

# SEMIANNUAL REPORT DIGEST

October 1, 1992 - March 31, 1993



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

**PROFILE OF PERFORMANCE**

	<b>October 1, 1992 through March 31, 1993</b>
<b>Audit, Investigations and Security Activities</b>	
<b>Recommended Recoveries (Audit)</b>	<b>\$34,144,266</b>
<b>Recommended Cost Efficiencies (Audit)</b>	<b>\$23,002,670</b>
<b>Commitments to Recover Funds (Audit)</b>	<b>\$4,193,630</b>
<b>Cost Efficiencies Sustained (Audit)</b>	<b>\$18,402,026</b>
<b>Recoveries (Investigations)</b>	<b>\$1,204,650</b>
<b>Savings (Investigations)</b>	<b>\$158,591</b>
<b>Convictions/Confinements</b>	<b>2</b>
<b>Disciplinary/Administrative Sanctions</b>	<b>5</b>
<b>Security Infractions/Violations</b>	<b>50</b>
<b>Background Security Investigations</b>	<b>1,010</b>
<b>National Security Information Briefing Attendees</b>	<b>435</b>

PD-ABG-332

**DIGEST**

**INSPECTOR GENERAL'S  
SEMIANNUAL REPORT TO THE CONGRESS  
October 1, 1992 — March 31, 1993**

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**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**This Digest is a condensed version of the complete  
Semiannual Report, which may be obtained from:**

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Policy, Plans and Oversight  
Room 1230, State Annex-16  
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The final day of this reporting period, March 31, 1993, finds the foreign aid program and this Agency as its executor, under intense scrutiny from both the Legislative and Executive Branches of the Government. It seems reasonable to conclude that we are on the threshold of significant change in the foreign aid program as we have known it, and have carried it out during the many years of the cold war. While the fundamental responsibilities assigned to the Inspector General by law will not change as a result of new initiatives and decisions affecting the scope, content, and direction of the foreign aid program, we must be prepared to assess and incorporate into our operations any changes necessary to fully support these new initiatives.

As more specific guidance on the new initiatives becomes available, the Office of the Inspector General will move quickly to incorporate any needed changes into our operations.

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## OFFICE OF AUDIT

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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 Office of the Inspector General by other federal audit agencies or independent public accountants.

During this reporting period, the Office of Audit issued 43 performance audit reports and processed 349 financial or financial-related audit reports performed by Agency- and recipient-contracted auditors or other federal government audit organizations. In total, these reports recommended resolution of questioned costs amounting to \$34.1 million, of which \$17.3 million were ineligible and \$16.8 million were unsupported. The reports also recommended \$23 million in deobligations, reprogramming of funds, and other actions that would put funds to better use.

The Office concentrated a considerable amount of resources to auditing and reporting on the Agency's high risk areas and material weaknesses. Of the 43 internal audit reports issued during the six-month period, 42 were performed in areas of high risk or material weakness including reviews of:

- project monitoring and evaluation (high risk area and material weakness);
- unliquidated obligations (material weakness);

- host country contracting (material weakness);
- financial management systems and operations (high risk area and material weakness); and
- management of sensitive information (high risk area).

### —Performance Audits—

Performance audits are designed to determine the economy, efficiency, and effectiveness of programs and operations. These audits are conducted by Office of the Inspector General staff and, in accordance with our systems approach to audits, focus on the efficacy of the Agency's major development and assistance delivery systems and their associated internal controls.

As noted above, most of our audit work was targeted toward high risk areas and material weaknesses. Short summaries of audits in these areas follow:

- As the primary U.S. foreign economic development agency, A.I.D. was closely involved in the purchase of large volumes of commodities. As a result, audits were conducted of commodity systems at USAID/Guatemala, USAID/Kenya, and USAID/Mali, with commodity funding totaling \$105.4 million. The auditors determined that the Missions generally followed procedures in planning and paying for commodities. However, the following deficiencies were noted: (1) commodity procurement was not always coordinated to ensure that the commodities were effectively used; (2) one Mission did not ensure that at least \$9.9 million of commodities were managed in accordance with A.I.D. policies and procedures; and (3) vital project reports were not always filed or did not identify significant problems. Management generally agreed with the audit findings and 8 of the 11 recommendations were resolved or closed.
- To provide needed infrastructure to developing countries, A.I.D. funded large construction projects such as water supply works, research centers, schools, roads, irrigation systems, and office buildings. The Office of the Inspector General reviewed the management of construction programs at USAID/Jordan, USAID/Sri Lanka, and USAID/Egypt with total obligations and expenditures for the three Missions totaling \$1.3 billion and \$1 billion, respectively. The auditors determined that the Missions' controls over A.I.D.-funded construction were adequate in many areas. Nevertheless, the Missions needed to improve monitoring procedures to ensure that funds were used as intended. The Missions agreed with the recommendations and initiated corrective actions.
- A.I.D. awarded grants or cooperative agreements as conditional gifts in support of agreed-upon purposes. In the past six months, audits were conducted of grants and cooperative agreements at USAID/Costa Rica and USAID/Philippines. The Missions' portfolios included 110 agreements with:

