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SEMIANNUAL REPORT TO THE CONGRESS

April 1, 1991 - September 30, 1991



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

PROFILE OF PERFORMANCE

Audit, Investigations and Security Activities	April 1, 1991 through September 30, 1991
Recommended Recoveries (Audit)	\$21,688,736
Recommended Cost Efficiencies (Audit)	\$43,521,883
Commitments to Recover Funds (Audit)	\$4,331,051
Cost Efficiencies Sustained (Audit)	\$10,300,688
Recoveries (Investigations)	\$3,232,451
Savings (Investigations)	\$3,224,120
Convictions/Confinements	16
Suspensions/Debarments with A.I.D.	3
Personnel Actions Initiated Against A.I.D. Employees	30
Security Infractions/Violations (Fiscal Year 1991)	284
Background Security Investigations (Fiscal Year 1991)	718
National Security Information Briefings (Fiscal Year 1991)	872

FOREWORD

This is the 20th Semiannual Report to the Congress of the A.I.D. Inspector General. It reflects a very active period of productive work by each major element of the Inspector General's office. It also is submitted during a very active schedule of events dealing with longstanding concerns over the performance of the Agency in the conduct and management of the United States foreign economic aid program. These involve management reviews by outside agencies including a Presidential Commission, and renewed and intensive internal Agency efforts to sharpen management performance and strengthen accountability in all its aspects. Over time, the reports of the Inspector General will provide one gauge of the impact of these several ongoing efforts.



Herbert L. Beckington
Inspector General

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OFFICE OF THE INSPECTOR GENERAL ORGANIZATION

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 (FAA). 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 FAA.

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

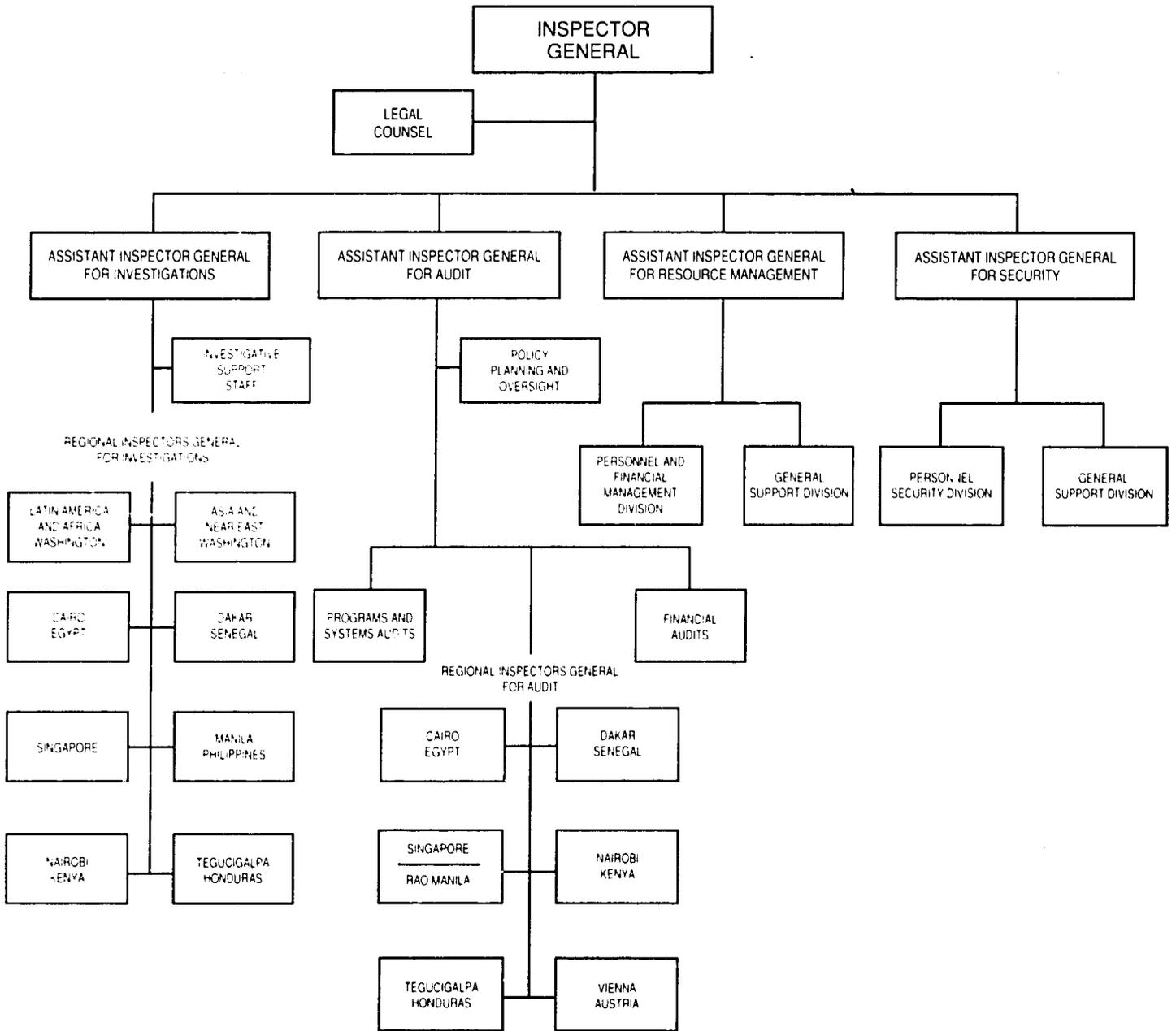
The Inspector General Act of 1978 authorizes the Inspector General to conduct and supervise audits and investigations that recommend policies to promote economy, efficiency and effectiveness, and detect and prevent fraud and abuse in the programs and operations of A.I.D. The Inspector General is responsible for keeping the 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.

Organization

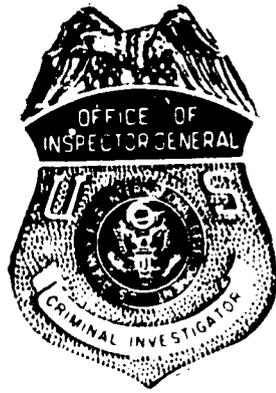
The Office of the Inspector General has four major offices, each headed by an Assistant Inspector General: Office of Audit, Office of Investigations, Office of Security, and Office of Resource Management. Overseas, the Regional Inspectors General for Audit and Regional Inspectors General for Investigations—who 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

INSPECTOR GENERAL ORGANIZATION CHART



BEST AVAILABLE DOCUMENT



OFFICE OF INVESTIGATIONS

Office Responsibility

The Office of Investigations has investigative responsibility for A.I.D. programs in more than 80 countries receiving U.S. foreign assistance funds. The Office currently employs 32 American and 11 foreign national investigators and maintains one domestic and five overseas regional offices. Investigations of criminal activity and serious administrative violations involve all facets of A.I.D.'s worldwide operations.

International investigations differ from domestic investigations in that the former requires extensive foreign travel and the ability to cope with language and cultural differences, meet varied administrative and judicial requirements, and maintain awareness of complex political and security issues. Within this context, we are achieving an increasing number of meaningful results. The Office of Investigations relies primarily upon the Department of Justice to prosecute criminal offenders but also collaborates closely with other federal, state, and local law enforcement agencies. Excellent working relationships with foreign judicial and investigative authorities continue to result in convictions of foreign citizens who have attempted to defraud A.I.D.

Most significant investigations originate with reports of possible fraud and administrative violations, reports 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 this fact, we conduct an active outreach program of fraud awareness presentations in Washington, D.C. and overseas. The most recent addition to this program is a video, that explains our goals and methods and summarizes several examples of serious fraud. Our efforts are aimed at making employees aware of the kinds of fraud schemes they may encounter and at helping them implement controls to deter fraud and to quickly detect it.

