations and grant terms.

The five PVOs disbursed about \$24.5 million since October 1987 under A.I.D. grants and cooperative agreements. The five audits questioned costs of about \$826,000 (\$542,000 unsupported). Except for a disclaimer of opinion on a financial assistance schedule in one audit report, the independent public accountant concluded that the financial assistance schedules were presented fairly in all material respects. In the case of the disclaimer of opinion, the auditors found evidence of a misuse of funds. Other than the problem associated with the disclaimer, the auditors did not find any material internal control weaknesses or instances of noncompliance. (*Audit Report Nos. 0-000-92-005-N, May, 14, 1992; 0-000-92-006-N, May 19, 1992; 0-000-92-007-N, May 29, 1992; 0-000-92-008-N, June 8, 1992; and 0-000-92-009-N, June 22, 1992*)

***Audits Generally  
Found Grantees'  
Financial Assistance  
Schedules Fairly  
Presented***



## **Audit of Grant Under Project No. 615-0232, USAID/Kenya**

***Disbursements of  
\$988,848  
Representing 30.6  
Percent of All  
Disbursements Were  
Classified as  
Questioned Costs***



The Kenya Family Planning and Support Services Project No. 615-0232 had as its goal the lowering of Kenya's population growth rate. To meet this goal, it assisted the Government of Kenya, Non-Governmental Organizations and private contractors in improving services and increasing the capacity of the Kenya public and private sectors to promote family planning. As of June 1992, A.I.D. funds totalling about \$43.8 million were obligated and \$30.5 million were expended on the Project, which was to be completed by September 1995.

The Project had ten components, four of which concerned the Kenya National Council for Population and Development. An Agency-contracted financial audit was made of \$3.2 million disbursed to the Council for the period September 23, 1985 through March 25, 1991. The audit objectives were to report on the fairness of the Fund Accountability Statement, examine the Council's system of internal controls, and examine compliance with the terms of its grant and with applicable laws and regulations.

Because of a significant amount of questioned and unsupported costs, the Agency-contracted audit firm disclaimed an opinion on the Fund Accountability Statement. Of the disbursements examined, the auditors questioned costs of \$988,848 (unsupported \$828,438). The audit report on the Council's internal accounting control structure was adverse since the system was inadequate for properly identifying and accounting for expenditures. The auditors reported that the Council did not meet the grant's requirement to maintain adequate books and records.

The report recommended that A.I.D.:

- (1) determine the allowability of and recover, as appropriate, the questioned and unsupported costs; and
- (2) require the Council to develop a plan to improve the internal controls for the preparation, filing and documentation of claims.

Management generally agreed with the audit report's conclusions, and had resolved and taken action to close the recommendations. (*Audit Report No. 3-615-92-012-N, July 24, 1992*)

## **Audit of a Development Training Project Contract, USAID/Philippines**

In September 1989, USAID/Philippines started the Development Training Project to build a core of highly trained employees in the public and private sectors by providing them with academic and technical training. To address constraints to productivity and profitability of rural, non-farm enterprises, USAID/Philippines obligated \$2.5 million for in-country, third-country, and U.S. technical and managerial training of private sector employees.

With these objectives in mind, the Mission entered into a \$898,402 contract to:

- develop an overall training plan;
- promote and advertise the project to generate interest and participation;
- recruit, select and determine the placement of trainees;
- administer training funds;
- design an implementation plan and monitoring and evaluation system;
- identify short-term U.S., third-country and in-country management and technical training programs; and
- assess the training programs and the training institutions' capability to meet the requirements.

The audit reviewed activities under the contract from July 1990 through February 1992, during which the contractor reported expenditures of \$567,358 and received reimbursements of \$385,866 for these expenditures from USAID/Philippines.

The auditors found that (1) the contractor's Fund Accountability Statement did not fairly present the receipts and expenditures under the contract with USAID/Philippines; (2) there were several material instances of noncompliance with contract terms, resulting in \$167,293 in questioned costs; and (3) there were several material internal control weaknesses.

*The Contractor's  
Fund Accountability  
Statement Did Not  
Fairly Present  
Receipts and  
Expenditures*



Apart from resolving all questioned costs, the report recommended that, before the Mission makes any future payments, the contractor demonstrates that it had set up adequate internal control systems to process project expenditures. This includes obtaining adequate supporting documentation with proper approvals before payment, maintaining a complete set of accounting books, and properly classifying charges to various accounts. (*Audit Report No. 5-492-92-25-N, September 16, 1992*)

### **Audit of Contraceptive Sales Cooperative Agreement, USAID/Nepal**

***The Audit Identified  
\$444,219 in  
Questioned  
Expenditure Costs***



In August 1983, USAID/Nepal entered into a cooperative agreement under the Family Planning/Maternal and Child Health Project to support and implement the family planning program in Nepal. The Project promoted and distributed contraceptive products and educated the Nepalese people on the use of contraceptives. USAID/Nepal provided funds to expand the promotion and sale of contraceptives, strengthen market research capability, and employ qualified staff to manage and operate the Project's activities. The agreement was designed to enable the recipient to become increasingly self-sufficient and, ultimately become privatized.

During the period covered by the audit (August 10, 1983 through December 31, 1989), the recipient reported that almost \$1.5 million was received from USAID/Nepal and expended under the agreement. USAID/Nepal also provided contraceptives at no cost. Sales were reported of these contraceptives and other revenues of \$385,666 and operational expenditures of \$274,843 from those revenues, which were in addition to funds received from USAID/Nepal.

The auditors qualified their report on the recipient's Fund Accountability Statement because they identified \$444,219 in questioned costs relating mainly to expenditures that were not approved by USAID/Nepal. Furthermore, because inventories could not be verified, the auditors were unable to determine whether all income from contraceptives sales had been accounted for properly. In addition to these material instances of noncompliance, the auditors noted several material internal control weaknesses relating to sales revenues.

The report recommended that USAID/Nepal resolve all questioned costs and before making any future payments, require the recipient to:

- (1) conduct a physical count of the contraceptives, reconciling all differences with amounts recorded in the books; and
- (2) establish and implement procedures to correct the significant problems noted in the report. (*Audit Report No. 5-367-92-29-N, September 18, 1992*)

### **—Recipient-Contracted Audits—**

OMB Circular A-73 requires agencies to rely on recipient-contracted financial audits of an agency's grantees provided such audits are made in accordance with generally accepted government auditing standards and otherwise meet the needs of the agency. A.I.D. management has accepted responsibility for ensuring that financial audits of its grantees and contractors are performed.

OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," requires grant recipients to have periodic audits made by independent public accountants. These audits test the fiscal integrity of financial transactions as well as compliance with the terms and conditions of the contracts, grants and other agreements. The OIG's Financial Audit Office has been primarily responsible for ensuring that A-133 audits are performed and meet generally accepted government auditing standards. The Office fulfills these responsibilities through desk reviews of the audit reports and detailed quality control reviews of auditors' workpapers.

The OIG has worked with both A.I.D./Washington and the overseas missions in an effort to establish a reliable universe of foreign and domestic recipients and the respective grant agreements, cooperative agreements, and contracts awarded to these organizations. In March 1992, the Agency established the Audit Management and Resolution Program to place responsibility on missions or offices for ensuring that financial audits of A.I.D. contracts, grants, and cooperative agreements are performed. Under this program, A.I.D. management has assumed responsibility for developing and maintaining systems to schedule and track the audits. Furthermore, in close coordination with the OIG, the Agency has revised its policy handbooks so that new agreements with recipients will now contain provisions requiring regular recurrent audits in accordance with U.S. Government Auditing Standards or other appropriate standards.

During this reporting period, OIG staff reviewed 64 recipient-funded audit reports. Of the 64 reports, 50 were issued (38 without major change and 12 were issued after major change), and 14 were rejected because they did not comply with Government Auditing Standards. In 12 of the 44 U.S.-based recipient-contracted audits, there were 36 material internal control weaknesses reported. In the remaining 32 reports, there were no material internal control weaknesses. In 14 of the U.S.-based recipient-contracted reports, there were 36 instances of material contract or grant noncompliance. In the remaining 30 reports, there were no instances of material noncompliance. The reports that were reviewed resulted in recommendations to resolve \$5.5 million in questioned (\$5.4 million unsupported) costs. The reports identified 352 internal control and compliance deficiencies classified, as follows:

- 42 material internal control weaknesses,
- 151 other reportable internal control weaknesses,
- 38 instances of material noncompliance, and
- 121 instances of nonmaterial noncompliance.

Highlights of a recipient-funded audit conducted during this period follow.

#### **Audit of A.I.D. Grantee**

***Overseas Grant  
Expenditures Resulted  
in Significant  
Questioned Costs and  
a Recommendation to  
Avoid Future Grant  
Awards***

In a recipient-funded audit of an A.I.D. grantee, the independent public auditors qualified the opinions on the financial statements, reports on internal control and compliance and other schedules because (1) they were not able to obtain sufficient evidence to support commodity and grant program expenditures administered by their affiliates outside of the U.S.; and (2) they were not able to rely on the work performed by other auditors. The audit report also contained internal control and compliance findings involving the lack of formal policies and procedures, unqualified financial personnel, and until deficiencies are corrected, transactions which were not properly recorded in the grantee's accounting records. The auditors recommended that A.I.D. resolve total questioned overseas costs of \$3.6 million and avoid future grant awards until internal control and compliance deficiencies are corrected. (*Audit Report No. 0-LTR-92-062, September 11, 1992*)

## **—Audits Conducted by Other Federal Agencies—**

The Office of the Inspector General coordinates extensively with other federal agencies to ensure financial audit coverage of all A.I.D.-financed recipients. Through inter-agency agreements, the Office of the Inspector General requests other federal auditors, primarily the Defense Contract Audit Agency and the Department of Health and Human Services, to perform audits on its behalf. These audits play a major role in our efforts to combat fraud, waste and abuse by contractors or grantees.

During this reporting period, the Office of the Inspector General received and processed 63 audit reports completed by other federal auditors, covering more than \$116.1 million of A.I.D. funds. These financial and compliance audits included pre-awards, termination claims, and costs-incurred audits. There was a significant increase in pre-award audits processed this reporting period as a result of Eastern European projects.

The 63 reports resulted in 57 recommendations to A.I.D. management to (1) require improved contractor or grantee accounting and internal controls in order to enhance the reliability of contractor or grantee cost representations, (2) increase monitoring of financial performance for contractors and grantees in potential financial jeopardy in order to protect government resources, (3) finalize indirect cost rates, and (4) resolve \$6.2 million of costs incurred or proposed by contractors, subcontractors and grantees. An example of these audits follow.

### **Audit of Proposal Submitted by a Contractor in Response to an A.I.D. Request for Application**

In an audit performed by the Defense Contracting Audit Agency (at the OIG's request) of an A.I.D.-proposed contractor's cost proposal and accounting system, the auditors questioned \$1.3 million or 62 percent of the \$2.2 million cost proposal to perform studies to reduce deaths from heart disease in Romania. The questioned amounts were due to the lack of support and proposed escalation factors that exceeded the norm for certain salaries, fringe benefits, participant travel and contracted services. The auditors also noted that the accounting system did not segregate unallowable costs according to the applicable provisions of the Federal Acquisition Regulations and an Office of Management and Budget Circular. This could lead to overstatements of proposed costs and reimbursements to the contractor as well as defective pricing. In addition,

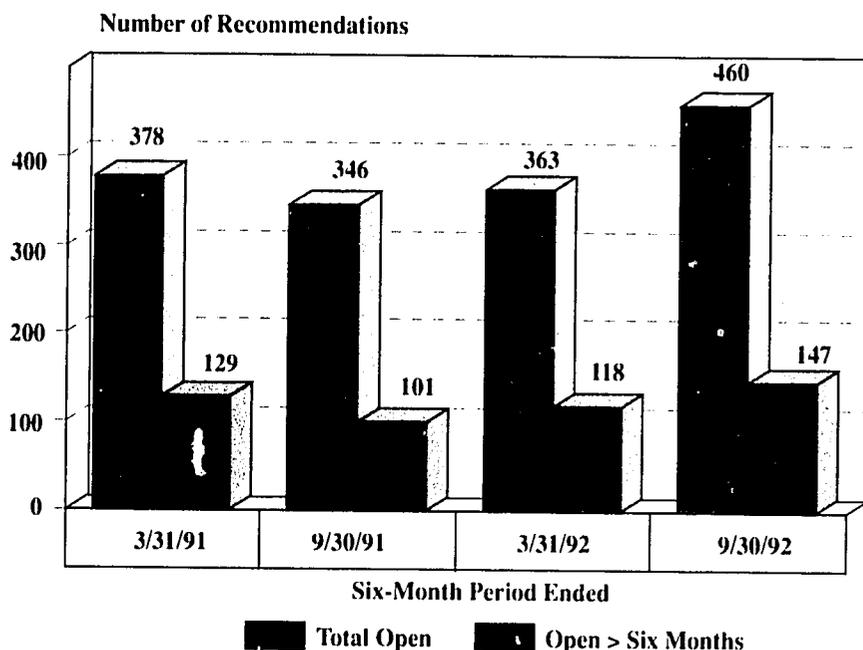
the auditors found that the proposed contractor's accounting system did not fully account for indirect expenses, which could place the contractor in violation of generally accepted accounting principles. To date, the recommendations are unresolved. If implemented, the recommendations may result in efficiency savings to the U.S. Government. (*Audit Report No. TR-92-069, April 15, 1992*)

## AUDIT RECOMMENDATIONS, FOLLOW-UP, AND RESOLUTION

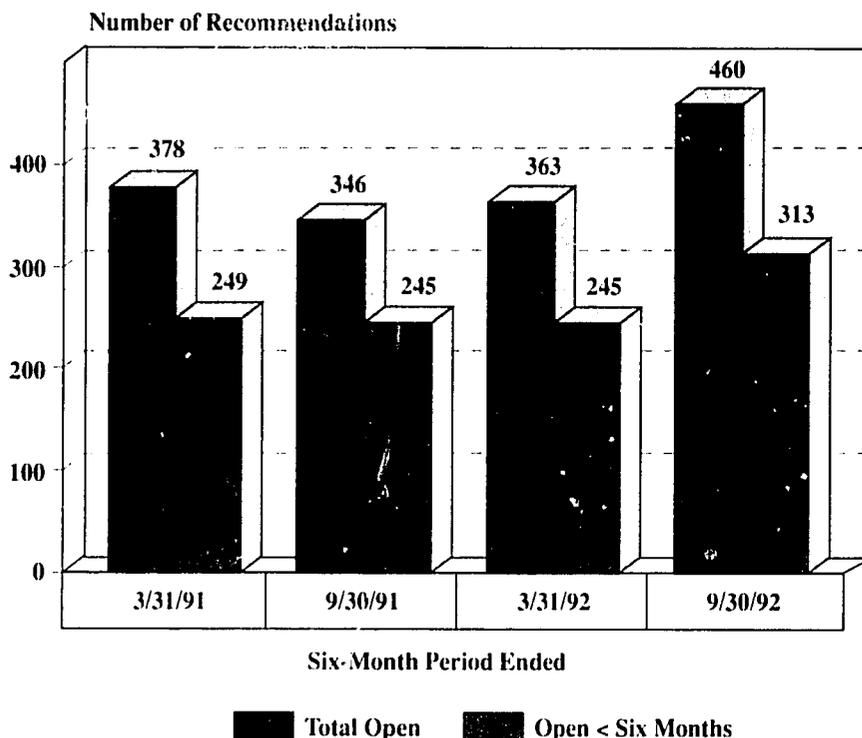
### —Comparison of Status of Open Recommendations—

The total number of open recommendations at the end of the reporting period increased by 26.7 percent (363 to 460) from the prior period. The number of recommendations open in excess of six months increased by 24.5 percent (118 to 147) from the prior period.