total obligations and expenditures of \$90.7 million and \$44.7 million, respectively. Results of the audits confirmed that the Missions had (1) followed applicable procedures in awarding agreements; (2) implemented the required monitoring systems; and (3) obligated, expended, and accounted for funds in accordance with the terms of the agreements and A.I.D. policies. However, in some cases, the Missions provided funding in excess of immediate disbursing needs, grantees did not always deposit funds in interest-bearing accounts, interest earned on advances was not always remitted to A.I.D., and the Missions did not always close out grants and cooperative agreements timely. Management generally agreed with the conclusions and recommendations, and took steps to close them.

### **—Financial Audits—**

The objective of financial audits is to determine whether A.I.D. recipients have used federal funds in accordance with laws and regulations. Both U.S. and foreign recipients are subject to audits. A.I.D. 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 contracted by the recipient of the contract or grant. Audit coverage of A.I.D. programs is a high risk area because audit coverage is considered to be insufficient. This lack of coverage was also recognized as a significant problem by the Office of Management and Budget/A.I.D. Swat Team and the General Accounting Office.

During this period, there were 349 financial or financial-related audit reports performed by auditors from other federal agencies or independent public accountants with oversight by Office of the Inspector General auditors. These audits resulted in recommendations to resolve \$33.4 million in questioned costs and to better use \$8 million.

In addition to the monetary recommendations, there were many significant internal control and compliance problems disclosed in the financial audits. In 53 of the 233 Agency- or recipient-contracted audits, there were 170 material internal control weaknesses. In the remaining 180 reports, there were no material internal control weaknesses. In 48 of the Agency- or recipient-contracted reports, there were 125 instances of material contract or grant noncompliance. In the remaining 184 reports, there were no instances of material noncompliance.

### **—Agency FMFIA Reporting—**

In the last Semiannual Report, we listed 26 significant Agency problem areas in 7 general categories which we believed represented significant management issues for the Agency. The Agency management considered our Semiannual Report, other IG audit reports, and external reviews when preparing its Fiscal Year 1992 Federal Managers' Financial Integrity Act (FMFIA) Report. As a result, the Agency reported on 10 new material management weaknesses, of which 6 were cited in

recent IG audit reports. In total, 12 of the 19 pending material weaknesses reported by the Agency were identified in management reviews of IG or GAO audit reports. We want to commend the Agency for effectively addressing the material weaknesses in its recent FMFIA Report.

### **—European Audit Office Relocated—**

To provide more effective and timely information on vital foreign assistance dollars committed to the Central and Eastern Europe and the New Independent States programs, the Office of the Inspector General relocated its European office from Vienna, Austria to Bonn, Germany. By the fall of 1993, there will be ten auditors stationed abroad to cover the Central and Eastern Europe and the New Independent States programs.

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## **OFFICE OF INVESTIGATIONS AND SECURITY**

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On November 2, 1992, the Inspector General merged the management and supervision of the Office of Investigations and the Office of Security under a single Assistant Inspector General. The resulting structure retains the integrity and separation of the operational programs of both offices while reducing overall costs. The reorganization included reestablishing the Deputy Assistant Inspector General for Investigations position and redesignating the Regional Inspectors General for Investigations as Special Agents In Charge of Field Offices.

### **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 the Inspector General Act (Public Law 95-452), the Office of Investigations refers all investigative findings which indicate possible violations of federal law to the U.S. Department of Justice for prosecutive consideration. In many investigations, jurisdiction lies with foreign governments. In these cases our agents collaborate closely with foreign judicial and investigative authorities. Investigations may also result in 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. management officials after reviewing investigative findings.