*Statistical
Summary*

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

Convictions/Confinements	16
Debarments/Suspensions	3
Disciplinary/Administrative Sanctions30
Recoveries	\$3,232,451
Savings/Avoidance of Unnecessary Expenditures	\$3,224,120

Significant Investigations

The following sample of recent investigations is typical of the diversity of our activities and illustrates that by working in partnership with concerned A.I.D. employees and others, we can bring to justice those who attempt to deprive intended recipients of the benefits of foreign assistance programs. The majority of these cases were initiated when A.I.D. employees contacted investigators to report possible wrongdoing. These employees clearly demonstrated their commitment to well-run, honest programs.

*Kenya - Former Senior
A.I.D. Official
Receives Prison
Sentence for Theft
of Government Funds*

In a case involving the **highest-ranking A.I.D. official ever convicted of a job-related offense**, a former A.I.D. General Counsel, who later served as Mission Director in Thailand and Kenya and Assistant Administrator for Africa, **pled guilty to theft of government funds and was given an eight-month prison sentence** on July 25, 1991. The case began in late 1988, when a USAID/Kenya employee reported to the Regional Inspector General for Investigations that the official had not reimbursed the government for personal telephone calls made from his residence while he was Mission Director in Kenya from 1984-1986. Initial investigation showed a pattern of calls to Thailand which were charged to A.I.D. as official business. An expanded investigation revealed several personal visits to Thailand.

The former Director, who had meanwhile been transferred to Washington and promoted to Assistant Administrator for Africa, was found to have exchanged A.I.D.-purchased airline tickets to reroute himself through Bangkok while leading A.I.D. officials to believe that he was in other countries on official business. He claimed per diem allowances for some of the time spent in Bangkok by manipulating his travel vouchers to show fictitious routes through other cities. He also failed to take annual leave for his time in Bangkok.

In April 1991, the now-retired official pled guilty to having submitted fraudulent expense vouchers for nearly \$18,000. In addition to serving the eight-month sentence, he must reimburse the government and must complete

200 hours of community service. The investigation was conducted by Office of Investigations regional offices in Nairobi, Singapore, and Washington, D.C.

Our most recent Report indicated that the controller of a large corporation based in North Carolina had pled guilty to conspiracy to commit wire fraud in connection with two USAID/Pakistan Commodity Import Program transactions, which involved overpricing and kickbacks to Pakistani importers totalling \$2.5 million. During the current reporting period, **guilty pleas from the company's Chief Executive Officer (CEO) and its Vice President (VP) for international operations** were announced. The CEO pled guilty to two counts of conspiracy to defraud the United States, while the VP pled guilty to two counts of conspiracy and two counts of income tax evasion. In addition, the VP reimbursed the U.S. Treasury \$182,000 that he had arranged to receive from the proceeds of the transactions.

*United States -
Corporate Officers
Plead Guilty to
Conspiracy to Defraud
the Government in \$2.5
Million Kickback
Scheme*

The parent corporation also pled guilty to one count of conspiracy and agreed to restitution totalling \$2.7 million, while its primary subsidiary pled guilty to two counts of conspiracy. The two transactions involved the supply of two ready-to-assemble organic fertilizer plants, one of which was placed in a warehouse and never constructed.

The investigation was initiated when a USAID/Pakistan employee requested that a visiting investigator from the Singapore Regional Office examine suppliers' invoices for the transactions. The case was investigated by the Singapore and Washington regional offices in collaboration with the Criminal Investigation Division of the Internal Revenue Service and was prosecuted by the U.S. Attorney for the Eastern District of North Carolina.

Our most recent Report noted that a Federal Grand Jury in New York City had indicted a maritime firm and its owner on charges of perpetrating a major fraud against the government. The indictment charged that rather than fulfilling an A.I.D. Commodity Import Program contract to supply 501 metric tons of non-fat dry milk to Sudan, the businessman and his firm shipped an animal feed product unfit for human consumption in place of the milk and made a profit of more than \$900,000.

*United States -
Maritime Firm Owner
Pleads Guilty to
Conspiracy to Defraud
the Government*

On June 3, 1991, **the company owner pled guilty to one count of conspiracy to defraud the government** and is awaiting sentencing. He faces a maximum penalty of five years in prison and a \$250,000 fine. The case was prosecuted by the U.S. Attorney for the Southern District of New York and was investigated by the Office of Investigations regional offices in Nairobi, Singapore, and Washington, D.C. in collaboration with the U.S. Postal Inspection Service.

*United States -
Employee Resigns After
Admitting to
Falsification of
Overtime Claims for
Self and Co-Worker*

A hotline caller alleged that an A.I.D. timekeeper was **falsifying time and attendance records to receive pay for overtime not worked**. The timekeeper admitted her guilt during the investigation and stated that she had also claimed unworked overtime for a co-worker. The timekeeper resigned in anticipation of being dismissed and action is pending against the second employee. The supervisors of the two employees failed to report this matter to the Inspector General and had attempted to deal with it informally.

*United States -
University Professor
Convicted of
Misappropriating
Research Funds*

As reported previously, a Professor Emeritus at a major state university receiving federal funding under a cooperative agreement with A.I.D. was indicted by a Champaign County, Illinois grand jury on two counts of "theft by deception." The charges were based upon his having **transferred \$21,200 in airline ticket refunds to his personal account** at a local travel agency. The refunded tickets had been purchased with research funds, some of which were provided by A.I.D. The indictment followed an investigation of the A.I.D. Malaria Immunization and Vaccine Research Project.

In a trial which ended on June 28, 1991, **the professor was found guilty on both counts**. On September 27, he was sentenced to twelve months' "conditional discharge," fined \$5,000, and ordered to pay all court costs. He had previously reimbursed the university the full \$21,200. The case was prosecuted by the Attorney General of the State of Illinois.

*United States -
Commodity Supplier
Sentenced for Mail
Fraud After Falsifying
Documents*

In a case reported in 1990, a Chicago businessman pled guilty to two counts of mail fraud in conjunction with having submitted false bid and performance bonds and manufacturers' certificates of warranty in transactions financed under the A.I.D. Commodity Import Program. In April of this year, he was sentenced in U.S. District Court in Chicago to five years' probation, a \$500 fine and ordered to pay a special assessment of \$100. In addition, he was **ordered to pay restitution of \$18,614 to the U.S. Treasury** to compensate for overpricing the commodities he provided and to pay \$23,774 to the Fireman's Fund insurance company in reimbursement for a false loss claim that he had filed.

*Egypt - USAID/Egypt
Halts Distribution of
16 Million Condoms
and Cancels Orders for
34 Million More;
\$1,775,000 Saved*

An investigation begun after USAID/Egypt sought to explain a 90 percent increase in distribution of A.I.D.-supplied condoms during 1990 revealed that **millions of condoms had apparently been diverted from their intended use**. The condoms had been distributed by the Egyptian Pharmaceutical Trading Company (EPTC) under an agreement with A.I.D. that allowed EPTC to retain a portion of the revenues from the sale of condoms to private pharmacies.

Investigators found that eight Cairo area pharmacies received 78 percent of the condoms distributed in the Cairo area during a ten-month period in 1990. Pharmacy employees led investigators to **wholesalers who were buying millions of condoms from these high-use pharmacies and selling them to dealers in rural areas for resale as toy balloons.** Because the EPTC condoms had been donated by the U.S. Government, they could be sold more cheaply than actual toy balloons, thereby undercutting competing products and generating profits for the Egyptian merchants.

As a result of the investigation, **A.I.D. delayed the distribution of 15,936,000 condoms and canceled orders for another 34,002,000, saving \$1,774,734, according to figures provided by A.I.D.**

USAID/Egypt Commodity Import Program officers requested that investigators examine a USAID-financed transaction in which **an American company had supplied five apparently refurbished gas turbine engines to the Egyptian Supreme Counsel of Universities (SCU) but certified them as new.** Investigation in Egypt and the U.S. confirmed that the engines were rebuilt and not new, but criminal intent on the part of the supplier was not established. Based on the investigative findings, **A.I.D. issued a bill for collection to the supplier for \$969,323** and gave written notice to the SCU that it must abide by regulations requiring that all A.I.D.-financed commodities be unused.