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



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



### —Comparison of Status of Open Recommendations Over Six Months Old—

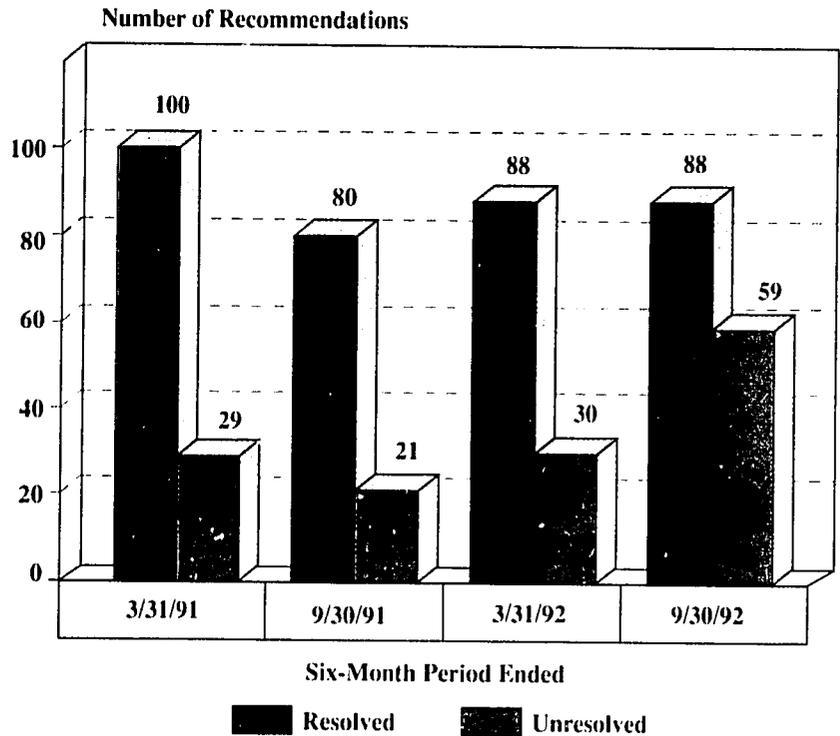
Office of Management and Budget Circular A-50 requires that recommendations be resolved within six months of issuance. In this context, resolution and closure are not synonymous terms. Audit recommendations are resolved when management and the IG's Office reach agreement on firm plans of action to correct the reported deficiencies. Audit recommendations are generally not closed until corrective actions have been completed or, in the case of a cost recovery, a bill for collection has been issued.

*A.I.D. Compliance with OMB Circular A-50*

The number of IG recommendations open over six months increased by 29 (from 118 to 147) between April 1, 1992 and September 30, 1992. Noncompliance with A-50 requirements for resolution increased during

this period from 30 to 59. This dramatic increase came from Agency-contracted audits which contained questioned costs. Because Agency contracting offices had not negotiated settlements of the questioned costs, we could not classify these recommendations as resolved.

### STATUS OF OPEN RECOMMENDATIONS OVER SIX MONTHS OLD



### SUMMARY OF REPORTS WITH SIGNIFICANT REVERSALS OF MANAGEMENT DECISIONS

The Inspector General Act Amendments of 1988 require that significant reversals of previous management decisions be reported. During the past six months, A.I.D. management has not made any significant reversals of previous management decisions.

## **SUMMARY OF SIGNIFICANT DISAGREEMENTS WITH MANAGEMENT**

The Inspector General Act Amendments of 1988 require that significant disagreements with Agency management be reported. During the past six months, there have been no serious disagreements with management.

## **SUMMARY OF ACCESS TO RECORDS ISSUES**

The Inspector General Act Amendments of 1988 require that access to records issues be reported. During the past six months, the OIG has not been denied access to the records necessary to conduct audits, investigations, and security activities.

## AUDIT FOLLOW-UP TABLES

The tables on the following pages are required by the Inspector General Act Amendments of 1988.

They are:

**TABLE A:** Audit Reports Issued Prior to Start of Period with No Management Decision at September 30, 1992

**TABLE B:** Significant Audit Reports Described in Previous Semiannual Reports Without Final Action at September 30, 1992

**TABLE C:** Reports Issued with Questioned and Unsupported Costs (April 1, 1992 through September 30, 1992)

**TABLE D:** Reports Issued with Recommendations that Funds Be Put to Better Use (April 1, 1992 through September 30, 1992)

TABLE A

**AUDIT REPORTS ISSUED PRIOR TO START OF PERIOD  
WITH NO MANAGEMENT DECISION  
AT SEPTEMBER 30, 1992**

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
0-000-92-004-N	Audit of Louis Berger International (Egypt)	02/12/92	The unresolved recommendations involve the following: (1) recommendation no. 1a calls for USAID/Egypt to resolve ineligible costs totalling \$28,917; (2) recommendation no. 1b requires USAID/Egypt to resolve unsupported contract costs totalling \$804,984; (3) recommendation no. 2a calls for USAID/Egypt to require LBII to improve compliance and internal controls to prevent excess amounts being billed to A.I.D.; (4) recommendation no. 2b requires USAID/Egypt to ensure that LBII improves compliance and internal controls by establishing procedures for independent review of project manager time review. All recommendations are awaiting USAID/Egypt action.	11/92
1-519-90-018-N	Audit of the Health Systems Support Project with the Ministry of Public Health and Social Assistance	03/22/90	The unresolved recommendation involves questioned costs of \$2,043,107. To date, USAID/EI Salvador has not negotiated a final settlement of the questioned costs because the Government of El Salvador is retroactively preparing accounting records to support its financial statements.	10/92
1-520-91-038-N	Audit of USAID/Guatemala's Highlands Agricultural Development Project - Directorate for Agricultural Services	07/31/91	The unresolved recommendation involves questioned costs of \$318,452. The Government of Guatemala has agreed to pay all unsupported expenses. USAID/Guatemala has suspended payments until such time as accounting and internal control inadequacies are resolved.	12/92

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
1-520-91-039-N	Audit of USAID/Guatemala's Highlands Agricultural Development Project - Directorate of Forest and Wildlife	07/31/91	The unresolved recommendation involves questioned costs of \$413,343. To date, the Government of Guatemala has agreed to pay all unsupported expenses. USAID/Guatemala has suspended payments until such time as accounting and internal control inadequacies are resolved.	12/92
1-520-91-040-N	Audit of USAID/Guatemala's Highlands Agricultural Development Project - Agricultural Planning Sector	07/31/91	The unresolved recommendation involves questioned costs of \$37,716. To date, the Government of Guatemala has agreed to pay all unsupported expenses. USAID/Guatemala has suspended payments until such time as accounting and internal control inadequacies are resolved.	12/92
1-520-92-001-N	Audit of ROCAP's Tropical Agricultural Center for Research Education	10/23/91	The unresolved recommendations involve: (1) ROCAP is in the process of analyzing documentation submitted by CATIE to determine if counterpart contributions are allowed under applicable cost principles; (2) ROCAP has determined that \$175,148 is allowed; \$14,205 has been recovered (no evidence provided yet); another bill for collection will be issued for \$7,232; and (3) there is a remainder of \$7,839 in documentation to be reviewed.	12/92
1-520-92-008-N	Audit of USAID/Guatemala's Agricultural Diversification Program	11/18/91	This recommendation involves questioned costs of \$47,297. USAID/Guatemala has suspended payments of project activities until accounting and internal control inadequacies are resolved to its satisfaction. The Government of Guatemala has agreed to pay all unsupported expenses. The recommendation will remain unresolved until a decision is made on the amount to be recovered.	12/92

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
1-520-92-010-N	Audit of USAID/Guatemala's National Bank for Agricultural Development	11/18/91	This recommendation involves questioned costs of \$48,276. USAID/Guatemala has suspended payments of project activities until accounting and internal control inadequacies are resolved to its satisfaction. The Government of Guatemala has agreed to pay all unsupported expenses. The recommendation will remain unresolved until a decision is made on the amount to be recovered.	12/92
1-527-92-012-N	Audit of USAID/Peru's Agricultural Plan and Institutional Development Project	12/17/91	The Ministry of Agriculture has located documentation for \$563,317 of total questioned costs of \$626,000. USAID/Peru has contracted for the review of the documentation presented. Upon completion of this review, USAID/Peru will issue a bill of collection for any unsupported costs.	10/92
1-515-92-014-N	Audit of Costa Rica's Ministry of National Planning and Economic Policy	01/07/92	The unresolved parts of the recommendation require USAID/Costa Rica to: (1) ascertain that quantities of imported commodities agree with total commodities authorized and, (2) reconcile unexplained differences between actual imports and the amount shown by the U.S. Department of Agriculture. The Costa Rican implementing agency is planning to contract with an audit firm to perform these two tasks.	10/92
1-520-92-016-N	Audit of Guatemala's General Directorate for Livestock	01/15/92	This recommendation involves questioned costs of \$17,915. USAID/Guatemala has suspended payments of project activities until accounting and internal control inadequacies are resolved to its satisfaction. The Government of Guatemala has agreed to pay all unsupported expenses. The recommendation will remain unresolved until a decision is made on the amount to be recovered.	12/92

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
1-520-92-017-N	Audit of Guatemala's General Directorate for Agricultural Services	01/15/92	This recommendation involves questioned costs of \$147,229. USAID/Guatemala has suspended payments of project activities until accounting and internal control inadequacies are resolved to its satisfaction. The Government of Guatemala has agreed to pay all unsupported expenses. The recommendation will remain unresolved until a decision is made on the amount to be recovered.	12/92
1-518-92-005	Audit of USAID/Ecuador's Selected Monitoring Systems	02/28/92	Before closing the recommendation, USAID/Ecuador must close out three projects and recover the obligated or advanced funds. For Project 518-0032, USAID/Ecuador submitted evidence that a deobligation has been requested for \$14,049. For Project 518-0055, USAID/Ecuador submitted bills for collection for \$532 and \$587, respectively. However, for Project 518-0015, final charges have not yet been received by the USAID. Once received, USAID/Ecuador will be able to deobligate the unexpended balance.	12/92
1-517-92-023-N	Audit of USAID/Dominican Republic's Energy Conservation/Resources Development Project	03/12/92	This recommendation involves questioned costs of \$5,808,208. USAID/Dominican Republic is gathering supporting documentation to determine the amount of costs that remain unsupported and a bill of collection will be sent to the Government of Dominican Republic.	12/92
1-525-92-006	Audit of Panama Assistance Program Funded By Public Law 101-302	03/30/92	This recommendation involves a need to establish separate budget line items for audits in those project agreements where the Mission intends to fund grantee's costs of complying with A.I.D.'s audit requirements. The Mission did not agree with our recommendation. As a result, the recommendation was referred in September 1992 to the Assistant Administrator for Latin America and the Caribbean.	10/92

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
3-696-91-003-N	Audit of the Rwanda Policy Reform Initiatives in Manufacturing and Employment Program No. 696-0127	01/15/91	The unresolved recommendation involves questioned costs of \$1,496,832. USAID/Rwanda and the host government are negotiating the specific amount to be recovered.	12/92
3-615-92-005-N	Audit of Center for African Family Studies Under REDSO/ESA Cooperative Agreement No. 623-0004-A-00-9042-00	03/18/92	REDSO/ESA has requested the Center for Family Studies to submit documentation and/or justification to support questioned costs of \$115,234 and unsupported costs of \$398,660.	10/92
3-615-92-006-N	Audit of REDSO/ESA's International Center of Insect Physiology and Ecology (ICIPE)	03/25/92	The unresolved recommendations involve: (1) REDSO/ESA receiving additional documentation from ICIPE to justify the validity of questioned or unsupported costs amounting to \$1,670,405; (2) REDSO/ESA determining allowability and recovery of \$418,930 in questioned costs and \$119,169 in unsupported costs; (3) REDSO/ESA ensuring that ICIPE take action to correct internal control and compliance issues.	10/92
3-696-92-008-N	Audit of USAID/Rwanda's Agricultural Surveys and Policy Analysis Project	03/25/92	The unresolved recommendations involve: (1) USAID/Rwanda determining the allowability and recovery of \$51,831 in questioned costs; (2) USAID/Rwanda determining the allowability and recovery of \$26,856 in unsupported costs; (3) USAID/Rwanda obtaining a project plan of action to improve the internal control structure regarding procurement, fixed assets, stationery supplies, cash management, and motor vehicle usage.	01/93
3-645-92-009	Audit of USAID/Swaziland's Management of Commodities	03/26/92	The unresolved recommendation involves USAID/Swaziland determining the allowability of, and collect as appropriate, \$387,106 in commodities disposed of under the audited project.	12/92