### **—Current Activities—**

The Office of Investigations received 79 complaints during the current reporting period. The majority, 49, concerned fraud and procurement irregularities. Thirty-two percent of the total involved A.I.D. contractors and suppliers, fifteen percent

involved A.I.D. U.S. direct-hire employees, and fourteen percent involved foreign national employees. A total of 35 criminal investigations were opened following evaluation of the complaints. Investigative results during this reporting period included two convictions and confinements; five administrative or disciplinary actions; \$1,204,650 in recoveries; and, \$158,591 in savings or avoidance of unnecessary expenditures.

### —Contemporary Issues—

With the growth of A.I.D. programs in Eastern Europe and the New Independent States of the former Soviet Union, comes the expanded mission of Investigative and Fraud Awareness support for this region. At the present time, investigations developed in this region will be handled by the Washington Field Office. Once statistical data and investigative caseload projections are established, decisions will be made concerning future resource implications. This office has no previous historical experience in terms of conducting investigations in conjunction with host country officials in this region; therefore, areas requiring assessment include law enforcement systems, processes and capabilities within host countries, and the probability of host country cooperation in investigations.

## SECURITY

During this reporting period, the Office of Security undertook inspections and operational activities of worldwide programs designed to protect A.I.D. employees and facilities from acts of violence and classified information 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 and adjudicative activities involving security, suitability, and counterintelligence issues.

Seventeen A.I.D. posts were identified by the U.S. Department of State's Bureau of Diplomatic Security as being at critical or high threat risk of terrorism, war, insurgency, or civil disturbance. A total of 42 A.I.D. posts were rated as critical or high risk posts for criminal activity.

Security personnel visited 27 of A.I.D.'s 102 overseas facilities. Radio communication surveys, designs, repairs, and installations occurred at 9 posts, while an additional 18 facilities were inspected to determine the adequacy of each 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.

On October 1, 1992, the Office of Security assumed responsibility for physical security services provided to A.I.D. employees in the Washington, D.C. metropolitan area. Thirteen of the fifteen separate A.I.D./Washington facilities are undergoing security enhancements.

Two posts received security funding to offset U.S. Department of State residential security shortfalls. Eight lightly armored vehicles were prepared for overseas use, while five fully armored vehicles were returned to the field after the manufacturer made repairs for improper armoring. Three armored vehicles are currently undergoing corrective modifications. The Office of Security has completed almost three-fourths of its 1989 five-year radio replacement program. Older analog radios were replaced with more flexible, less expensive synthesized units.

Investigative average costs dropped due to an increased percentage of cases being completed in the Washington, D.C. area, thereby reducing travel costs. In addition to the reduced need for travel, savings were achieved through cost cutting measures associated with airline ticketing and centralized birth verification procedures. During this period, 755 security clearances were favorably adjudicated. Twelve out of thirteen cases containing potentially adverse information were forwarded to the appropriate hiring authority for suitability determinations.

Inspections and surveys revealed a continued need for emphasis on security education. Over 220 Washington-based personnel and employees of the A.I.D. Missions in Kenya, Tanzania, and Madagascar received initial or refresher security briefings. In addition, over 150 non-career and appointed officials departing with the change in administration received security guidance governing the removal or destruction of classified information.

With 42 posts rated in high or critical threat areas for crime, terrorism, war, insurgency, or civil disturbance, emphasis will remain on those physical security programs designed to protect both Agency employees and physical assets. The continued growth of aid programs in the New Independent States as well as the assumption of A.I.D./Washington physical security responsibilities will place new demands on all aspects of the security program. A.I.D.'s entry into new, more complex regions of the world and the continued need for improved communications increases the need to keep employees up-to-date on new security concerns and procedures.

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## OFFICE OF RESOURCE MANAGEMENT

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The Office of Resource Management is responsible for implementing and administering personnel, financial, budgetary, contract, logistic, and administrative activities for the Inspector General's Washington, D.C. offices and six regional offices overseas.

### —Personnel and Financial Division—

To improve fiscal management and control, a fiscal management software application was purchased and installed. During this reporting period, Office of Resource Management personnel completed installation of the new software in Nairobi, Kenya and Cairo, Egypt, and conducted related training. The remaining regional offices are scheduled for the new software to be installed during the next semiannual reporting period.

## **—Resource Management System—**

During the past six months, 8 Foreign Service employees were tenured, and 25 overseas and 15 Washington Foreign Service assignments were approved. Twenty candidates were interviewed, nine were placed in processing, and four Foreign Service auditors were hired. In addition, ten interns and clerical staff were selected for temporary summer positions.