Egypt - Bill for Collection Issued to Supplier for \$969,323 Because Refurbished Commodities Were Certified as New

A Government of Egypt employee was arrested in 1985 and charged with arson after the warehouse in which he worked caught fire. The warehouse had been used to store P.L. 480 foodstuffs provided by A.I.D. Investigation determined that **the employee had stolen food worth \$26,084 and had started the fire in order to cover up the theft.** IG investigators worked closely with Egyptian authorities and the employee was arrested and jailed.

Egypt - Egyptian Sentenced to 15 Years Hard Labor and Ordered to Pay Over \$50,000 for Burning Warehouse Where A.I.D. Food Was Stored

The man remained in jail without trial for six years. Through the efforts of the IG investigators, his case was finally heard and he was convicted. The investigators pursued the case with the court for four years, initiating 15 prosecutorial conferences. On June 19, 1991, **the employee was sentenced to 15 years' hard labor and ordered to pay \$51,576 in fines and restitution.**

As reported in the previous period, a former USAID/El Salvador Project Officer was indicted on three counts of submitting false claims in connection with a Voluntary Evacuation Allowance claimed on behalf of his dependent son. On April 26, 1991, **the former Project Officer, who is now retired from A.I.D., pled guilty in U.S. District Court in Washington, D.C. to one count of filing a false claim.** He was sentenced the same day

El Salvador - A.I.D. Project Officer Pleads Guilty to Submitting False Claim

to a one-year suspended prison term, three years' probation, and required to make restitution to the government. The case was prosecuted by the Department of Justice Public Integrity Section.

Chad - Former Contractor Employee Indicted for \$23,000 Allowance Fraud and Attempted Theft

While investigating allegations of theft of government property by a former employee of the company providing administrative services for USAID/Chad, investigators discovered that he had **received over \$23,000 in Separate Maintenance Allowance payments** to cover living expenses in the United States for a wife and six children. Investigation revealed that **he was not married, had no legal dependents, and was not entitled to such an allowance.** It was also shown, through the assistance of the State Department Regional Security Officer, that he had attempted to ship large quantities of U.S. Government property and supplies out of the country with his household goods. On July 10, 1991, **he was indicted** in the U.S. District Court for the Eastern District of Virginia **on five counts of filing false claims, making false statements, and taking government property.**

Ivory Coast - Senior Local Employees Implicated in Thefts

An official at USAID/Ivory Coast furnished information indicating that two of the Mission's senior Foreign Service National employees, namely the Executive Officer's Administrative Assistant and the Mission's motor pool dispatcher, had stolen A.I.D. property and had used Mission vehicles for personal business and to transport stolen A.I.D. property. Investigation disclosed that the **employees were involved in the ongoing theft of thousands of dollars worth of Mission fuel coupons and that they had falsified vehicle usage and fuel consumption records** to cover up the theft. The investigation further showed that the two had stolen furniture and other items and had routinely commandeered A.I.D. vehicles for their personal use.

As a result of the investigation, the dispatcher's expiring contract was not renewed and the Administrative Assistant has been suspended pending further disciplinary action. Systemic changes suggested by the investigators have been implemented to better control vehicle use and to safeguard government property. The local police have also opened an investigation.

Philippines - Senior FSN Dismissed for Acceptance of Gratuities From A.I.D. Suppliers

A confidential source provided documents which indicated that the Foreign Service National employee in charge of travel and shipping at USAID/Philippines received a 75 percent discount on the price of airline tickets for personal travel from the contract travel agency serving the Mission. The employee also allegedly received money and gifts from other companies doing business with A.I.D.

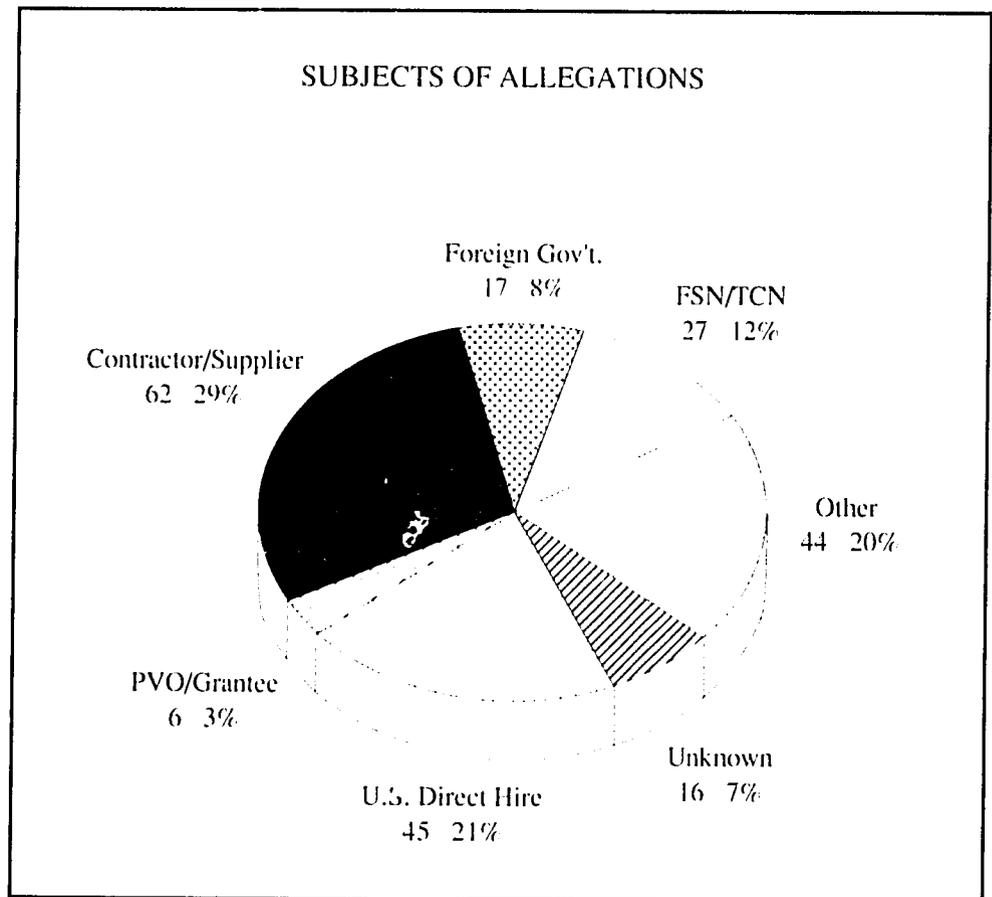
An investigation determined that **the employee had received discounted-priced airline tickets and had forged documents on A.I.D. letterhead stationery** in order to receive a travel tax exemption from the Philippine Government. The investigation also verified the other allegations. A.I.D. dismissed the employee in June 1991 and the American Embassy canceled multiple entrance U.S. visas which had been issued to her and her husband.

A confidential source alleged irregularities in the performance of an American architectural and engineering firm under contract with USAID/Bangladesh to provide technical and construction management assistance in the construction of storage facilities. Based upon the evidence gathered during the investigation, USAID/Bangladesh **canceled a pending contract extension worth an additional \$386,881.**

*Bangladesh - Mission
Rescinds Scheduled
\$387,000 Contract
Extension Due to
Investigative Finding*

Statistical Summary

During the six-month period, 211 complaints were received and processed and six pro-active inspections initiated. Over 29 percent of the allegations involved A.I.D. contractors and suppliers, while 21 percent involved A.I.D. U.S. Direct-Hire employees, and 12 percent involved Foreign National employees.