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
3-617-91-010	Audit of Uganda Manpower for Agricultural Development	07/19/91	The unresolved recommendation involves USAID/Uganda charging the project with \$157,712 in Mission-related general management support costs, such as advisory accounting services, management services, and motor pool equipment. The Mission did not agree with the IG position. The recommendation was referred in March 1992 to the Assistant Administrator for Africa for resolution. To date, no response has been received. Resolution is pending Bureau action.	Unknown
3-613-91-013-N 3-613-91-014-N 3-613-91-015-N 3-613-91-016-N	Audits of Local Currency Generations Grants 613-K-603 through 613-K-606	09/16/91 09/16/91 09/16/91 09/16/91	The unresolved recommendations involve requests to collectively restore about \$615,000 in equivalent local currencies to special accounts. An additional \$438,000 in equivalent local currencies need to be reconciled to account for over deposits. To date, USAID/Zimbabwe has not been successful in obtaining needed data from A.I.D./Washington. The recommendations were referred in March 1992 to the Assistant Administrator for Africa for resolution. To date, no response has been received.	12/92
5-388-92-014-N	Audit of Lanka Jathika Sarvodaya - Sri Lanka	03/13/92	The unresolved recommendations involve questioned costs of \$131,000 and for USAID/Sri Lanka to ascertain whether Sarvodaya has met its co-financing obligations based on a review of the costs questioned in recommendation no. 1. USAID/Sri Lanka was not able to resolve the recommendations in a timely fashion because the audit firm did not provide the details on the questioned costs until September 2, 1992.	11/92
6-263-92-004-N	Audit of Local Expenditures of Agricultural Cooperative Development International	11/26/91	The unresolved recommendations involve questioned costs of \$174,449. The Mission Contracting Officer has made a final determination regarding these costs and is in the process of preparing a response.	12/92

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DESIRED DECISION TARGET DATE</b>
7-688-92-004	Audit of A.I.D.-Financed Vehicles, Fuel Costs and Maintenance in Mali	01/10/92	The unresolved recommendation involves unauthorized payment of salary supplements totalling \$17,000 to Government of Mali officials in the form of tax-free fuel coupons which were procured for project vehicles. USAID/Mali did not concur with the recommendation and it has been referred to General Counsel for an opinion. Resolution is pending receipt of General Counsel opinion.	12/92
7-677-92-004-N	Audit of the Government of Chad's Disbursements Under A.I.D.'s Support of Developing Ministries	03/13/92	This recommendation remains unresolved pending resolution of questioned costs totalling \$357,008.	12/92
9-000-92-002	Audit of A.I.D.'s Procedures for Processing Personal Property Claims Submitted by Evacuees from Liberia and Somalia	11/25/91	The report recommends A.I.D. to (1) rescind decisions made to process claims of Somalia and Liberia evacuees outside the laws, policies and procedures, (2) obtain a Comptroller General opinion on the issues, and establish and implement improved personal property claims submitted by evacuees. Resolution of these actions is pending receipt of Comptroller General opinion.	Unknown
TR-92-023	Audit of National Capital Administrative Services, Inc.	11/21/91	The unresolved recommendation calls for the Office of Procurement to resolve \$112,445 in questioned costs proposed by NCA under A.I.D. contract no. DHR-0000-C-80001-00. No action has been taken.	12/92
TR-92-047	Audit of Futures Group, Inc.	02/25/92	The unresolved recommendation calls for the Office of Procurement to finalize the indirect cost rates for the Future Group, Inc.'s accounting years 01/01/87 through 12/31/89. The Office of Procurement is currently in negotiations with the contractor.	10/92
0-000-92-003-N 7-660-91-009 7-660-92-006 TR-90-078 TR-90-101 TR-91-110 TR-91-137 TR-92-011	Louis Berger International (Somalia) Audit of Family Planning Project Audit of Management of Audit Requirements BCI Geonetics International Louis Berger International, Inc. Ernst & Young International Colorado State University Robert R. Nathan	02/12/92 04/26/91 03/24/92 06/06/90 07/16/90 04/16/91 06/27/91 10/11/91	These recommendations are made to Missions that have been evacuated. The IG has temporarily suspended the recommendations until such time as the Missions can effectively address the recommendations.	Unknown

**TABLE B**

**SIGNIFICANT AUDIT REPORTS DESCRIBED IN PREVIOUS  
SEMIANNUAL REPORTS WITHOUT FINAL ACTION  
AT SEPTEMBER 30, 1992**

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>FINAL MANAGEMENT DECISION DATE</b>	<b>FINAL ACTION TARGET DATE</b>
0-000-92-001-N	Housing and Other Credit Guaranty Programs - Financial Audit Reports for the Year Ended September 30, 1990	12/11/91	12/11/91	06/93
1-522-92-001	Audit of USAID/Honduras' Health Sector II Project	10/18/91	10/18/91	11/92
3-695-91-012-N	Audit of USAID/Burundi's Grant with the Ministry of Public Health under the Combatting Childhood Communicable Diseases Project	09/11/91	03/26/92	12/92
3-696-92-008	Audit of USAID/Rwanda's Management of Cash Advances and Expenditures for Projects and Programs	03/25/92	03/25/92	11/92
5-391-90-003	Audit of Commodity Import Programs in Pakistan	10/26/89	04/27/90	11/92
5-367-92-003	Audit of USAID/Nepal's Operating Expenses	12/27/91	12/27/91	Unknown
5-383-92-004	Audit of USAID/Sri Lanka and A.I.D. Regional Contracting Officer's Controls Over A.I.D. Direct Contracts for Technical Assistance	03/19/92	03/19/92	Unknown
6-263-92-004	Audit of USAID/Egypt's Basic Education Project	03/26/92	03/26/92	10/92
7-655-92-002	Audit of OAR Cape Verde's Management of Food Crops Research and Watershed Development Project	10/24/91	10/24/91	Unknown
7-685-92-007	Audit of A.I.D.'s Economic Support Fund and African Economic Policy Reform Program in Senegal from 1987 through 1990	03/26/92	03/26/92	Unknown

**TABLE C**

**REPORTS ISSUED WITH QUESTIONED AND UNSUPPORTED COSTS**  
**April 1, 1992 through September 30, 1992**

*(in Thousands)*

REPORTS...	NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS <sup>1</sup>
For which no management decision had been made as of April 1, 1992	71	\$30,123 <sup>2,3</sup>	\$17,618 <sup>2,3</sup>
Add: Reports issued April 1992 through September 1992	58	\$24,567 <sup>4</sup>	\$16,759 <sup>4</sup>
Subtotal	129	\$54,690	\$34,377
Less: Reports with a management decision made April 1992 through September 1992	56	\$18,115 <sup>5,6</sup>	\$6,891 <sup>5,6</sup>
For which no management decision had been made as of September 30, 1992	73	\$36,575 <sup>7</sup>	\$27,486 <sup>7</sup>
For which no management decision was made within six months of issuance	25	\$15,501	\$11,614

<sup>1</sup> Unsupported Costs are included in Questioned Costs, but are provided as additional information as required by the Inspector General Act Amendments of 1988 (P.L. 100-504).

<sup>2</sup> Amounts include \$532,012 Questioned Costs and \$366,596 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

<sup>3</sup> The ending balance at March 31, 1992 was increased by \$797,697 Questioned Costs and \$10,032 Unsupported Costs to reflect increases in the original amounts of the 12 recommendations.

<sup>4</sup> Amounts include \$2,861,933 Questioned Costs and \$2,142,694 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

<sup>5</sup> Agency Officials disallowed \$5,294,187 in Questioned Costs (\$751,667 Unsupported Costs) cited in 52 reports. Agency Officials did not sustain \$12,820,823 in Questioned Costs (\$6,139,999 Unsupported Costs) cited in 47 reports.

<sup>6</sup> Amounts include \$471,527 Questioned Costs and \$366,596 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

<sup>7</sup> Amounts include \$2,922,418 Questioned Costs and \$2,142,694 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

**REPORTS ISSUED WITH RECOMMENDATIONS THAT  
FUNDS BE PUT TO BETTER USE  
April 1, 1992 through September 30, 1992**

*(in Thousands)*

REPORTS...	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
For which no management decision had been made as of April 1, 1992	24	\$112,047 <sup>1,2</sup>
Add: Reports issued April 1, 1992 through September 30, 1992	21	\$206,398 <sup>3</sup>
Subtotal	45	\$318,445
Less: Reports with a management decision made April 1, 1992 through September 30, 1992	17	\$220,629 <sup>4,5</sup>
For which no management decision had been made as of September 30, 1992	28	\$97,816 <sup>6</sup>
For which no management decision was made within six months of issuance	11	\$56,918

<sup>1</sup> Amounts include \$2,835,775 for audits performed for IG by other Federal Audit Agencies.

<sup>2</sup> The ending balance at March 31, 1992 was increased by \$11,568,456 to reflect increases in original amounts of seven recommendations.

<sup>3</sup> Amounts include \$3,365,759 for audits performed for IG by other Federal Audit Agencies.

<sup>4</sup> Agency Officials agreed with \$184,370,371 in actions cited in 20 reports, and Agency Officials did not agree with \$36,258,935 in actions cited in 9 reports.

<sup>5</sup> Amounts include \$2,244,979 for audits performed for IG by other Federal Audit Agencies.

<sup>6</sup> Amounts include \$3,956,555 for audits performed for IG by other Federal Audit Agencies.

## **RESOLUTION OF REPORTS WITH MONETARY RECOMMENDATIONS**

The Supplementary Budget and Rescission Act of 1980 requires that all monetary audit recommendations be resolved within six months of issuance. The number of audit recommendations in noncompliance with this statute increased from 15 in the prior period to 30 at September 30, 1992.

## **OTHER INSPECTOR GENERAL REPORTING REQUIREMENTS**

OMB Circular A-50 mandates that each agency regularly evaluate its performance in complying with the scope and intent of audit recommendations. Consequently, as one means of evaluating A.I.D. compliance with audit recommendations, follow-up on closed audit recommendations has been integrated into the audit effort of each IG audit office. In addition, for all recommendations, the Inspector General's Policy, Planning, and Oversight Office closely follows activity before, during and after resolution and closure. Occasionally, IG staff determine from available information that recommendations should be reopened. During the past six months, the Office of the Inspector General conducted limited follow-up activities, reviewing one recommendation, which was not reopened.

### *Follow-Up on Closed Recommendations*

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

### *Referrals to the Deputy Administrator*

Section 4(a)(2) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to A.I.D. programs and operations. During the reporting period, the Inspector General's Office of the Legal Counsel reviewed proposed legislation affecting Inspector General services for other agencies, legislation affecting Inspector General personnel, and proposals set forth by the President's Council on Integrity and Efficiency for legislation affecting Inspector General operations. Appropriate comments were provided in each instance.

### *Review of Legislation and Regulations*

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## OFFICE OF INVESTIGATIONS

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The Office of Investigations has investigative responsibility for A.I.D. programs in countries receiving U.S. foreign assistance funds. The Office's 36 American and 11 foreign national investigators are based in Washington, D.C. and in five overseas regional offices. Investigations of serious criminal and administrative violations cover all facets of A.I.D.'s worldwide operations.

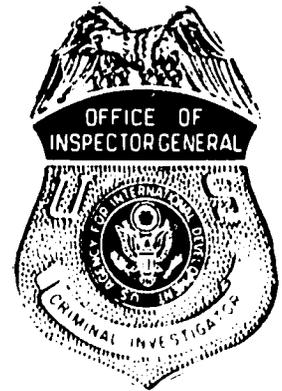
International investigations differ from domestic investigations in that agents must undertake extensive foreign travel, cope with language and cultural differences, meet varied administrative and judicial requirements, and be aware of complex political and security issues. Within this context, the Office of Investigations is achieving an increasing number of meaningful results.

In compliance with legal requirements, the Office of Investigations refers all investigative findings that indicate possible violations of federal law to the U.S. Department of Justice for prosecutive consideration. The Office also collaborates closely with other federal, state, and local law enforcement agencies. In many investigations, jurisdiction lies with foreign governments and considerable effort goes into working with foreign judicial and investigative authorities.

The majority of significant investigations originate with reports of possible violations made by A.I.D. employees, contractors, and private citizens with a strong interest in the integrity of the foreign assistance program. In recognition of reliance on outside sources, the Office of Investigations maintains an active outreach program of fraud awareness presentations in Washington, D.C. and throughout the world. Efforts are aimed at increasing employee awareness of the kinds of fraud schemes they may encounter and at helping them implement controls to detect and deter fraud.

Investigations also result in many administrative actions, such as dismissals and suspensions, issuance of bills for collection, debarment of companies, and cost savings. Such actions are taken by A.I.D. officials after reviewing the investigative findings.