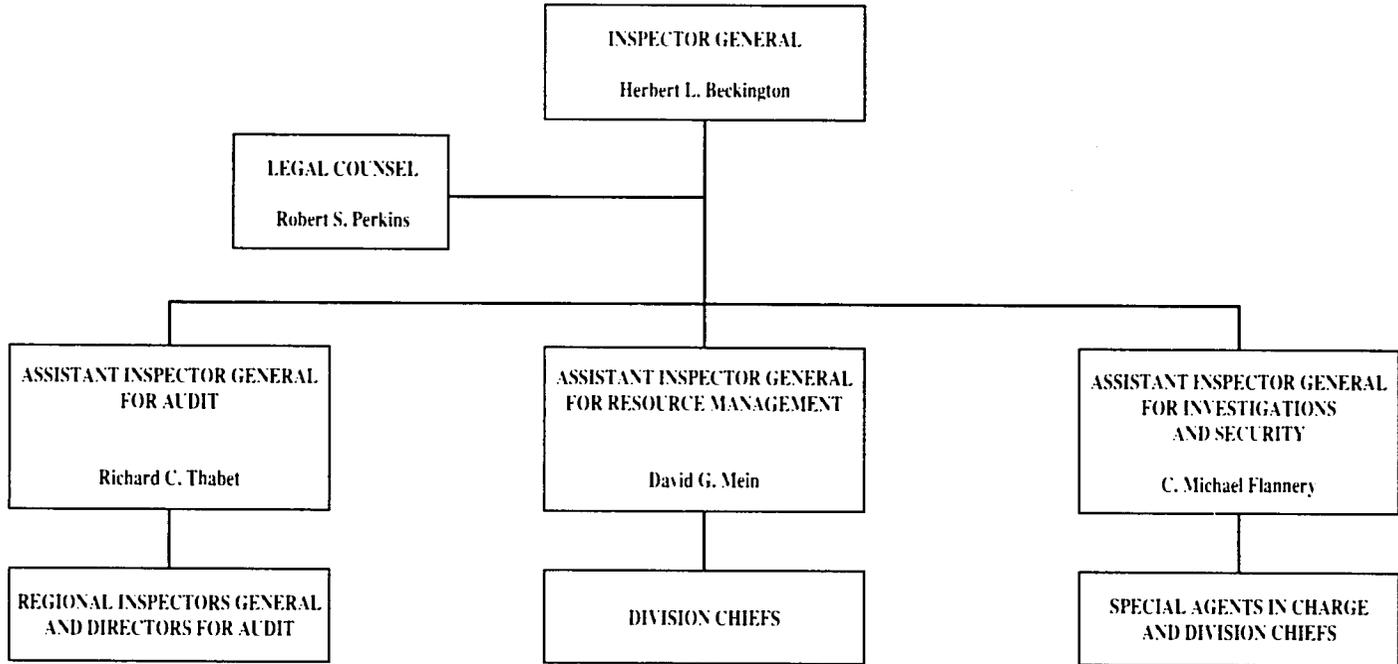
## **—General Support Division—**

The evolving U.S. economic aid program to the New Independent States and Eastern Europe required an increase in and revision of audit staff. The Inspector General reassigned three positions from Vienna, Austria to new U.S. facilities in Bonn, Germany, and authorized an additional seven direct-hire positions, for a total of ten auditors, to be based in Bonn, Germany. The Bonn audit office was selected because the post's infrastructure is extensive and there is a wide capacity for travel and transportation. In addition, low-cost office space in the post's chancery and government-owned housing were located. While there are some initial costs associated with the relocation, the Bonn office relocation will ultimately be less expensive than at other locations.

Due to a reduced assistance program in the Philippines, the IG Resident Audit Office/Manila was closed during March 1993 and the Regional Inspector General's Office in Singapore assumed the office's responsibilities.

Work on the recently installed local area network continues, with the immediate goal of enabling computer-to-computer connections between all Washington, D.C. offices with available information services.

# A.I.D. INSPECTOR GENERAL ORGANIZATION CHART



## REGIONAL INSPECTORS GENERAL AND DIRECTORS

REGIONAL INSPECTORS GENERAL AND DIRECTORS FOR AUDIT		AREA	SPECIAL AGENTS IN CHARGE AND BRANCH CHIEFS FOR INVESTIGATIONS	
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