*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.*

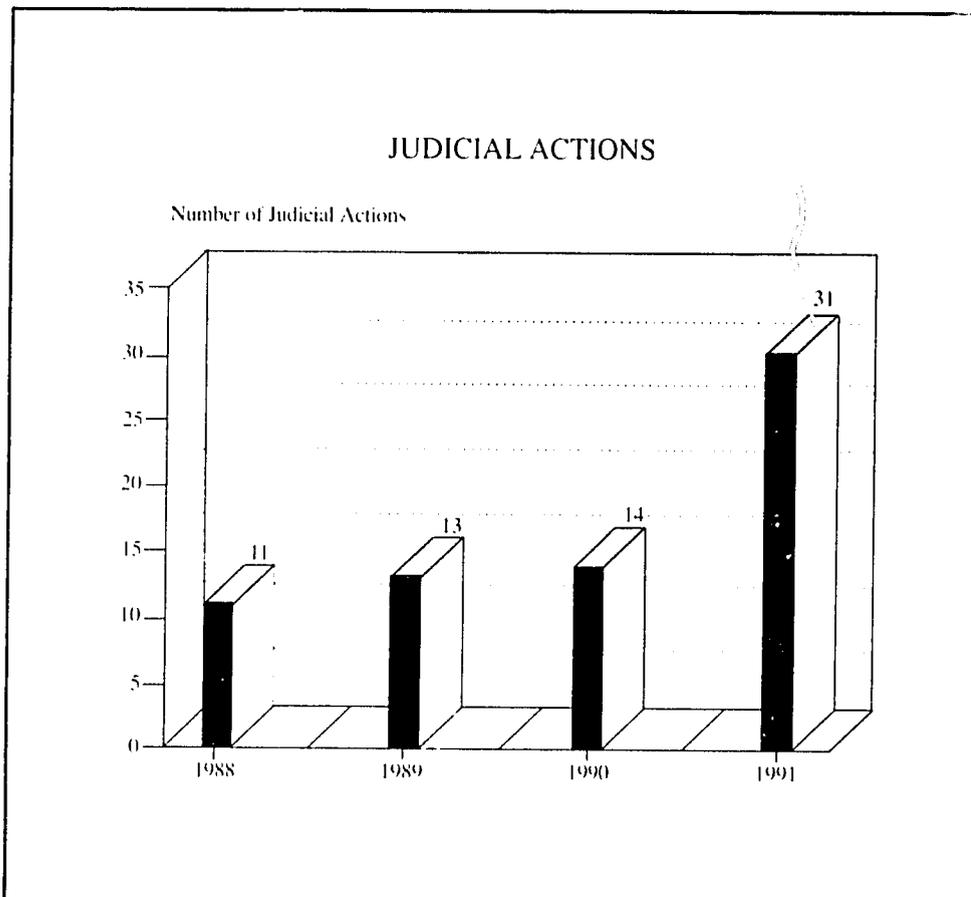
**FSN/TCN includes Foreign Service National and Third-Country National employees.*

Of the total complaints received, 161 concerned allegations of fraud or procurement violations. These included procurement-related bribery, embezzlement, conflict of interest and false claims. Thirty-five complaints pertained to allegations of criminal violations not directly related to procurement, such as theft of property, blackmarketing, and customs violations. Fifteen complaints involved administrative irregularities.

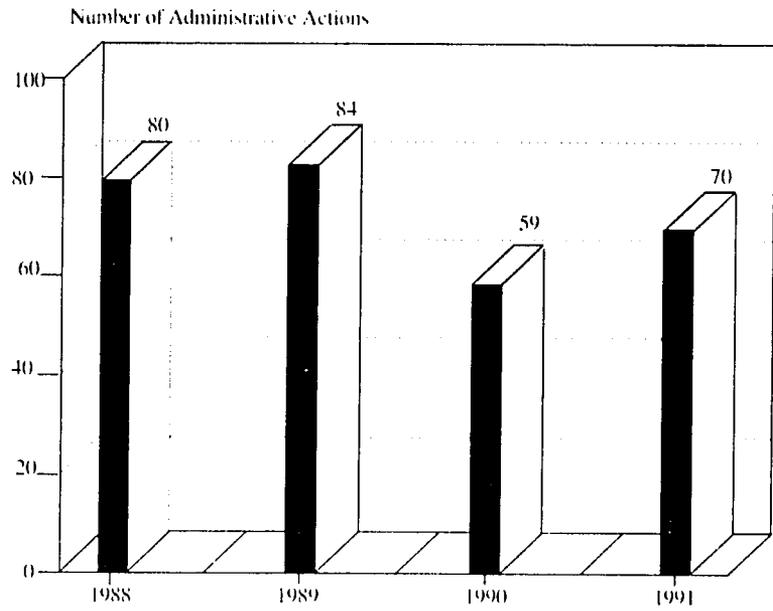
Of the allegations received, 144 resulted in formal criminal investigations, 21 were referred to Agency management for resolution and action after initial evaluation, 51 were referred or closed after a preliminary inquiry, and one was declined.

We are continuously refining our approach to what we do and how we do it. Because of better screening and analysis of complaints early in the investigative process, we are referring more matters to bureaus and missions for resolution. Our focus on activities which pose the most serious actual or potential criminal threat to A.I.D. programs has resulted in numerous criminal convictions both in the U.S. and overseas. In the eight years since we published our first Semiannual Report to Congress, more than 120 individuals have been convicted and/or confined as a direct result of our investigations.

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



ADMINISTRATIVE ACTIONS



Administrative Actions Include
Suspensions and Debarments

OFFICE OF AUDIT

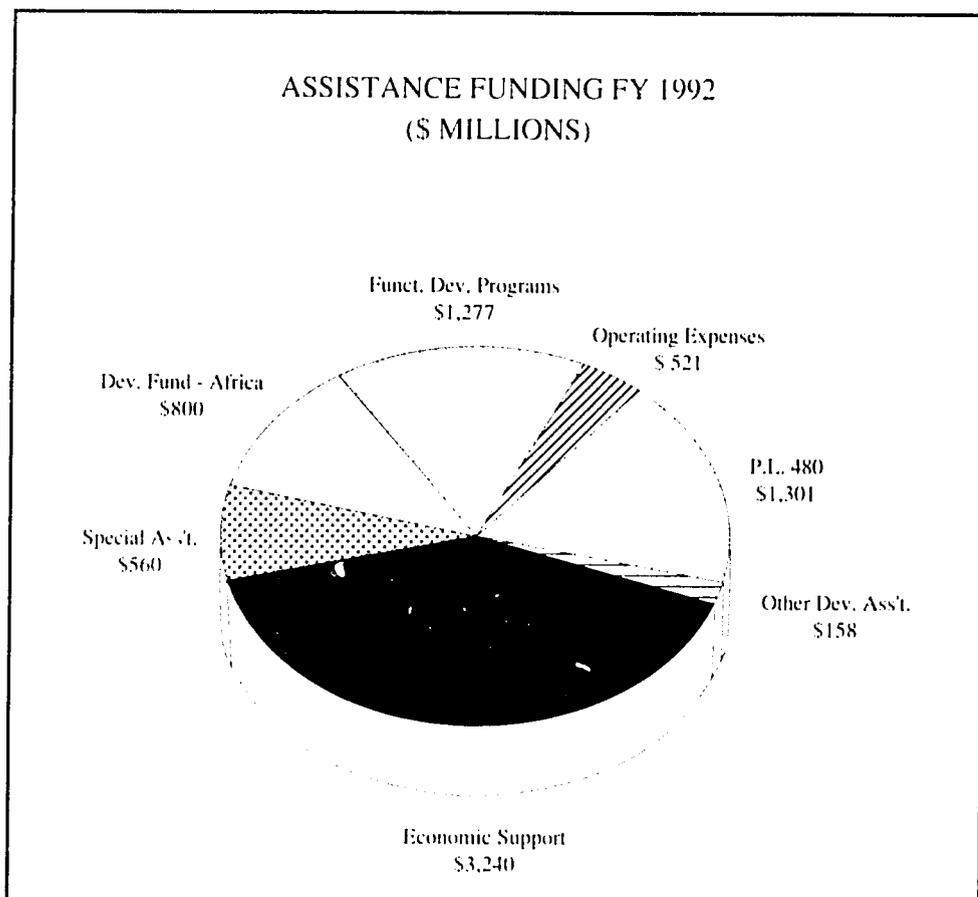
The Office of the Assistant Inspector General for Audit is responsible for conducting audits of A.I.D.'s worldwide foreign aid activities. Foreign aid helps developing countries meet the basic needs of their people through sustained, broadly based economic assistance. This assistance includes funding mechanisms such as projects, cash transfers, commodity import programs, sector programs, and grants and cooperative agreements. A major program category not funded by A.I.D. is Public Law 480—Commodity Exports (P.L. 480). The P.L. 480 program is funded by the Department of Agriculture, but A.I.D. is responsible for certain aspects of its administration.