### *Office Responsibility*



During the past six months, the following results were achieved, some of which are summarized in the Significant Investigations section:

Convictions/Confinements . . . . .	17
Debarments/Suspensions . . . . .	4
Disciplinary/Administrative Sanctions . . . . .	4
Recoveries . . . . .	\$1,429,161
Savings/Avoidance of Unnecessary Expenditures . . . . .	\$4,269,517

## SIGNIFICANT INVESTIGATIONS

The following sample of recent investigative results illustrates the wide variety of cases on which the Office of Investigations collaborates with A.I.D. employees and others. These joint efforts are essential in bringing to justice those who attempt to deprive intended recipients of the benefits of foreign assistance programs. Nearly all of the reported cases were initiated when A.I.D. employees contacted investigators to report possible wrongdoing. This clearly demonstrates the commitment of Agency staff to well-run, honest programs.

***United States -  
Former A.I.D. Official  
Convicted of Bribery,  
Obstruction of Justice  
and Passport Fraud***

The former Deputy Director of the A.I.D. Office of Information Resources Management was convicted on six counts of conspiracy, bribery, and obstruction of justice in the U.S. District Court for the District of Columbia. He was charged with using his official position to demand and receive \$70,000 in kickbacks from a Central American subcontractor in connection with a contract awarded by his office. The former A.I.D. official was also charged with using his position to authorize fraudulent payments to another subcontractor, to whom he owed a debt, in exchange for its cancellation. In addition, he was charged with creating false documents to conceal the bribery schemes after the Office of the Inspector General began to investigate. The defendant is awaiting sentencing.

During the former A.I.D. official's bribery trial, an Argentine citizen testified that the defendant helped her secure a United States passport. During cross examination of the former A.I.D. official, he admitted to making a false statement to the Department of State—enabling the Argentine citizen to receive a United States passport. The defendant later pled guilty to one count of passport fraud, a charge tangential to the bribery charges for which he originally stood trial. He is also awaiting sentencing on this charge.

In conjunction with the bribery charges against the former employee, two former A.I.D. subcontractors pled guilty to misdemeanor charges of supplementing a government official's salary. A third former subcontractor pled guilty to one felony charge of conspiracy to commit bribery.

In the most recent semiannual report, it was reported that a federal grand jury in Minneapolis indicted a Wisconsin businessman on one charge of conspiracy to defraud the Government and on one charge of submitting false statements. During this reporting period, the defendant was found guilty on both counts by a federal trial jury.

The indictment alleged that the businessman conspired with the former director of the A.I.D. Malaria Immunology and Vaccine Research Project to have a \$750,000 grant improperly awarded to a not-for-profit corporation he controlled. The grant was approved by the A.I.D. project director, against the recommendation of a scientific panel, and false financial status reports were submitted to conceal the improper use of funds. As a result, approximately \$435,347 in false claims were paid by A.I.D. before the grant was terminated.

Evidence presented during the trial showed that the businessman made approximately \$88,000 in payments to the former A.I.D. project director, who had previously pled guilty to a number of criminal charges. As part of the conspiracy, these payments were made to a Guatemalan corporation and deposited into accounts controlled by the A.I.D. employee. From grantee funds, the businessman was paid \$66,000 for alleged "consulting services" and \$170,000 was paid to another corporation he controlled for alleged research personnel, facilities and supplies.

The defendant was sentenced by a federal judge to eight months' imprisonment and three years' probation. He was also ordered to make restitution to A.I.D. in the amount of \$75,000. This case was prosecuted by the U.S. Attorney's Office in Minneapolis, Minnesota.

In an earlier semiannual report, a six-count felony indictment was detailed against the chairman of the Department of Tropical Medicine at a major university and an assistant. The indictment charged that the university employees stole more than \$114,000 in research grant funds provided by A.I.D. under the Malaria Immunology and Vaccine Research Project.

***United States -  
Former A.I.D.  
Malaria Research  
Grantee Convicted of  
Conspiracy and  
Submission of False  
Statements  
Concerning Claims of  
\$435,000***

***United States- Former  
A.I.D. Malaria  
Researcher Pleads No  
Contest to Criminal  
Charges of Stealing  
More Than \$114,000***

According to the indictment, the professor diverted large sums of money from the University to his own personal account. The grand jury found that he deposited \$34,000 to a secret bank account he controlled. In another instance, he allegedly diverted funds intended for an international symposium on malaria research. Additionally, the grand jury charged that the professor overbilled and falsified expenses on A.I.D. contracts and grants funded under the research project. In one case, he received per diem payments of more than \$18,000 for travel never performed.

During this reporting period, the professor pled no contest to criminal felony theft charges and misdemeanor charges of criminal solicitation of hindering the prosecution in the first degree. Previously, his administrative assistant and co-defendant pled guilty to criminal conspiracy charges.

***United States -  
Corporate President  
Indicted for  
Defrauding the U.S.  
Government for Feed  
Plant Machinery for  
Egypt - Bids Totalled  
Over \$1 Million With  
Prices Inflated 170  
Percent***

The president of a U.S. corporation has been charged by a federal grand jury in Ft. Lauderdale, Florida with perpetrating a scheme to defraud the U.S. Government. The scheme related to contracts for feed plant machinery destined for Egypt that were provided under A.I.D.'s Commodity Import Program.

The 12-count indictment charged the corporate president with wire fraud and making false statements relating to bid-rigging and overpricing practices he used to ensure that his company would win the contracts. According to the indictment, the bids submitted by the president totalled over \$1 million and included an average mark-up price of 170 percent above the "prevailing market prices" permitted by government regulations.

The defendant faces a maximum of 60 years' incarceration and fines of \$3 million, if convicted. Pending the outcome of these legal proceedings, the defendant's corporation and an affiliate have been temporarily suspended from bidding on U.S. Government contracts.

This investigation was initiated as a result of information provided to the Inspector General's Office by the Monitoring Division of the Procurement Support Branch of A.I.D.'s Office of Procurement. The U.S. Attorney's Office, Southern District of Florida, is handling the case.

***United States- Former  
A.I.D. Malaria  
Researcher Indicted  
for Conspiracy to  
Defraud the U.S.  
Government***

A retired professor of a major university has been charged in the U.S. District Court in Minneapolis, Minnesota with one felony count of conspiracy to defraud the U.S. Government.

The indictment alleged that the professor participated in a scheme to fraudulently obtain a \$750,000 grant from A.I.D. for malaria research. According to the indictment, he conspired with an A.I.D. project director and a Wisconsin businessman to conceal a scheme to defraud A.I.D. and to justify questionable payments made under the grant. For instance, the professor, a partner of the grantee, received payments totalling \$90,722 for alleged "consulting services." The A.I.D. project director received \$88,000 from grant funds paid to a Guatemalan corporation. The professor was a director, consultant, and major shareholder of the for-profit corporation to whom the grantee made \$170,000 in questionable payments. He faces a maximum potential penalty of five years in prison and/or a \$250,000 fine, if found guilty.

In response to a request by the Monitoring Division of the Procurement Support Branch of A.I.D.'s Office of Procurement, an investigation was initiated into possible overcharging by the Egyptian subsidiary of an American company participating in the USAID/Egypt Commodity Import Program.

***United States -  
Commodity Import  
Program Supplier  
Refunds \$914,524 for  
Overcharging on Bulk  
Sales of  
Pharmaceutical  
Chemical***

The investigation revealed that the Egyptian affiliate violated regulations governing pricing on a series of bulk sales of triamcinolone acetonide, a pharmaceutical chemical. When the American company was notified of the investigative findings, the entire amount of the transaction was refunded, resulting in a \$914,524 savings to the U.S. Government.

After pleading guilty to one count of making a false statement, a Zimbabwean received a sentence of six months in prison, a fine of \$10,000 and three years' probation. The Zimbabwean, who operated a commodity export firm in Dallas, Texas, misrepresented the brand name and specifications of plastic resin destined to be shipped from the U.S. to Zimbabwe under A.I.D.'s Commodity Import Program. As a result of making this and other false statements, A.I.D. paid \$223,170 to the firm for approximately 140 metric tons of varying grades of plastic resin, none of which conformed to the material described on documents submitted.

***United States -  
Zimbabwean Sentenced  
and Fined for  
Misrepresenting Brand  
Name and Specifications  
of Plastic Resin Supplied  
Under Commodity Import  
Program and Valued at  
\$223,170***

A former employee of a company providing administrative services to USAID/Chad pled guilty to one count of theft of government property and was placed on probation for one year. As reported in a previous semiannual report, the defendant, an American citizen, was indicted by a federal grand jury on five felony counts in the Eastern District of Virginia in July 1991.

***United States - Contractor  
Employee in Chad Indicted  
on Five Felony Counts,  
Pleads Guilty, and is Given  
Probation for Stealing Over  
\$7,000 in Government***

***Property and Falsely  
Claiming Over \$23,000 in  
Allowances***

The charges stemmed from the former employee's attempt to steal over \$7,000 worth of government-owned property, which he concealed in his shipment of household effects. During the investigation, he admitted to stealing the property and to falsely claiming over \$23,000 in separate maintenance allowance payments for a wife and six children he did not legally have. The employee was fired by the contractor shortly after he was indicted. To offset the falsely claimed separate maintenance allowance, the Mission withheld \$23,000 from the contractor's final billing.

***Philippines - Five Men  
Convicted and Sentenced  
for Theft of Commodities -  
Private Voluntary  
Organization Reimburses  
A.I.D. \$14,845***

Five Philippine citizens were convicted and sentenced on theft charges by a Republic of Philippines Regional Trial Court. The charges stemmed from the hijacking of 1,230 bags of non-fat dry milk provided under the Public Law 480 Program administered by A.I.D. Four defendants received maximum sentences of 20 years' imprisonment, while one defendant received a lesser sentence of two to six years' imprisonment.



In addition to the five convictions, the investigative findings led to the reimbursement of \$14,845 by the private voluntary organization responsible for distributing the donated commodities. The defendants were employees of a shipping company with which the organization's freight forwarder contracted for delivery of the commodities to locations throughout the Philippines.

***United States - Company  
Billed Over \$4 Million for  
Providing Foreign-made  
Goods in Violation of  
Commodity Import  
Program Regulations***

An American company participating as a supplier in the USAID/Egypt Commodity Import Program was issued a bill for collection for almost \$4 million for supplying goods partially obtained in the United Kingdom.

As a result of an investigation conducted by the Washington Regional Inspector General's Office, it was determined that 61 percent of the goods provided were acquired in the United Kingdom, in violation of program regulations to which the company agreed prior to the transaction. The multi-million dollar bill for collection included \$398,074 that the company drew from a letter of credit after being informed by A.I.D.'s Office of Procurement that the invoiced goods were ineligible for A.I.D. financing.

This investigation was initiated as a result of information provided to the Inspector General's Office by the Monitoring Division of the Procurement Support Branch of A.I.D.'s Office of Procurement.

An investigation conducted by the Inspector General's regional office in Dakar resulted in the recovery of over \$38,000 in questioned transactions involving the USAID/Niger Agriculture Sector Grant. Investigative findings showed that a \$200,000 contract had been improperly awarded to a parastatal agency upon instructions from the Ministry of Agriculture. The contract was issued under the Special Stabilization Counterpart Fund, which was funded under an A.I.D. agriculture sector grant. The improper awarding of the contract, among other improper transactions, resulted in illegal profits to the parastatal agency. As a result of the investigative findings, USAID/Niger withheld approximately \$38,000 from subsequent transfers to the Government of Niger.

***Niger - Contract Award Resulted in Illegal Profits to Parastatal Agency - \$38,000 Recovered***



In the most recent semiannual report, six cases were reported involving questionable invoices submitted by Egyptian importers seeking to participate in the USAID/Egypt Commodity Import Program. The investigative findings showed that the importers attempted to ensure selection of favored suppliers, thus circumventing A.I.D. requirements of competitive purchasing. The importers were suspended for three years from participating in the Program.

***Two Egyptian Importers Suspended From Participating in Commodity Import Program for Three Years***

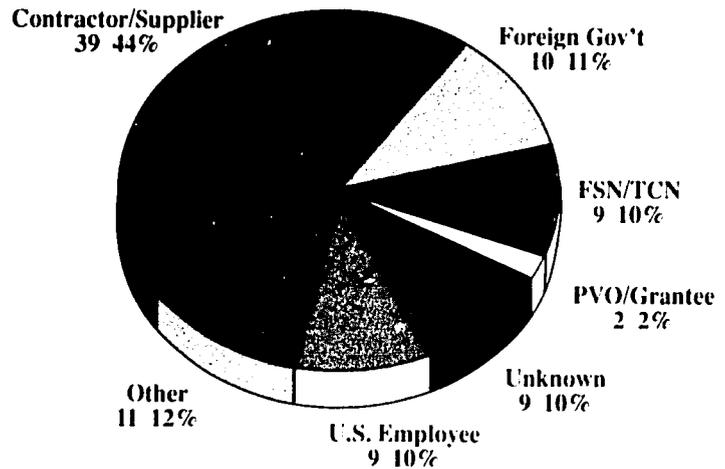
During this reporting period, two similar investigations were conducted and the investigative findings resulted in the suspension of two additional Egyptian importers from participating in the Commodity Import Program for three years. The investigation revealed that the Egyptian importers submitted false invoices in an attempt to justify the alleged purchase prices of commodities identified for importation. This was done by submitting "winning" and "losing" invoices that were either false or altered.



## **STATISTICAL SUMMARY**

During this six-month period, 89 complaints were received and processed, and eight proactive inspections were initiated. Over 44 percent of the allegations involved A.I.D. contractors and suppliers, 10 percent involved A.I.D. U.S. direct-hire employees, and 10 percent involved foreign national employees.