Audit Responsibility

In Fiscal Year (FY) 1992, A.I.D.'s economic assistance budget, as presented to the Congress, is estimated at \$6.5 billion, and is made up of the following appropriations:

- \$3.2 billion to the Economic Support Fund,
- \$560 million for Special Assistance Initiatives in Eastern Europe and the Philippines, and
- \$2.2 billion for Development Assistance.

In addition, funding for P.L. 480 in FY 1992 is estimated at \$1.3 billion. The following chart illustrates the composition of this assistance:



*Audit
Accomplishments*

During this semiannual reporting period, audit reports written by the Office of Inspector General, other governmental audit organizations, and Agency- and Recipient-contracted auditors of A.I.D. programs and administration identified mismanagement as a recurrent problem. These reports were also instrumental in recovering or reprogramming significant sums of money and identifying waste, abuse and noncompliance with established policies and regulations.

The Office of Audit issued 30 internal audit reports and processed 185 reports performed by Agency- and Recipient-contracted auditors or other Federal Government audit organizations during this reporting period. These reports **recommended \$43.5 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 \$21.7 million of which \$16.7 million were ineligible and \$5 million were unsupported.**

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

- A.I.D. Management **reached resolution on \$12.5 million in efficiencies (funds to be put to better use) and questioned costs** identified in Inspector General audit reports. Of this total, **\$8.1 million (\$6.1 million—efficiency and \$2.0 million—questioned costs) or 65 percent** was agreed to by A.I.D.
- A.I.D. Management **reached resolution on \$12.2 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, **\$6.5 million (\$4.2 million—efficiency and \$2.3 million—questioned costs) or 53 percent** was sustained by A.I.D.
- **A total of \$36.7 million (\$30.9 million from Inspector General audit reports and \$5.8 million 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, 1991, **\$68.5 million in recommended efficiencies and questioned costs were awaiting A.I.D. determination**, of which \$11 million (16 percent) represented recommendations over six months old.

*A.I.D. Puts to Better
Use or Recovers
\$36.7 Million as a
Result of Audit
Recommendations*

- As of September 30, 1991, **\$76.7 million in recommended efficiencies and questioned costs were agreed to by A.I.D.** but final action/collection was not taken.

Current Issues In the Office of Audit

During this six-month period, several issues and topics arose that will have a continuing importance to both the Agency and the Office of Audit. These issues include:

Current Issues Facing the Office of Audit

- comments by the Inspector General of the Agency's 1990 report of material internal control weaknesses under the Federal Managers' Financial Integrity Act (FMFIA);
- full implementation of the revised audit approach which emphasizes strategic audit planning and system-oriented audits;
- need for a reliable database of Agency's grantees and contractors and assurance of compliance with audit requirements;
- requests of Agency managers to make assertions on their organizations' performance;
- significant reductions in the number of open recommendations; and
- continuing, persistent problems in the participant training area.

On September 26, 1991, the Inspector General commented on the Agency's report to the Congress and President on implementation of the Federal Managers' Financial Integrity Act. Based on a review of audits issued over the past several years, the Inspector General advised the Agency's Management Control Review Committee of four additional areas which were considered to be reportable as material internal control weaknesses. Although A.I.D. has made measurable progress towards meeting the reporting requirements, the Inspector General believed that the following material internal control weaknesses should be reported:

Inspector General's Analysis of Agency's 1990 FMFIA Report

- accountability for Federal funds disbursed to A.I.D. grantees and contractors;
- accountability for Food Aid Programs;
- accountability for host-country contributions; and
- project monitoring and evaluation.

The Agency was asked to consider these noted internal control weaknesses in preparing its 1991 report.

Full Implementation of Strategic Planning and Systems Audits

On September 9, 1991, the Office of Audit issued the FY 1992 Annual Audit Plan—the third and final increment implementing our new audit strategy—which uses a systems approach to audit A.I.D.'s operations. This strategy, focusing on A.I.D.'s management control systems, should enable the Office of Audit to increase audit coverage of Agency programs and activities and to report on the broader and more significant issues currently facing Agency managers.

Agency-Wide Database and Periodic Audit of Funds Provided

In addition to implementing our new systems audit approach, the Office of Audit has made a focused attempt to involve Agency management in a broad effort to improve the financial integrity of U.S. foreign assistance monies provided to grantees and contractors by developing a reliable up-to-date inventory of all Agency grantees and contractors and ensuring that periodic audits are performed. Several substantive discussions have been held with the Management Control Review Committee and selected A.I.D. offices and overseas missions. While much more needs to be done in this area, some progress can be reported.

A.I.D. Management's Assertions on its Performance

Under the new audit approach, the Inspector General will audit A.I.D. by specific audit objectives to determine if A.I.D. did or did not do what is required by specific laws, regulations, and/or policies. As a result, the audit findings can now describe positive, negative, or mixed performance by A.I.D. management. (Generally, in the past, the audits only identified and reported whatever deficiencies were noted during the audit.) In addition, the audits will be designed, as required by the revised auditing standards, to provide reasonable assurance of detecting fraud and abuse for the audit objectives.

This new emphasis on auditing A.I.D. by completely answering the audit objectives—regardless of whether the answers are positive, negative, or mixed—and of providing reasonable assurance of detecting fraud and abuse requires two things:

- Clear assertions from A.I.D. management that (1) it has or has not provided the Office of Audit with all the relevant and accurate information during the audit, and (2) it has or has not done what it is required to do by applicable laws, regulations, and/or policies.
- Sufficient, relevant, and competent evidence from audit tests to independently and professionally verify A.I.D. management's assertions.

Management's assertions are initially given orally and then later confirmed in writing. These written confirmations, known in the auditing profession as representation letters, basically assert that management has fully cooperated with the auditor in providing all the information needed for the audit and that management has or has not done what it is required to do.

The Office of Audit initially believed that A.I.D. management would wholeheartedly welcome representation letters as an opportunity (1) to clearly assert how well it was doing and (2) to have potentially positive audit findings. However, although the managements of some A.I.D. organizations have welcomed this opportunity and have willingly provided the representation letters, some others have expressed reservations and have not provided these basic written assurances on their performance.

Since these representation letters are, by their very nature, voluntary, the Office of Audit can only encourage A.I.D. management to provide them. However, since representation letters provide such basic and essential evidence to support any potentially positive performance the Office of Audit will not be able to report on any potentially positive findings without them. Nevertheless, the Office of Audit will still be able to identify and report on any and all deficiencies identified during the audit (as it did before the new audit approach) regardless of whether it receives a representation letter.

Over the past 18 months, the Agency has taken an aggressive and positive approach to audit recommendation resolution and closure. As a result of these efforts, there has been a significant increase in the number and percentage of recommendations that have been closed (final action taken). Specifically, as of March 31, 1990, only 48.2 percent of the total open recommendations were closed during the six-month period. As of September 30, 1991, 54.1 percent of the open recommendations were closed. The increase in closure percentage may not seem significant in itself, but when considered in light of a 20 percent increase in the number of total active recommendations, it has been a truly significant improvement.

*Significant Reductions
in the Number of
Open Audit
Recommendations*

Even though there have been measurable gains overall, there still have been isolated instances where the Agency bureaus have been non-responsive. Specifically, there are three reports that are over one year old for which the Bureau has not provided a response to the reports. Two of the reports were issued to USAID/Liberia, which has been evacuated. For these two reports, the Bureau for Africa has not provided the response for USAID/Liberia. In the third instance, the recommendations were made to the Bureau of Asia and Private Enterprise, which has not responded.