## SUBJECT OF ALLEGATIONS



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

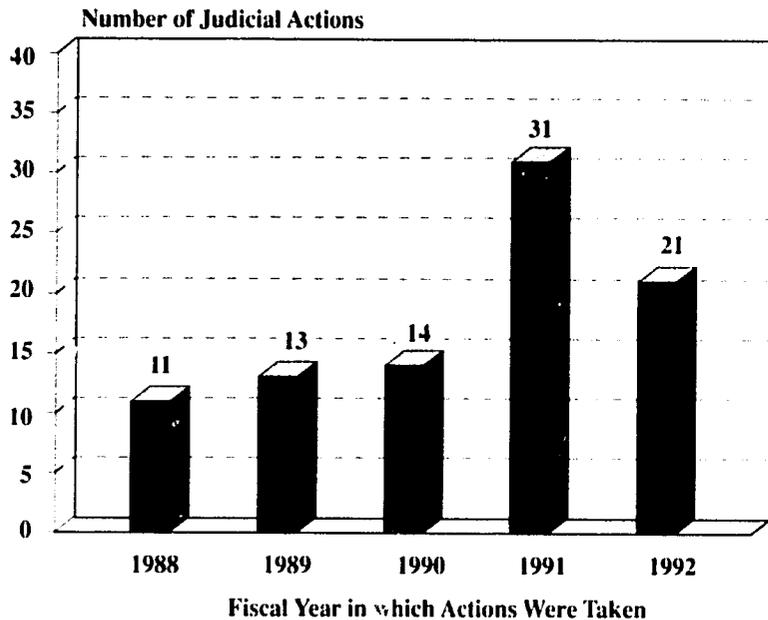
Of the total complaints received, 76 concerned allegations of fraud or procurement violations. These included procurement-related bribery, embezzlement, conflict of interest and false claims. A total of 11 complaints pertained to other allegations of criminal violations, such as theft of property, blackmarketing, and customs violations. Two complaints involved administrative irregularities and 69 resulted in formal criminal investigations.

The Office of Investigations is continuously refining its approach to the investigative process. Through better screening and analysis of complaints early in the investigative process, more matters are referred to bureaus and missions for administrative resolution. Consequently, agents focus on activities which pose the most serious actual or potential criminal threat to A.I.D. programs. This has resulted in numerous criminal convictions both

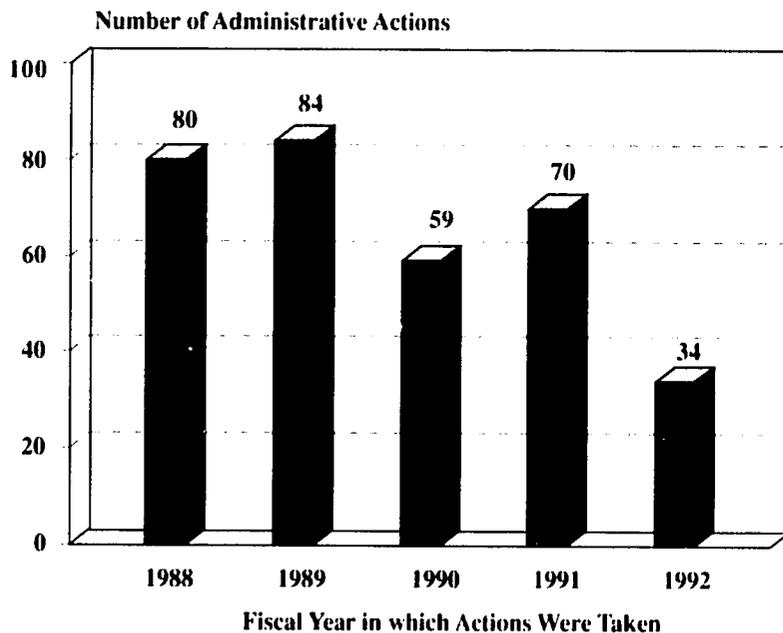
in the U.S. and overseas. Since October 1983, more than 146 individuals have been convicted and/or confined as a direct result of investigations.

The graphs below summarize judicial and administrative actions taken since 1988.

### JUDICIAL ACTIONS



### ADMINISTRATIVE ACTIONS



Includes Suspensions and Debarments

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## OFFICE OF SECURITY

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The Office of Security is responsible for worldwide programs designed to protect A.I.D. employees and facilities from acts of violence and to protect classified materials from unauthorized disclosure. These responsibilities are accomplished through diverse programs involving the design and installation of physical security devices, armored vehicles, residential security, local radio networks, information security and investigative/adjudicative activities involving security, suitability and counterintelligence issues.

### *Office Responsibility*

### PHYSICAL SECURITY PROGRAM

During this reporting period, A.I.D. expanded its presence overseas with the opening of eight new posts in Alma-Ata, Kiev, Moscow, Riga, Tallinn, Vilnius, Yerevan, and Luanda. The A.I.D. program in Port au Prince was resumed following the October 1991 military coup, while the A.I.D. programs in Somalia and Liberia remain suspended due to political upheaval and violence within the countries.

*Eight New A.I.D. Posts, Port au Prince Program Resumes, Somalia and Liberia Programs Remain Suspended*

A.I.D. is currently represented in 99 posts throughout the world. The threat from terrorism, war, insurgency, civil disturbance and narco-terrorism in 17 of the 99 posts is rated critical or high. Two of the Agency's posts are designated critical threat posts where A.I.D. employees receive danger pay. The threat from criminal activities in 32 of the 99 posts is considered critical or high.

*17 A.I.D. Posts Have High Terrorism Threat, 32 Have High Crime Threat*

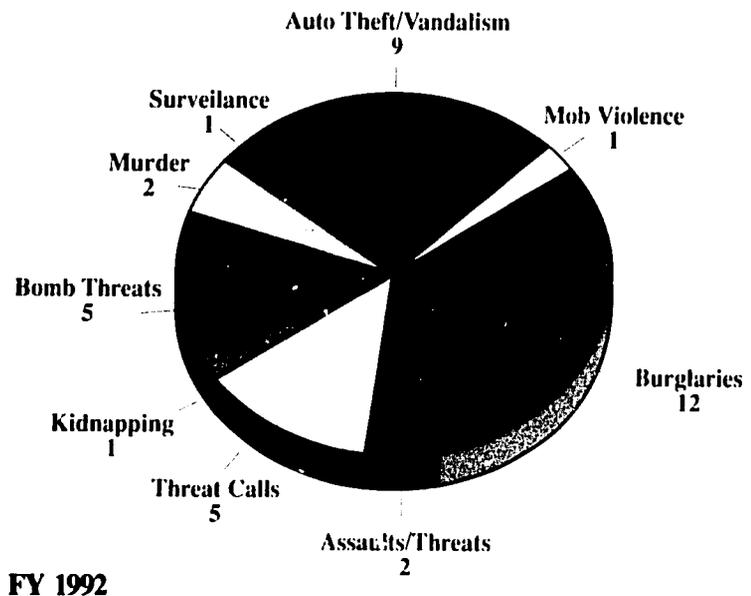
Physical Security Enhancement Projects were completed at the following 14 A.I.D. posts: Abidjan, Antananarivo, Jakarta, Pretoria, Peshawer, Prague, Cochabamba, Dakar, Budapest, Sofia, Bogota, Maputo, Kampala, and Managua. These projects involved the hardening of office facilities to deter forced entry, terrorist activities and mob action. The enhancements were accomplished with the installation of ballistic resistant materials, public access controls, walk-through metal detectors, secure rooms, and perimeter barriers. Three physical security projects are ongoing in Bangkok, Bissau, and Cotonou while planning continues for new A.I.D. office buildings in Dakar and La Paz. Security projects in Moscow and

*14 New Physical Security Projects Completed Overseas, All Critical and High Threat Posts Completed*

Kiev are in the process of being developed. All A.I.D. posts with critical and high threat terrorism rankings have completed physical security enhancement projects.

There were 38 reported incidents of crime, political violence or harassment directed against the Agency for International Development overseas during fiscal year 1992. The following chart depicts the types of activities.

### 38 A.I.D. INCIDENTS OVERSEAS

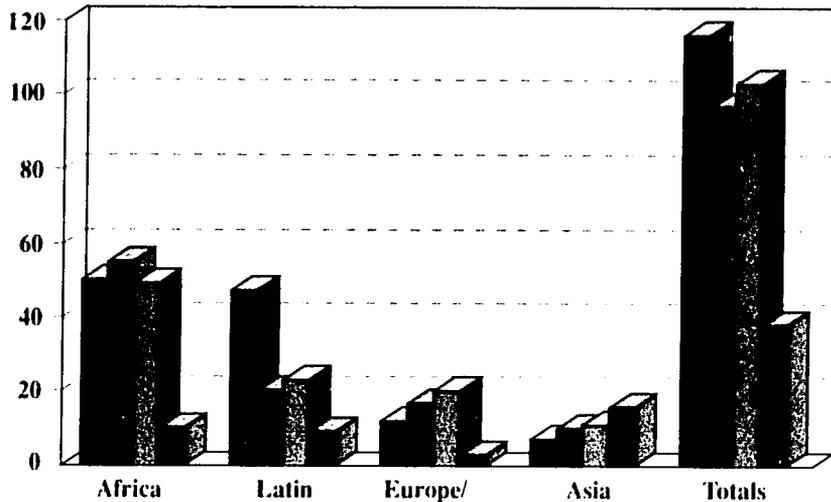


#### *Crime and Political Violence Against A.I.D. Declines*

The 38 reported incidents of crime and political violence directed against A.I.D. facilities and personnel represent a marked decrease over previous years. The following chart provides an annual comparison by geographic regions for the years 1989-1992. It would be premature to speculate the reason for or the implications of this decline.

**INCIDENTS OF CRIME AND POLITICAL VIOLENCE DIRECTED AGAINST A.I.D. BY GEOGRAPHICAL REGION**

Number of Incidents



	Africa	Latin America	Europe/Near East	Asia	Totals
1989	50	47	12	7	116
1990	55	20	17	10	97
1991	49	23	20	11	103
1992	10	9	3	16	38

The Office of Security provided residential security equipment and funding to eight A.I.D. posts to offset shortfalls within the U.S. Department of State, Bureau of Diplomatic Security's residential security program. The posts affected were: Warsaw, Kathmandu, Kampala, Cotonou, Pretoria, Maputo, Mbabane, and Windhoek.

*Eight Posts Provided Residential Security Equipment/Funding Assistance*

The vehicle armoring program utilizes the vehicle's mobility, the application of opaque and transparent armoring, and two-way radio communications to protect vehicle occupants against attacks. During this reporting period, the Office of Security funded the application of armor for six vehicles. The discovery of an incorrect armoring application during an inspection of a manufacturer's facility led to the recall of five other armored vehicles from high threat posts. These vehicles are being repaired by the manufacturer and will be reassigned to the field.

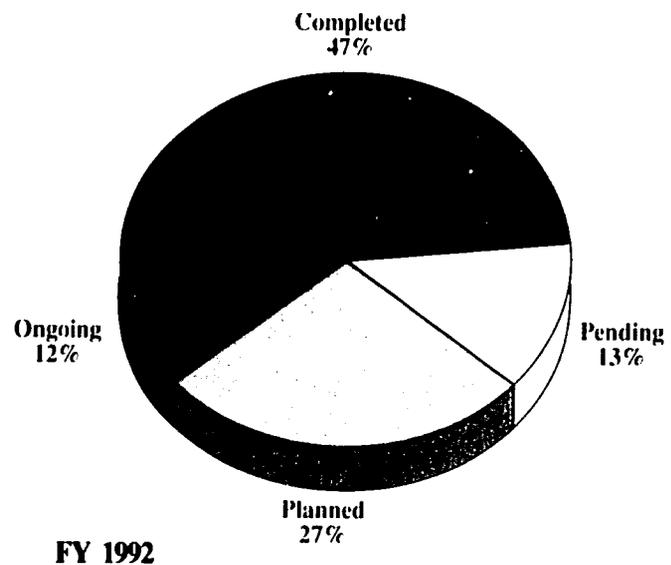
*Six A.I.D. Vehicles Armored, Five Others Recalled*

## SECURITY COMMUNICATIONS PROGRAM

The Security Communications Program provides A.I.D. employees with a reliable means of accessing the Embassy Emergency and Evacuation Radio Network. Typical communications systems include residential and vehicle radios, base stations, and repeaters. This combination provides employees with dependable, 24-hour means of city-wide communications. Where necessary, the radio systems are expanded to include country-wide or regional communications.

Through post visits incorporating radio system designs, installations, and repair, Office of Security personnel ensured that the communication needs of A.I.D. missions were met. The following graph depicts the project status of the Security Communications Program. A decrease in completed projects and the higher number of planned projects over the previous reporting period is attributable to the opening of new A.I.D. missions.

### A.I.D. SECURITY COMMUNICATIONS PROJECTS STATUS



During this reporting period, Office of Security Communications personnel visited the following 22 A.I.D. posts: Accra, Addis Ababa, Antananarivo, Bamako, Banjul, Belize, Budapest, Cochabamba, Conakry, Kampala, La Paz, Lima, Managua, Maputo, Maseru, Mbabane, Nairobi, Pretoria, Quito, Rabat, Sofia, and Tegucigalpa.

*22 A.I.D. Posts  
Receive  
Communications  
Support*

Progress continues on the Office of Security's fiscal year 1989 five-year plan to replace obsolete radios with less expensive, synthesized versions. Further driving this initiative have been unilateral host government decisions to change authorized frequencies. With the older, crystallized (analog) radios, frequency changes caused delays associated with the production and installation of crystals, and added costs to cover their manufacture. The newly acquired synthesized radios are computer programmed and therefore eliminate these delays and costs. At the end of the reporting period, approximately 72 percent of the analog radios had been replaced.

*Modernization of  
Communications  
Equipment Continues*

The Office of Security continued to provide A.I.D. project officers with communications advice regarding the procurement of non-security related radio equipment. Where possible, refurbished crystallized radios have been made available in lieu of the purchase of new equipment. Projects in 14 countries (Ecuador, Bolivia, Belize, Guinea, El Salvador, Cambodia, Somalia, Egypt, Uganda, Peru, Nicaragua, the Philippines, South Africa, and Cameroon) have benefited from this effort. Estimated savings to A.I.D. under this program are \$600,000.

*Recycled Analog  
Radios Result in Cost  
Savings to A.I.D. of  
\$600,000*

In addition, the Office of Security provided communications personnel and technical support to the Office of Foreign Disaster Assistance during the early phases of the "Provide Relief" effort to Somalia. Working with members of the Office's Disaster Assistance Response Team in Kenya, communications equipment provided by the Office of Security facilitated the delivery and distribution of food and medical supplies and the safe landing of aircraft in Somalia.

*Communications  
Support Provided To  
Operation "Provide  
Relief" in Somalia*

## **SECURITY INSPECTIONS PROGRAM**

During the reporting period, the Office of Security inspected 14 posts (Bangkok, Budapest, Kiev, La Paz, Moscow, Paris, Panama, Nairobi, Prague, Manila, San Salvador, Sofia, Vienna, and Warsaw) to determine the adequacy of their physical security programs and communications

*Security Inspections  
Conducted At 14 Posts*

systems, and mission compliance with national security directives governing classified information.

While no major deficiencies were found, corrective measures were recommended involving office, residential and radio equipment, and the proper usage and maintenance thereof. Frequent attention was also focused upon local guard standards, equipment and procedures. Where possible, security deficiencies were immediately corrected and unserviceable equipment was scheduled for replacement.

***A.I.D. /Washington  
Security Evaluated  
and Judged Adequate***

In preparation for assuming responsibility for A.I.D. security functions in the Washington, D.C. area, on October 1, 1992, the Office of Security completed surveys of 13 A.I.D. offices and facilities. The inspections examined existing security measures designed to protect A.I.D. employees and facilities from criminal activity and classified information from unauthorized disclosure. The overall security assessment of A.I.D./Washington facilities is judged adequate. Improvements are to be accomplished beginning in fiscal year 1993.

## **PERSONNEL SECURITY PROGRAM**

The Office of Security is responsible for implementing Executive Order 10450, "Security Requirements for Government Employment." This responsibility is executed under the recent guidelines of National Security Directive 63, Single Scope Background Investigations, and Chapters 731 (Suitability) and 732 (Security) of the Federal Personnel Manual.

***National Security  
Directive 63  
Requirements  
Increased Average  
Cost for FullField  
Background  
Investigations by \$307***

National Security Directive 63 was adopted March 1, 1992. It extended the investigative coverage for Fullfield Background Investigations from five to ten years and required independent verification of birth records. As anticipated, these changes resulted in an increase (\$307) in the average cost of a Fullfield Background Investigation. The fiscal year 1992 average cost for this investigation was \$1,631. In response to the increased cost, the Office of Security adjusted its birth record verification process to employ official correspondence, in lieu of using special agents for records checks. A decrease in investigation costs is anticipated for fiscal year 1993. Fiscal year 1992 cost increases for Update and Special Investigations were negligible.

A total of 1,761 security clearance actions at the Top Secret, Secret, Confidential and Limited Official Use levels were favorably adjudicated by the Office of Security during fiscal year 1992. Three cases resulted in clearance denials while another four were referred to A.I.D.'s Office of Human Resources Development and Management. Employment was subsequently denied in all four cases on grounds of suitability. Five clearances are currently suspended pending either additional investigative actions or court decisions. This reporting period also witnessed a collaborative Office of Security and Office of Investigations effort, when an A.I.D. employee was accused of having maintained unauthorized associations with representatives of a criteria country, committed passport fraud and abused household shipping privileges. The employee resigned from the Agency while in a suspended security clearance status.

*1,761 Persons Cleared  
in Fiscal Year 1992, 7  
Denied Employment  
and 5 Currently  
Under Security  
Clearance Suspensions*

## **NATIONAL SECURITY INFORMATION PROGRAM**

The Office of Security is responsible for overseeing A.I.D.'s implementation of Executive Order 12356, "National Security Information." This effort requires educational, inspection and investigative involvement by the Office of Security.

During the reporting period, the Office of Security continued its policy of briefing new employees and Washington-based, security-cleared contractors to meet the requirements of the Executive Order. Security-cleared contractors overseas are briefed by the U.S. Department of State, Regional Security Officers, or A.I.D. Unit Security Officers. In addition, an expanded one-half day session was given to all new professional level employees as part of the A.I.D. four-week New Entry Training course. Administrative personnel had their initial orientation supplemented with specialized security training during a two-week A.I.D. Administrative/Secretarial/Clerical Orientation course.

*Emphasis Continues  
on Security Education  
Programs*

In addition to the general security orientations presented to new employees, the Office of Security provided specialized training to bureau and office representatives designated as Principal and Unit Security Officers. These Officers, although not professional security officers, serve a liaison function between the Office of Security and their individual organizations. Included in their functions are oversight of procedural security requirements and investigation of security violations. The Office of Security also conducted six on-site security training sessions with the

*571 Receive Security  
Education Training  
for the Reporting  
Period*

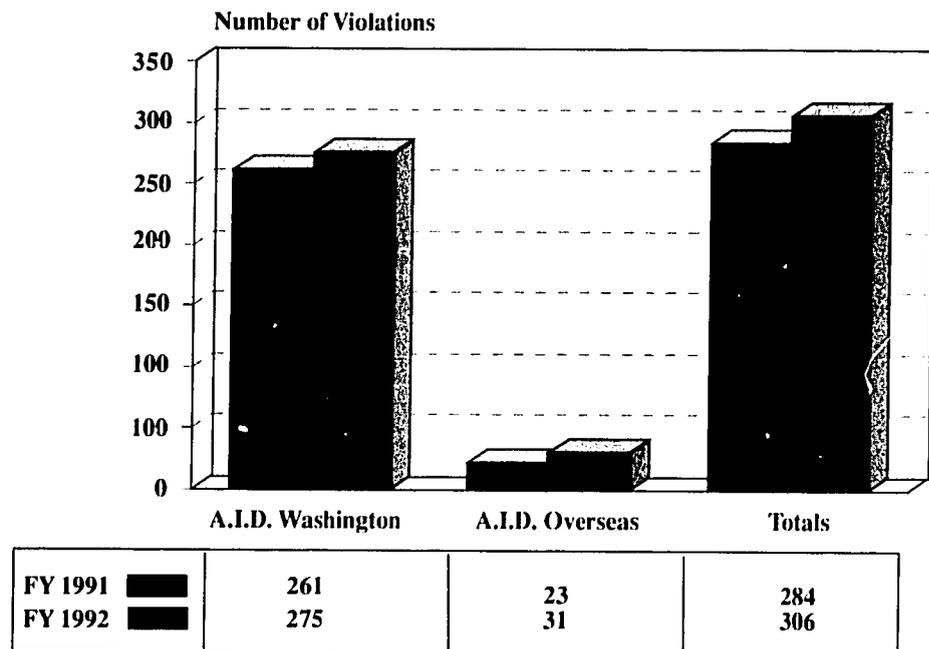
representatives of specific A.I.D. organizations. The organizations targeted for this effort were those determined to have excessive numbers of security violations. A total of 571 employees and contractors received security education briefings.

Reinforcing the security education message is A.I.D.'s security regulation, which states that persons charged with three or more security violations in a two-year period will be referred to the Office of Human Resources Development and Management for disciplinary action. The reporting period saw four "chronic offenders" forwarded for such consideration. Investigative/adjudicative actions on seven additional offenders have been completed and were substantiated. They will be forwarded to the Office of Human Resources Development and Management for review in fiscal year 1993. Seven other employees are awaiting completion of the investigative process and final determination as to the validity of their violations.

***50 Percent Reduction  
in Security Violations  
During this Reporting  
Period***

Ninety-eight security violations occurred during the reporting period, for a fiscal year 1992 total of 306. Three violations included in the previous report were subsequently adjudicated as invalid. While 306 violations represented an increase of 22 over the previous fiscal year, there was a 50 percent reduction in violations this reporting period.

**NUMBER OF SECURITY VIOLATIONS**



The Office of Security worked jointly with the Office of Information Resources Management in the development of A.I.D. policies to implement legislated requirements governing federal automated systems. The collaborative effort resulted in the A.I.D. Office of Information Resources Management's publication of policies on (1) the use of personally owned software on A.I.D.-automated information systems, (2) procedures for processing national security information on automated information systems, (3) the use of secure telephone units to transmit sensitive information, and (4) access requirements to automated information processing systems. Additional policies will be developed in fiscal year 1993.

*New Automated  
Information System  
Security Policies  
Implemented*

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## OFFICE OF RESOURCE MANAGEMENT

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The Office of Resource Management provides advice and guidance to the Inspector General; the three Assistant Inspectors General for Audit, Investigations, and Security; and Legal Counsel on administrative, financial and personnel matters. The Office is directly responsible for implementing and administering personnel, financial, budgetary, contract, logistic, and administrative activities for the Washington Inspector General's Headquarters Office and seven regional offices abroad.

*Office Responsibility*

The Office of the Inspector General has operated under a series of Continuing Resolutions for all of fiscal year 1992. This resulted in a fiscal situation requiring particularly close monitoring of operations throughout the year. In spite of this situation, the Office moved forward in a number of areas including personnel, resource management, staffing, training, personnel policy, information systems, audit printing, database analyses, word processing, and contract activity.

*Activity Summary*

### PERSONNEL AND FINANCIAL MANAGEMENT DIVISION

Continuing Resolutions were in effect for the full year with major impacts on IG operations worldwide. Operations in the first half of the fiscal year, ending March 31, 1992, were modified and curtailed to stay within the Continuing Resolution totals. These operational modifications carried over to the second half of the fiscal year. As a result, the fiscal operations from March 31, 1992 to the end of the fiscal year had to be carefully controlled and monitored. The preparation of the fiscal year 1994 budget request was complicated by the difficulties posed by the full-year Continuing Resolution in fiscal year 1992 and the uncertainties of the fiscal year 1993 funding levels.

*Full-Year Continuing  
Resolution*

Five new Foreign Service auditors and agents entered on duty. An additional ten Civil Service staff were hired during this period. Thirty candidates for Foreign Service appointments were interviewed and six were selected for processing. Five auditor positions were established in response to IG responsibilities under the Chief Financial Officers Act.

*Inspec General  
Staffing Actions*

Twenty-seven Foreign Service employees were rotated to and from the regional offices or Headquarters. Fourteen Foreign Service employees were tenured. Five Civil Service employees were promoted and four transferred within the IG. The Office of Resource Management successfully held its second Internal Evaluation Committee meeting to review Performance Appraisal Reports of Civil Service employees. The role of the Committee was to ensure that systems requirements were met and that rating and reviewing officials had adhered to acceptable performance management principles. All Performance Appraisal Reports for IG employees must now contain an Individual Development Plan to assure that training and needed skills are coordinated beginning fiscal year 1993.

***Resource  
Management  
Improved Tracking  
and Monitoring of  
Resources***

The need for improved budgeting and tracking of IG resources has been a concern of the Office of Resource Management for several years. A number of computer software packages have been evaluated to judge their effectiveness in tracking and monitoring IG resources. A commercially available budgeting and resource management software, specifically designed for Government operations, was purchased, configured and installed in the Washington office during September 1992. Two of the software packages are planned to be installed in regional offices during the first quarter of fiscal year 1993 and at the other regional offices over the next 12 months. Concurrent with the installation of the software in the field, management analyses of each regional office's fiscal operations will be performed in order to improve efficiency and effectiveness.

## **GENERAL SUPPORT DIVISION**

***Local Area Network  
Installed***

A local area network was installed in the Office of Resource Management. This installation was a prototype computer configuration to determine if there are any problems or difficulties that might exist in the system. The network allows the Office to be connected to the worldwide A.I.D. computer network. The remaining IG operational offices will be brought on-line during the next several months.

***Analyzing Large  
Data Bases***

Downloading of large A.I.D. data bases has been made possible by the use of portable computers and high capacity disk drives. Data from the field can now be analyzed both in the field and upon return to Headquarters. The technology has proven itself in Headquarters and is now in use by our regional offices.

Outdated word processing equipment has now been completely removed from service and all work has been shifted to personal computers. Results include a major improvement in individual and office productivity and in access to central A.I.D. data bases.

*Word Processing  
Improvement*

During the past six months, over 500 purchase requests totalling \$1.7 million were processed using small purchase procedures. Delivery orders issued against Non-Federal Audit Indefinite Quantity Contracts totalled \$704,000.

*Contracting Activity*

**TABLE E**

**INSPECTOR GENERAL AUTHORIZED STAFFING**  
**September 30,1992**

<u>Professional</u>	<u>Positions</u>
Office of the Inspector General	2
Legal Counsel	4
Office of Resource Management	12
Office of Investigations:	
U.S.	35
Foreign Nationals	4
Office of Security	37
Office of Audit:	
U.S.	142
Foreign Nationals	15
Total Professional Staff	251
 <u>Support Staff</u>	
U.S.	45
Foreign Nationals	1
Total Support Staff	46
Total Staff	<u>297</u> <sup>1</sup>

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<sup>1</sup>Includes three part-time positions.