*Continuing Problems
in Participant Training
Projects*

While the recommendation closure successes speak favorably for Agency management's response to our audit recommendations, we remain concerned about the lasting effect of management actions. This report includes four audits made of the Agency's very large and dispersed participant training program. In reviewing these reports, we were disturbed to see the degree to which problems reported earlier by our office in the 1987 timeframe continue to persist. This illustrates how difficult it is to achieve lasting management advances in the foreign aid program however firmly the Agency commits itself to the task.

Reviews of Major Management Systems/Programs

*Reviews of the
Efficiency and
Effectiveness of Major
Systems and Programs*

The Office of Audit reviews major management systems to determine the efficiency and effectiveness of foreign assistance programs or the systems used to administer assistance dollars on a country-specific, regional, or Agency-wide basis. Highlights of significant audits performed this reporting period are:

*Prompt Contract
Closeout Could Result
in Proper Disposition
of \$1.4 Million in
A.I.D.-Financed
Property*

Contract Closeout Process in USAID/Sri Lanka

Closing out expired contracts promptly constitutes the final phase of the A.I.D. contracting process. Closing out involves making certain that, among other things, goods and services have been received, A.I.D.-financed property in the possession of contractors is accounted for and properly disposed of, and excess funds are decommitted. This audit was performed to determine if USAID/Sri Lanka and the A.I.D. Regional Contracting Officer were properly and promptly following this procedure.



Although USAID/Sri Lanka was in the process of closing out one host-country contract with commitments of \$99 million, **the other 104 expired A.I.D.-direct and host-country contracts were not being adequately closed out.** These contracts had commitments totalling \$23.8 million. Neither the Mission nor the A.I.D. Regional Contracting Officer had established and/or fully implemented contract close-out procedures. As a result, at least 5 of 15 contractors had **A.I.D.-funded property—originally worth approximately \$1.4 million—in their possession that had not been adequately accounted for.** In addition, there was about \$590,000 in excess funds available in 8 of the 15 contracts that could be decommitted.

So that the Mission and the Regional Contracting Officer can increase their control in each of these areas, the audit recommended that they:

- close out expired A.I.D.-direct contracts as prescribed in Contract Information Bulletin 87-5;
- develop and implement procedures to ensure host-country contracts are properly and promptly closed out;
- ensure the proper disposition of the \$1.4 million of property identified in this report;
- require all contractors submit the required final inventory reports on A.I.D.-financed non-expendable property in their possession; and
- decommit or otherwise resolve the \$589,114 in unliquidated commitments identified in the report.

USAID/Sri Lanka agreed with the recommendations and has begun taking corrective action. (Audit Report No. 5-383-91-002, April 19, 1991)

Controls Over Direct A.I.D. Contracts for Technical Assistance in Nepal

Technical assistance costs represent one of the largest expenditure categories controlled by A.I.D. Missions, and at USAID/Nepal there were 23 active technical assistance contracts valued at almost \$40 million. A system-wide audit was made of technical assistance expenditures made during the period October 1, 1988 through March 31, 1991. This audit found that **USAID/Nepal generally planned, procured, monitored, and accounted for these technical assistance contracts in accordance with A.I.D. policies and procedures.** An active project review committee was established to monitor contractors and ensure that contract performance and achievements were consistent with the accomplishments outlined in progress reports.

Improvements, however, could be made in developing work statements, securing bids, awarding contracts, and closing out completed contracts, including the resolution of \$1.5 million in unliquidated obligations and the controlling of \$1.7 million in non-expendable property. In addition, USAID/Nepal needed to ensure that determinations of contractor responsibility were made, cost analyses documented, and disbursements accounted for properly.

*Improved Controls
Needed Over the
Contracting for
Technical Services in
Nepal*



The report recommended actions to improve several aspects of this program activity including:

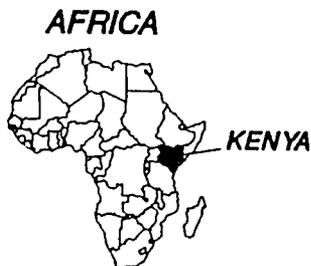
- Preparing more comprehensive work statements, considering all cost factors when awarding contracts, securing all bids, and documenting cost analyses.
- Deobligating or otherwise resolving the \$1.5 million in unliquidated obligations identified in the report.
- Requiring all contractors to submit final inventory reports on non-expendable property and ensuring the proper disposition of the identified \$1.7 million in non-expendable property.
- Ensuring that audit/desk reviews are required/performed on completed contracts.

USAID/Nepal indicated agreement with the recommendations. (Audit Report No. 5-367-91-007, September 11, 1991)

USAID/Kenya's Compliance With Audit Requirements

Project Audit Funding and Compliance With A.I.D. Audit Requirements Need Re-emphasis

Officials who manage A.I.D. funds or provide guidance on the use of local currency associated with A.I.D. programs must fully account for these activities to the public. Independent audits are important internal control techniques which serve to verify that A.I.D. funds are properly accounted for by those officials and used for authorized purposes. USAID/Kenya was responsible for monitoring the audit activity of 22 projects on which \$204.1 million had been spent.



USAID/Kenya has a system to ensure that audit requirements were assessed when the projects were planned. However, **in five of the ten projects requiring an audit, the Mission did not budget funds to perform the audits.** In addition, the Mission did not have a system to track whether the required audits were actually performed. As a result, **disbursements totalling \$109.1 million in five projects did not receive the requisite audit coverage. Further, the use of counterpart local currency funds totalling \$36.2 million were not audited.** Finally, nine Kenyan nongovernmental organizations receiving disbursements of \$4.3 million did not receive adequate audit coverage, because their annual audits were not conducted under the specified standards.

These findings are particularly troubling to the IG because of reports of corruption and mismanagement of assistance monies provided by other governments. These instances of corruption have caused donors to reassess assistance to the Government of Kenya and, in at least one case, to cut off funding to the Kenyan government. Unless A.I.D. ensures that audits are regularly performed of its assistance funds, the United States is vulnerable to the same misuse of its funds as are other donors.

The report made recommendations to budget funds for the requisite audits, establish an audit tracking system for ensuring audits are conducted, and require that audits meet A.I.D. requirements and U.S. Government Auditing Standards. USAID/Kenya generally agreed with the recommendations and had taken action to correct the problems. (Audit Report No. 3-615-91-008, June 28, 1991)

Project Fund Accounting and Control at USAID/Botswana

At the time of this audit, USAID/Botswana had a portfolio of 49 active and inactive projects that focused on education and skills development, population and health, and rural sector development. Chosen for audit were four of these projects—Botswana Junior Secondary Education Improvement Program (JSEIP), Botswana Workforce and Skills Training, Rural Sector Grant, and Gaborone West Housing and Facilities—which were considered representative of how accounting was handled for all USAID projects. Altogether, the four projects had obligations of \$33 million and expenditures of \$31 million, representing 26 and 27 percent of total obligations and expenditures, respectively.

Under the Budget and Accounting Procedures Act of 1950, A.I.D. is required to provide accurate, reliable, and useful financial information and effective fund accountability and control. This audit was designed to determine whether A.I.D. did indeed follow its policies and procedures concerning fund control.

USAID/Botswana did not account for project funds in accordance with A.I.D. policies and procedures. The project accounting records did not present up-to-date information on earmarks, commitments and expenditures nor did their records reconcile with the summary of obligations and expenditures that forms the basis for USAID/Botswana's financial reporting of expenditures. In fact, the **Mission did not have an effective system to provide it with correct and current financial information.** There were two factors contributing to these system deficiencies at the time of this audit:

*Over \$2 Million is
Deobligated as a Result
of Improved
Accountability*



(1) USAID/Botswana was using a manual system to account for project funds; and (2) the project accountant, who had not been properly trained for the job, left the position in July 1989 and has not been replaced.

Furthermore, USAID/Botswana made expenditures that were not matched with the corresponding commitments. As a result, **the Mission could not accurately determine how much money was available for various project activities; they could not, for instance, determine if funds were available to construct an education center under the JSEIP project.** At the time of the audit, the Mission had begun taking action to address these problems. In addition to converting to the Agency's Mission Accounting and Control System (MACS) during FY 1991, the Mission had an accountant sent from USAID/Zimbabwe to help review its records and recognized and reported these system weaknesses to the Assistant Administrator.