## AUDIT REPORTS ISSUED

April 1, 1992 through September 30, 1992

### PERFORMANCE AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
<b>AUDITS OF BILATERAL PROJECT ASSISTANCE</b>				
1-523-92-08	07/24/92	Audit of Selected Mission Systems at A.I.D./Mexico	--	--
1-519-92-09	08/28/92	Audit of USAID/El Salvador's Commodities Systems	47,500	BU
3-617-92-11	07/09/92	Audit of USAID/Uganda's Management of Commodities	--	--
3-621-92-12	07/15/92	Audit of USAID/Tanzania's Controls Over Project Funds	--	--
3-612-92-14	07/31/92	Audit of the Malawi Enterprise Development Program	47	QC
			456	UN
			47	BU
5-386-92-05	05/15/92	Audit of USAID/India's Management of A.I.D.-Funded Construction	--	--
5-391-92-07	07/08/92	Audit of USAID/Pakistan's Controls Over Equipment Utilization	6,300	BU
5-497-92-08	07/17/92	Audit of USAID/Indonesia's Controls Over A.I.D.-Direct Contracts for Technical Assistance	--	--
5-497-92-10	08/31/92	Audit of USAID/Indonesia's Management of the Small Scale Irrigation Management Project No. 497-0347	19,429	BU
6-263-92-08	09/24/92	Audit of USAID/Egypt's Project Technical Services Procured by the Government of Egypt	--	--
6-263-92-09	09/24/92	Audit of USAID/Egypt's Accountability	--	--
7-686-92-08	06/22/92	Audit of A.I.D. Management of Project Commodities in Burkina Faso	--	--
7-608-92-09	07/10/92	Audit of USAID/Morocco's Private Sector Export Promotion Project (No. 608-0189)	--	--
7-675-92-10	07/20/92	Audit of USAID/Guinea's Participant Training Program	--	--
<b>AUDITS OF BILATERAL NONPROJECT ASSISTANCE</b>				
5-879-92-12	08/31/92	Audit of A.I.D.'s Management of the South Pacific Fisheries Treaty Program Project No. 879-0011	--	--
<b>AUDITS OF MANDATED SUBJECTS</b>				
1-524-92-07	07/16/92	Audit of the Nicaragua Assistance Program Funded by Public Law 101-302 and Fiscal Year 1991 Appropriations as of September 30, 1991	--	--
<b>AUDITS OF CENTRAL AND EASTERN EUROPEAN PROGRAMS</b>				
8-180-92-01	06/30/92	Audit of the A.I.D. Organizational Structure for Central and Eastern Europe	--	--
8-QCR-92-001	09/16/92	Polish-American Fund Quality Control Review		
<b>AUDITS OF GRANTS AND COOPERATIVE AGREEMENTS</b>				
5-388-92-11	08/14/92	Audit of USAID/Bangladesh's Controls Over Grants and Cooperative Agreements	--	--
9-000-92-07	05/28/92	Audit of Selected ASHA Grants - People's Republic of China	--	--

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**PERFORMANCE AUDIT REPORTS  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
9-000-92-11	09/23/92	Financial Audit Report of American Hospital in Shanghai Foundation - A.I.D./ ASHA Grant Numbers 449 and 458 and Their Amendments	18,377	QC
9-000-92-12	09/23/92	Financial Audit Report of Fudan Foundation - A.I.D./ASHA Grant Numbers 448 and 459 and Their Amendments	16,680	QC
<b>AUDITS OF FINANCIAL MANAGEMENT AREAS</b>				
9-000-92-08	07/17/92	Audit of A.I.D.'s Buy American Reporting System	--	--
9-000-92-09	09/02/92	Audit of Procedures Used by A.I.D. Controllers for Processing and Liquidating Advances	--	--
9-000-92-10	09/02/92	Audit of the Master Disbursing Account	17,000	BU
9-000-92-13	09/30/92	Audit of Unliquidated Obligations	111,700	BU
<b>AUDITS OF CHIEF FINANCIAL OFFICER'S ACT</b>				
0-000-92-01	07/31/92	Audit of the Housing and Other Credit Guaranty Programs' Fiscal Year 1991 Annual Financial Statement under the CFOs Act of 1990	--	--
0-000-92-02	07/31/92	Audit of the Private Sector Investment Program's Fiscal Year 1991 Annual Financial Statement under the CFOs Act of 1990	--	--
<b>AUDITS OF INFORMATION SECURITY SUBJECTS</b>				
3-279-92-10	05/29/92	Audit of USAID/Yemen's Security of the Wang VS as Related to MACS	--	--
3-613-92-13	07/29/92	Audit of USAID/Zimbabwe's Security of the WANG VS as Related to MACS	--	--
5-391-92-06	06/30/92	Audit of USAID/Pakistan's Security Controls for the WANG VS Computer Used to Safeguard the Mission Accounting and Control System (MACS)	--	--
5-493-92-09	07/23/92	Audit of USAID/Thailand's Security Controls for the WANG VS Computer Used to Safeguard the Mission Accounting and Control System (MACS)	--	--

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

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*Audit Reports Issued*

## FINANCIAL AUDIT REPORTS

### Agency-Contracted Audits

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
0-000-92-05-N	05/14/92	Audit of Society for the Care of the Handicapped - A.I.D. Grant No. ANE-6509-G-SS-8046-00, A.I.D. Grant No. ANE-0159-G-SS-9046-00	--	--
0-000-92-06-N	05/19/92	Audit of America-Mideast Educational and Training Services, Inc. - A.I.D. Grant No. NEB-0172-G-SS-2075-00, A.I.D. Grant No. ANE-0159-G-SS-7050-00	18 16	QC UN
0-000-92-07-N	05/29/92	Audit of American Near East Refugee Aid - A.I.D. Grant No. NEB-0162-A-OO-4012-00, A.I.D. Grant No. ANE-0159-G-SS-9048-00	248 184	QC UN
0-000-92-08-N	06/08/92	Audit of Catholic Relief Services Grants Under A.I.D. West Bank/Gaza Program and Food for Peace Program	375 294	QC UN
0-000-92-09-N	06/22/92	Audit of Save the Children Federation, Inc. - Cooperative Agreement No. NEB-0183-A-00-4073-00, Cooperative Agreement No. ANE-0159-A-00-6060-00	183 48	QC UN
0-000-92-10-N	06/29/92	Audit of Training Resources Group, Inc. - Federal Contracts, February 1, 1987 to January 31, 1991	276 220	QC UN
0-000-92-11-N	07/15/92	Audit of Checchi and Company Consulting, Inc. - Federal Contracts, July 1, 1989 to June 30, 1991	1	QC
0-000-92-12-N	07/31/92	Audit of Transcentury Corporation Federal Contracts, October 1, 1987 to September 30, 1991	5	QC
1-519-92-29-N	04/29/92	Audit of USAID/El Salvador's Projects Managed by the Salvadoran Foundation for Economic and Social Development - April 1, 1989 to March 31, 1991	3,068 3,000	QC UN
1-525-92-30-N	06/03/92	Audit of USAID/Panama's Economic Support Fund Program Funded by the Fiscal Year 1990 Dire Emergency Supplemental Appropriations Act - May 25, 1990 to September 30, 1991	3	QC
1-517-92-31-N	06/12/92	Audit of USAID/Dominican Republic's Graduate Management Training Project Managed by the Catholic University - June 23, 1986 to June 30, 1990	--	--
1-521-92-32-N	06/12/92	Audit of USAID/Haiti's Export and Investment Promotion Project Managed by the Investment and Export Promotion Center for the Year Ended September 30, 1991	--	--
1-517-92-33-N	06/12/92	Audit of USAID/Dominican Republic's Human Resources Development Project Managed by the Foundation APEC of Educational Credit, Inc. - July 1, 1988 to June 30, 1991	13 13	QC UN
1-519-92-34-N	06/15/92	Audit of USAID/El Salvador's Health and Jobs for Displaced Families Project Managed by World Relief - July 1, 1988 to February 28, 1990	1,062 1,051	QC UN
1-527-92-35-N	06/17/92	Audit of USAID/Peru's Private Sector Nutrition/Child Survival Project Managed by the Nutritional Institute of Investigation - June 26, 1986 to December 31, 1990	161 130	QC UN
1-515-92-36-N	06/23/92	Audit of USAID/Costa Rica's Agricultural Services Delivery System Managed by the American Institute for Free Labor Development - October 1, 1989 to June 30, 1991	--	--
1-519-92-37-N	06/25/92	Audit of USAID/El Salvador's Credit Component of the Earthquake Reconstruction Project - October 1, 1990 to September 30, 1991	166 45	QC UN
1-519-92-38-N	06/25/92	Audit of USAID/El Salvador's Infrastructure and Project Support Components of the Earthquake Reconstruction Project - October 1, 1990 to September 30, 1991	--	--
1-524-92-39-N	06/26/92	Audit of USAID/Nicaragua's Economic Support Fund Program Funded by the Fiscal Year 1990 Dire Emergency Supplemental Appropriations Act and Fiscal Year 1991 Appropriations - June 1, 1989 to September 30, 1991	1,316	QC

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
1-515-92-40-N	07/08/92	Audit of USAID/Jamaica's Agricultural Education Project Managed by the Project Implementation Unit of the Ministry of Education, the College of Agriculture, and the Knockalva Agricultural School - September 1, 1989 to August 31, 1991	--	--
1-519-92-41-N	08/07/92	Audit of El Salvador's National Plan for Area Restoration Program Managed by the National Commission for Area Restoration - October 1, 1990 to September 30, 1991	232	BU
1-511-92-42-N	08/07/92	Audit of USAID/Bolivia's Management Training Project Managed by the Institute for the Development of Entrepreneurs and Administrators - January 1, 1989 to December 31, 1990	42 8	QC UN
1-527-92-43-N	08/12/92	Audit of USAID/Peru's Institutional and Research and Reform Activities Support Project, Managed by the Institute of Liberty and Democracy - June 20, 1985 to March 31, 1989	1,773 1,768	QC UN
1-527-92-44-N	08/13/92	Audit of USAID/Peru's Public Law 480 Title II Program Activities and the Nutrition and Food for Work Project, Managed by the Adventist Development and Relief Agency - October 1, 1988 to June 30, 1991	60 59 6	QC UN BU
1-527-92-45-N	08/14/92	Audit of USAID/Peru's Project Activities Managed by the Projects in Information, Health, Medicine, and Agriculture - August 31, 1987 to September 30, 1991	17 13	QC UN
1-596-92-46-N	08/17/92	Audit of ROCAP's Regional Economic Recovery Project Managed by the Central American Bank for Economic Integration - September 30, 1985 to December 31, 1991	--	--
1-514-92-47-N	08/19/92	Audit of A.I.D./Colombia's Participant Training Program Managed by the Fulbright Commission - September 27, 1985 to September 30, 1990	--	--
1-517-92-48-N	08/20/92	Audit of USAID/Dominican Republic's Revenue Collection Project Managed by the Dominican Electricity Corporation - October 1, 1989 to September 30, 1991	--	--
1-532-92-49-N	08/20/92	Audit of USAID/Jamaica's Inner Kingston Development Project Managed by the Kingston Restoration Company Limited - October 1, 1989 to September 30, 1991	4 4	QC UN
1-511-92-50-N	08/25/92	Audit of USAID/Bolivia's Chapare Regional Development Project Managed by the National Roads Service - January 1, 1991 to December 31, 1991	--	--
1-511-92-51-N	08/25/92	Audit of USAID/Bolivia's Chapare Regional Development Project Managed by the Program of Alternative Regional Development - January 1, 1991 to December 31, 1991	--	--
1-511-92-52-N	08/25/92	Audit of USAID/Bolivia's Chapare Regional Development Project Managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare - January 1, 1991 to December 31, 1991	--	--
1-514-92-53-N	09/16/92	Audit of the USAID Office/Colombia's Narcotics Public Awareness Project Managed by the Solidarity Action Foundation for the Period August 27, 1987 to September 30, 1991 and Pre-Award Survey of the Solidarity Action Foundation's Capability to Manage Future A.I.D. Activities	96 4 8	QC UN BU
1-527-92-54-N	09/17/92	Audit of USAID/Peru's Administration of Justice Project, Managed by the Judicial Power, Ministry of Justice, and Public Ministry, January 1, 1989 to December 31, 1990	441 441	QC UN
1-522-92-55-N	09/18/92	Audit of USAID/Honduras' Land Use and Productivity Enhancement Project, Managed by the Secretariat of National Resources, February 9, 1989 to September 30, 1991	147 57 51	QC UN BU

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
3-603-92-09-N	04/30/92	Audit of the Non-Project Assistance Program to the Government of the Republic of Djibouti	10 9	QC UN
			1	BU
3-656-92-10-N	06/23/92	Audit of Profabril-Centro de Proyectos, SA Contract Under the Mozambique Regional Rail Systems Support Project No. 690-0247	35 35	QC UN
3-645-92-11-N	07/24/92	Audit of Khalipha Investments (Proprietary) Limited Contracts under USAID/Swaziland Projects	--	--
3-615-92-12-N	07/29/92	Audit of the National Council for Population and Development under USAID/Kenya Project No. 615-0232	989 828	QC UN
3-617-92-13-N	07/29/92	Audit of the Agricultural Cooperative Development International Grant No. 617-0111-C-00-9100-00	--	--
3-617-92-14-N	07/29/92	Audit of the Agricultural Cooperative Development International Grant No. 617-0111-G-IR-9001	4 4	QC UN
			48	BU
3-621-92-15-N	07/31/92	Audit of the Co-operative and Rural Development Bank under USAID/Tanzania Project No. 621-0165	264	BU
3-645-92-16-N	08/25/92	Audit of the Swaziland Regional Training Council under the Southern African Development Coordination Conference Technical Support Grant No. 690-0215-G-SS-4023-00, Project No. 690-0215.45	241 205	QC UN
5-497-92-15-N	04/24/92	Audit of the Asia Foundation, Indonesia	--	--
5-383-92-16-N	05/29/92	Audit of the Central Council of Social Services, Sri Lanka	5	QC
5-388-92-17-N	06/19/92	Audit of Cooperative for American Relief Everywhere, International (CARE)-Bangladesh	36	QC
5-492-92-18-N	07/09/92	Audit of Economic Development Foundation, Inc. - Philippines	89 89	QC UN
			9	BU
5-497-92-19-N	07/22/92	Audit of Contract No. ANE-0348-C-00-6062-00 with International Science and Technology Institute, Inc. - Indonesia	6	QC
5-497-92-20-N	07/22/92	Audit of Contract No. ANE-0354-C-00-8030-00 with International Science and Technology Institute, Inc. - Indonesia	--	--
5-492-92-21-N	07/28/92	Audit of Philippine Center for Population and Development, Inc. - Philippines	28 5	QC UN
5-367-92-22-N	08/25/92	Audit of New Era Private Limited, Nepal	28 8	QC UN
5-492-92-23-N	09/14/92	Audit of Louis Berger International, Inc. in Joint Venture with TCGI Engineers - Philippines	79 4	QC UN
5-492-92-24-N	09/14/92	Audit of Mandala Agricultural Development Corporation - Philippines	43 24	QC UN
5-492-92-25-N	09/16/92	Audit of SEA-BMB Consultants, Inc. - Philippines	167 79	QC UN
5-492-92-26-N	09/17/92	Audit of KAPWA Upliftment Foundation, Inc. - Philippines	11 6	QC UN
5-383-92-27-N	09/18/92	Audit of Agromart Outreach Foundation - Sri Lanka	88	BU
5-383-92-28-N	09/18/92	Audit of Credit Union National Association, Inc. - Sri Lanka	--	--

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
5-367-92-29-N	09/18/92	Audit of Nepal CRS Company Pvt. Ltd. - Nepal	444	QC
6-263-92-15-N	04/09/92	Audit of Integrated Development Consultant's Fiscal Year 1989 & 1990 Direct and Indirect Costs	335	UN
6-263-92-16-N	04/09/92	Audit of USAID/Egypt's System of Internal Controls As They Relate to MACS	18	QC
7-688-92-05-N	05/15/92	Audit of the Family Health Division's Expenditures Charged to USAID/Mali Integrated Family Health Services Project No. 688-0227 - July 31, 1986 to June 30, 1991	1	UN
			--	--
			--	--

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

### Recipient-Contracted Audits

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
0-LTR-92-030	04/03/92	Cultural Survival, Inc.	--	--
0-LTR-92-031	04/03/92	Salesian Missions	1,509	QC
			1,509	UN
0-LTR-92-032	05/22/92	International Medical Corps	--	--
0-LTR-92-033	05/29/92	Coordination in Development, Inc.	--	--
0-LTR-92-034	05/29/92	The Nutrition Foundation, Inc.	--	--
0-LTR-92-035	05/29/92	Academy for Educational Development	--	--
0-LTR-92-036	06/23/92	Cooperative Housing Foundation	--	--
0-LTR-92-037	06/24/92	International Center for Research on Women	--	--
0-LTR-92-038	06/25/92	Africare	--	--
0-LTR-92-039	06/26/92	World Environment Center, Inc.	--	--
0-LTR-92-040	07/01/92	New Jersey Marine Sciences Consortium	--	--
0-LTR-92-041	07/10/92	Project Concern International	22	QC
0-LTR-92-042	07/30/92	Lutheran World Relief, Inc.	--	--
0-LTR-92-043	07/30/92	The American University in Cairo	--	--
0-LTR-92-044	07/31/92	Population Reference Bureau, Inc.	--	--
0-LTR-92-045	08/04/92	Aid to Artisans, Inc.	--	--
0-LTR-92-046	08/05/92	Leadership Center, Inc.	--	--
0-LTR-92-047	08/05/92	Academy for Educational Development	4	QC
0-LTR-92-048	08/05/92	Mercy Corps International	--	--
0-LTR-92-049	08/05/92	The Panos Institute	--	--
0-LTR-92-050	08/06/92	South-East Consortium for International Development	--	--
0-LTR-92-051	08/07/92	The Brother's Brother Foundation	2	QC
0-LTR-92-052	08/07/92	International Voluntary Services, Inc.	--	--
0-LTR-92-053	08/17/92	The Nutrition Foundation, Inc.	--	--
0-LTR-92-054	08/17/92	World Council of Credit Unions, Inc.	--	--
0-LTR-92-055	08/17/92	Cultural Survival, Inc.	--	--
0-LTR-92-056	08/17/92	Cultural Survival, Inc.	--	--
0-LTR-92-057	08/17/92	Esperanca, Inc.	1	QC
0-LTR-92-058	08/17/92	Volunteers in Technical Assistance, Inc.	--	--
0-LTR-92-059	08/21/92	World Education, Inc.	--	--
0-LTR-92-060	08/21/92	The Foundation for the Peoples of the South Pacific, Inc.	--	--
0-LTR-92-061	08/21/92	Consortium for International Development	3,597	QC
0-LTR-92-062	09/11/92	Adventist Development and Relief Agency International	3,590	UN
0-LTR-92-063	09/11/92	African Medical and Research Foundation, Inc. (United States)	--	--
0-LTR-92-064	09/11/92	National Rural Electric Cooperative Association	--	--
0-LTR-92-065	09/15/92	International Food Policy Research Institute	215	QC
			215	UN
0-LTR-92-066	09/15/92	International Food Policy Research Institute	--	--
0-LTR-92-067	09/16/92	Save the Children Federation, Inc.	150	QC
			36	UN
0-LTR-92-068	09/16/92	American College of Nurse-Midwives	--	--
0-LTR-92-069	09/18/92	The Latin American Scholarship Program of American Universities, Inc.	--	--
0-LTR-92-070	09/18/92	International Foundation for Electoral Systems	18	QC

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 BU - Better use of funds  
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**Recipient-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
0-LTR-92-071	09/18/92	Catholic Relief Services	8	QC
			8	UN
0-LTR-92-403	07/14/92	K W International, Inc.	--	--
0-LTR-92-404	08/03/92	Vellore Christian Medical College Board (USA), Inc.	--	--
1-515-92-01-R	06/04/92	Audit of USAID/Costa Rica's Family Planning Self-Reliance Contraceptive Social Marketing Program, Managed by Profamilia-Asdecosta, S.A., and Related Financial Statements for the Year Ended September 30, 1991	--	--
1-519-92-02-R	06/15/92	Audit of USAID/El Salvador's Family Health Services Project, Managed by the Salvadoran Demographic Association, July 31, 1990 to September 30, 1991	--	--
1-515-92-03-R	07/07/92	Audit of Family Planning Self-Reliance/Human Reproduction Project, Managed by the Costa Rican Social Security Fund, May 27, 1988 to December 31, 1991	--	--
1-515-92-04-R	07/23/92	Audit of USAID/Costa Rica's Forest Conservation and Management Project, Managed by the Neotropic Foundation, April 1, 1990 to December 31, 1991	--	--
1-527-92-05-R	08/19/92	Audit of the Financial Statements of the Center for Education and Information on Drug Abuse Prevention - CEDRO and of the Activities of USAID/Peru Project: Drug Education and Public Awareness as of December 31, 1991	--	--
1-515-92-06-R	08/31/92	Audit of USAID/Costa Rica's Cooperative Agreement No. 515-0243-A-00-1208-00, Managed by the Foundation for the Development of the Central Volcanic Range for the Year Ending December 31, 1991	--	--

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 BU - Better use of funds  
 QC - Questioned costs  
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### Audits Conducted by Other Federal Agencies

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
TR-92-066	04/02/92	State of Kansas	--	--
TR-92-067	04/03/92	Smithsonian Institution	--	--
TR-92-068	04/22/92	Sanders International	--	--
TR-92-069	04/15/92	Providence Hospital of South Carolina	1,378	BU
TR-92-070	04/27/92	Aurora Associates, Inc.	38	QC
			38	UN
TR-92-071	05/07/92	Gilbert Commonwealth, Inc., a Subsidiary of Gilbert Associates, Inc.	--	--
TR-92-072	05/07/92	Porter Novelli	--	--
TR-92-073	05/07/92	Associates in Rural Development, Inc.	--	--
TR-92-074	05/07/92	Cambridge Consulting Corporation	--	--
TR-92-075	05/08/92	TvT Associates, Inc.	--	--
TR-92-076	05/08/92	University of Hawaii	--	--
TR-92-077	05/08/92	Tropical Research and Development, Inc.	--	--
TR-92-078	05/08/92	TEM Associates, Inc.	--	--
TR-92-079	05/05/92	University of Maryland	--	--
TR-92-080	05/08/92	Aguirre International	--	--
TR-92-081	05/06/92	University of Maryland System	--	--
TR-92-082	05/06/92	University of Hawaii	--	--
TR-92-083	05/19/92	Land O'Lakes, Inc.	--	--
TR-92-084	05/19/92	Planning and Development Collaborative International	--	--
TR-92-085	05/26/92	Electrotek Concepts, Inc.	--	--
TR-92-086	05/09/92	The German Marshall Fund of the United States	--	--
TR-92-087	05/09/92	Yale University	--	--
TR-92-088	05/09/92	Duke University	--	--
TR-92-089	05/09/92	Tropical Research and Development, Inc.	--	--
TR-92-090	06/10/92	Institute of International Education	--	--
TR-92-091	05/11/92	Chemonics International Consulting Division	--	--
TR-92-092	05/11/92	New Mexico State University	--	--
TR-92-093	06/12/92	Educational Innovation Systems International, Inc.	--	--
TR-92-094	06/12/92	Coordination in Development, Inc.	--	--
TR-92-095	06/29/92	Sanders International	351	BU
TR-92-096	07/07/92	American Breeders Service	--	--
TR-92-097	07/10/92	Ortho Pharmaceutical Corporation Advanced Care Products	--	--
TR-92-098	07/10/92	National Capital Administrative Services, Inc.	--	--
TR-92-099	07/23/92	Arthur Young	--	--
TR-92-100	07/23/92	Louis Berger International, Inc.	--	--
TR-92-101	07/22/92	University of Illinois	--	--
TR-92-102	07/23/92	Medical College of Hampton Roads	--	--
TR-92-103	07/27/92	Land O'Lakes, Incorporated	--	--
TR-92-104	07/27/92	Land O'Lakes, Incorporated	--	--
TR-92-105	07/27/92	University of California at San Diego	--	--
TR-92-106	08/11/92	Maximus, Inc.	73	BU
TR-92-107	08/12/92	Adminstar Solutions, Inc.	--	--
TR-92-108	08/12/92	Chesapeake Associates, Inc.	--	--
TR-92-109	08/19/92	Ronco Consulting Corporation, Berkeley, California	--	--
TR-92-110	08/14/92	Modern Benefit	--	--

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 BU - Better use of funds  
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 UN - Unsupported costs

**Audits Conducted by Other Federal Agencies  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
TR-92-111	08/20/92	JSA Healthcare Corporation	--	--
TR-92-112	08/20/92	JSA Healthcare Corporation	--	--
TR-92-113	08/21/92	Planning and Development Collaborative International, Washington, D.C.	--	--
TR-92-114	08/31/92	International Clinical Epidemiology Network	--	--
TR-92-115	08/31/92	Smithsonian Institute	--	--
TR-92-116	08/31/92	Tulane University	--	--
TR-92-117	09/11/92	University of California	--	--
TR-92-118	09/11/92	Joint Commission on Accreditation of Healthcare Organizations	--	--
TR-92-119	09/15/92	Chemonics	1,071	BU
TR-92-120	09/15/92	Partners in Economic Reform, Inc.	--	--
TR-92-121	09/16/92	Intertect	--	--
TR-92-122	09/19/92	Mississippi State University	--	--
TR-92-123	09/19/92	University of California at Santa Cruz	--	--
TR-92-124	09/19/92	Mathtech, Incorporated	--	--
TR-92-125	09/19/92	People to People Health Foundation Incorporated	--	--
TR-92-126	09/23/92	Engineering Science Incorporated	2,104	QC
			2,104	UN
TR-92-127	09/18/92	University of California, Berkeley	--	--

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

### Miscellaneous

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
0-REJ-92-002	04/28/92	CRISTA Ministries	--	--
0-REJ-92-003	04/28/92	National Council of Returned Peace Corps Volunteers	--	--
0-REJ-92-004	04/28/92	National Council of Returned Peace Corps Volunteers	--	--
0-REJ-92-005	07/10/92	Project Concern International	--	--
0-REJ-92-006	07/10/92	National Council for International Health, Inc.	--	--
0-REJ-92-007	07/10/92	The U.S. National Committee for Pacific Economic Cooperation	--	--
0-REJ-92-008	07/10/92	The U.S. National Committee for Pacific Economic Cooperation	--	--
0-REJ-92-009	08/04/92	International Institute of Rural Reconstruction	--	--
0-REJ-92-010	08/04/92	International Institute of Rural Reconstruction	--	--
0-REJ-92-011	08/21/92	Food for the Hungry International	--	--
0-REJ-92-012	08/21/92	Management Sciences for Health, Inc.	--	--
0-REJ-92-013	08/21/92	Planning Assistance, Inc.	--	--
0-REJ-92-014	08/21/92	Food for the Hungry International	--	--
0-REJ-92-417	07/17/92	The Society of Jesus of New England	--	--
0-QCR-92-002	08/28/92	Management Sciences for Health, Inc.	--	--
0-QCR-92-003	08/28/92	Management Sciences for Health, Inc.	--	--

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 BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

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# INDEX OF REPORTING REQUIREMENTS PURSUANT TO THE INSPECTOR GENERAL ACT OF 1978

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## MAJOR CONTRIBUTORS

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The following IG staff members made major contributions to this report.

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**AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE INSPECTOR GENERAL**

**PROFILE OF PERFORMANCE**

<b>Audit, Investigations, and Security Activities</b>	<b>April 1, 1992 through September 30, 1992</b>
Recommended Recoveries (Audit)	\$24,566,587
Recommended Cost Efficiencies (Audit)	\$206,398,274
Commitments to Recover Funds (Audit)	\$5,294,187
Cost Efficiencies Sustained (Audit)	\$184,370,371
Recoveries (Investigations)	\$1,429,161
Savings (Investigations)	\$4,269,517
Convictions/Confinements	17
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