The audit report recommended that:

- \$1,991,864 be reprogrammed or liquidated,
- \$1,223,141 in questioned costs be resolved, and
- \$32,492 in overcommitments be reprogrammed.

The report further recommended that the Mission perform a review of the accounting records of its entire portfolio in order to (1) reprogram or liquidate commitments that were no longer needed, and (2) determine the allowability of all costs for which no commitments were established.

USAID/Botswana agreed with the report's recommendations. **To date, \$2,024,356 has been deobligated or reprogrammed.** In addition, \$1,223,141 has been determined to be eligible. (Audit Report No. 3-633-91-009, June 28, 1991)

Disaster and Continuity Planning at A.I.D./Washington's Data Processing Facility

Information Resources Management Agreed to Disaster and Continuity Plan Completion

The Office of Information Resources Management (IRM), which runs A.I.D.'s payroll, personnel, financial accounting, and loan accounting systems, operates a computer facility in Beltsville, Maryland. This facility also processes other information systems that support A.I.D.'s operations worldwide. Like other government computer facilities, this one is obliged to maintain a disaster and continuity plan "to provide reasonable continuity of data processing support should events occur that prevent normal

operation at the installation.” Without a disaster recovery plan, A.I.D. runs the risk that a major emergency could interrupt the operation of its payroll, personnel, accounting and other major automated systems.

This audit was performed to ascertain if IRM did, indeed, have such a plan in effect. **Although IRM was developing a disaster and continuity plan to deal with potential emergencies and disasters at the computer center, the plan to guard against potential disasters was not yet fully operational.**

The audit recommended and the Agency agreed to develop milestones for completing a disaster and continuity plan and periodically report on the status of the plan. All recommendations are considered closed. (Audit Report No. 9-000-91-007, June 19, 1991)

Reviews of 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 host governments (regional) and generally cover six major categories: Agriculture, Rural Development and Nutrition; Population Planning; Health; Education and Human Resources; Energy; and Selected Development Activities. Agricultural, 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 vaccine. Highlights of project audits performed during this reporting period follow.

A.I.D. Projects Address Various Problems

Manpower for Agricultural Development Project in Uganda

*\$1.3 Million in Host
Government
Commitment
Recommended by Audit*



The \$39.9 million Uganda Manpower for Agricultural Development Project was initiated in August 1983 to assist the Government of Uganda to stimulate small farmer agricultural production by rehabilitating, retraining, and redirecting its agricultural manpower and institutional capabilities. A.I.D. was to provide \$24.9 million of total project funding, of which \$19.5 million was obligated as of September 1990.

The audit found that A.I.D. had funded the project's recurrent costs in the absence of the Government of Uganda's required funding. If not corrected, inappropriate A.I.D. funding could total about \$1.3 million. In addition, A.I.D. improperly used \$201,212 of project funds to fund Mission operating expenses, depriving the project of funds needed, for example, in strengthening its agricultural extension activities. Finally, A.I.D. did not adequately monitor commodity management procedures of the host government and the technical assistance contractor, resulting in over \$2.9 million of commodities being subjected to inefficient use, loss or theft, and abuse. Over \$375,000 of these commodities were already identified as idle, lost, or misused.

The audit report included recommendations to (1) suspend A.I.D. funding of recurrent costs if the host government cannot implement a plan to fund such costs by October 31, 1991, (2) reimburse, decommit, and then reprogram \$201,212 of project funds spent or committed to meet A.I.D.'s operating expenses, (3) suspend planned procurement of commodities valued at \$1,044,932 until a system is implemented for adequately monitoring commodities in accordance with procedures, (4) develop and implement a redistribution plan for idle equipment valued at \$182,734, and (5) issue a bill for collection of \$25,780 to an ex-employee if two project vehicles are not returned to the project.

In response to the recommendations, the Mission has been pursuing the host government for its phasing-in of recurrent cost funding but could not positively agree on the October 31, 1991 deadline. Also, the Mission did not agree that project funds were used for its operating expenses, citing that A.I.D.-wide procedures needed updating. Regarding commodities, the Mission initiated action to implement a commodity-monitoring system, reduced its planned commodity procurement to \$340,000, implemented a redistribution plan for the idle equipment, and recovered the two project vehicles. (Audit Report No. 3-617-91-010, July 19, 1991)

Transformation and Integration of the Provincial Network in Pakistan

To develop agricultural research capabilities, A.I.D. provided funds to support the Transformation and Integration of the Provincial Agricultural Network Project in Pakistan. The project was designed to (1) merge research activities into the education and research programs of a major agricultural university, (2) improve the quality of these university programs, and (3) link the university's research efforts to those of international research centers and to Pakistan's agricultural extension services. In 1984, A.I.D. authorized \$55 million for the project, and Pakistan was to contribute \$120 million.

The objectives of the audit were to determine whether USAID/Pakistan followed Agency procedures to:

- award and monitor technical assistance contractors;
- obtain fair prices for construction contracts and monitor the contractors;
- plan, monitor and follow up on participant training activities; and
- ensure timely and effective use of commodities.

The audit found that USAID/Pakistan followed A.I.D. procedures in awarding technical assistance contracts, obtaining qualified and eligible construction contractors at a fair price, monitoring the performance and return of training participants, and establishing commodity records.

However, after seven years and the expenditure of \$22.5 million, A.I.D. could not determine whether A.I.D. funds had been fully effective. **USAID/Pakistan did not (1) design the project to enable measurement of results, (2) obtain the necessary progress information from contractors to whom A.I.D. paid \$9.1 million, (3) follow the Agency's procedures in planning \$3.4 million for training, (4) review the use of \$1.1 million in A.I.D.-financed commodities, (5) monitor whether the Government of Pakistan was providing its contribution of \$29 million, and (6) take action in response to evaluation findings.**

USAID/Pakistan agreed with all recommendations and has completed final action on two of the recommendations. (Audit Report No. 5-391-91-003, May 24, 1991)

*Seven-Year-Old
Agricultural Research
Project's Progress Is
Not Readily Discernible*



Participant Training Program in Pakistan

USAID/Pakistan Needs to Verify the Return of 2,600 Participants and Determine Whether \$27.2 Million of Training Funds Are Still Needed



A.I.D. encourages participant training to develop the management and technical skills of selected private and public officials in recipient countries. The A.I.D. participant training program funds the costs of sending officials from developing countries to the United States and to other (third world) countries for formal training. As of September 30, 1990, USAID/Pakistan had 19 active projects with participant training components. Total training obligations and expenditures for these components as of that date were \$146.7 million and \$75.3 million, respectively. The audit found that:

- USAID/Pakistan followed A.I.D. procedures for planning participant training when projects were implemented as initially designed but did not adequately revise plans when implementation was delayed or other changes occurred. We believe **there is a potential to deobligate/reprogram an estimated \$27.2 million.**
- USAID/Pakistan did not ensure the place of training (country and institution) was the most cost-effective. For example, we estimate that if USAID/Pakistan would have limited annual tuition rates to less than \$6,000, tuition costs for participants sent for long-term training during FY 1990 would be reduced by about \$470,000.
- USAID/Pakistan had not established an adequate system to determine whether participants had returned from their training and for those who did return, whether they used their training effectively. Failure to follow up on participants meant that **USAID/Pakistan had not documented whether 2,600 participants—for which A.I.D. paid training costs of about \$47.4 million—had actually returned from overseas training.** Also, the Mission does not have an adequate follow-up program for returning trainees and had not confirmed if another 1,400, who reportedly did return, used their training as required.

In part, the auditors recommended that the Mission (1) verify whether the 2,600 participants identified in the report actually returned to Pakistan; (2) identify and take appropriate action against those participants who did not return from overseas training or did not use their training as required; (3) implement procedures to ensure that future participants do return and do use their training as intended; (4) determine whether the needs assessment and trainee selection processes are adequate; and (5) establish a participant-training evaluation system.

Overall, the audit contained nine major recommendations. One recommendation is closed, six are resolved, and two are unresolved. (Audit Report No. 5-391-91-004, May 24, 1991)

Participant Training Program in Egypt

Authorized in 1985, the Peace Fellowship Program is a continuation of a USAID/Egypt fellowship program which originated with the Camp David Peace Accords of 1978. The current program aims to provide 1,250 Egyptians with training in the United States in areas critical to their country's economic growth and social development. A.I.D. expects to grant \$28.1 million during the life of the program; the Government of Egypt has agreed to provide the equivalent of about \$3 million in local currency, of which an estimated \$1.5 million had been contributed by the end of 1990.

The audit found that in its first two and one-half years of operation, the Program had provided training in the U.S. for more than 600 Egyptians. **If the Program continues at its present pace, it should achieve its overall target of 1,250 fellowships by September 1994, one year before the completion date.** One hundred percent of the Peace Fellows included in the audit sample, who had completed their training, had returned to Egypt, and all but three had been reassigned to the same positions they occupied before their fellowships. **However, the Mission did not ensure that when they returned, they benefitted from planned follow-up activities.**

The audit recommends that the Mission develop a program designed to implement follow-up activities for returned trainees, **something prior audits have recommended since 1986**; report the unfulfilled status of two Grant Agreement Special Covenants in Mission Quarterly Implementation and Covenant Reports, until the covenants have actually been met; and improve the accuracy of its Participant Training Information System by annually verifying the accuracy of pertinent information on each returned trainee. The Mission should also determine the amount of A.I.D. funds expended for training three Peace Fellows who did not comply with the terms of their training agreements (estimated at about \$67,440) and recover that amount from the Government of Egypt. USAID/Egypt agreed with all recommendations. (Audit Report No. 6-263-91-007, August 28, 1991)

USAID/Egypt Needs to Develop Participant Training Follow-up System



*The Office of the
A.I.D. Representative
Did Not Adequately
Evaluate Ghana's
Participant Training
Program Effectiveness*



Participant Training Program in Ghana

Since 1987, the Office of the A.I.D. Representative, Ghana has sponsored 200 short-term and 15 long-term trainees under four programs and one project. Obligations and expenditures totalled approximately \$2.2 and \$1.6 million, respectively. The program is overseen by two specialists working under the Human Resources Development Officer.

While the A.I.D. Representative followed procedures for screening and selecting private-sector candidates for training, it did not follow the procedures for the public-sector candidates nominated by the Government of Ghana; that is, the A.I.D. Office did not participate in the screening and selection process and did not ensure that the quotas for both types of candidates were fulfilled. The result was a disproportionately large number of public-sector trainees. Moreover, since the A.I.D. Representative did not monitor the participants trained under the project and one of the programs, it could not determine whether the trainees had made satisfactory progress and completed their training. **The A.I.D. Office did not follow up on participants, did not evaluate the training programs to ensure that training costs were effectively spent, and did not evaluate the program as required by A.I.D. guidelines.**

The audit recommended that the A.I.D. Representative, Ghana (1) negotiate with the Government of Ghana to include an official from the A.I.D. Representative's training office on all selection committees to screen public-sector candidates; and (2) include in the local procedures developed for the training office a section on screening and selecting trainees, one on monitoring trainees, and guidelines on follow-up and evaluation.

The A.I.D Representative agreed with all five report recommendations and has begun implementing the corrective action. (Audit Report No. 7-641-91-010, May 30, 1991)

Participant Training Program in Senegal

USAID/Senegal sponsors participant trainees to develop managerial and technical skills of host country public and private sector officials. Upon completion of training in the U.S. and other countries, participants are required to return to Senegal and apply their newly acquired skills in the development-related activities for which the training was authorized.

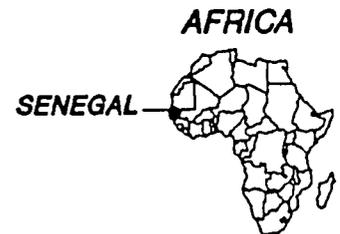
Between October 1987 and September 1990, USAID/Senegal sponsored 276 trainees under 14 projects, 201 of whom were sent to the U.S. for short- and long-term training. Obligations and expenditures related to participant training totalled \$12.5 million and \$4.8 million, respectively, as of September 30, 1991.

The audit showed that USAID/Senegal monitored participants sponsored under four of the five projects selected for audit to ensure timely completion of training and subsequent return to Senegal thereafter. However, it was noticeably lax in the fifth project, Sahel Human Resources Development III Project. **The Mission authorized training extensions without valid justification and did not take appropriate action to prevent an alarmingly high dropout rate of trainees** who did not complete their training or return to Senegal. As a result, A.I.D. spent \$278,504 on four trainees without any benefit to the project. Also, in all five projects sampled, USAID/Senegal:

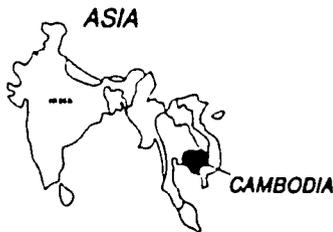
- did not include appropriate safeguards in the training agreements—both with participants and the Government of Senegal—to ensure that participants return to Senegal after completion of training;
- did not follow A.I.D. guidelines to ensure candidates selected for U.S. training possessed adequate proficiency in English. Also, in most cases, the Mission or its contractors did not fulfill their responsibilities relating to screening and selecting candidates for participant training;
- did not maintain complete trainee files or an accurate and up-to-date database system on trainees as required by A.I.D. guidelines; and
- generally did not follow up or interview returned trainees, or periodically evaluate the participant training program to ensure that training costs were effectively spent.

The report contains eight recommendations, all but one of which were resolved prior to issuance of this report. (Audit Report No. 7-685-91-013, dated July 31, 1991)

Participant Training Program in Senegal Can Be Improved by Strengthening Internal Controls



*Internal Control
Systems for Special
Accounts Should Be
Better Documented*



Assistance to the Noncommunist Resistance Groups in Cambodia

Under special legislative authority enacted in 1985, A.I.D. provided nonlethal assistance to the two noncommunist resistance groups opposed to the Vietnamese-installed regime in Cambodia. A.I.D.'s assistance to the resistance groups consisted primarily of medicines and medical supplies, equipment, vehicles, and training.

Beginning in calendar year 1991, A.I.D. expanded this program to include providing the resistance groups with food, clothing, housing, and other support. As of March 31, 1991, A.I.D. obligations and expenditures amounted to \$21.9 million and \$20.4 million, respectively. Approximately \$940,000 of this assistance was provided through various special accounts established to help finance the day-to-day expenses of the groups, such as fuel for transport and power generation, repair and maintenance of facilities and vehicles, and perishable food for patients in the medical program. These special accounts were started in 1989.

Although the A.I.D. office responsible for administering the Cambodian program closely monitored activities financed through the special accounts, **the office did not adequately document the internal control systems and procedures related to these accounts nor require that the accounts be interest-bearing.** The audit identified transactions, totalling approximately \$150,000, for which we could not determine allowability, allocability, or reasonableness. For example, one resistance group was reimbursed about \$4,400 for "other medical costs." These expenditures were of a discretionary nature and were paid for a variety of reasons, such as for extra food, awards for bravery, allowances for night duty and hard work, and payments for hard work. Although the expenditures were supported by receipts, it was difficult to assess the reasonableness and allowability of the costs since no written procedures concerning the type and amount of expenses allowable under this category were established.

In response to the audit report's recommendations, the A.I.D. office responsible for the program better documented the internal control objectives and techniques related to the special accounts. Improvements were also made in the voucher review process. All audit recommendations have been closed. (Audit Report No. 5-442-91-006, July 31, 1991)

Family Planning Services in Zaire

To curb excessive population growth in Zaire, A.I.D. initiated the Family Planning Services Project in 1982. This \$20.8 million activity was financed by an A.I.D. grant of \$13.8 million and a Government of Zaire contribution of \$7 million.

Scheduled for completion in September 1992, the project has experienced problems because of planning and monitoring deficiencies. For example:

- **Poor procurement planning and an inefficient distribution network resulted in obsolescence of \$308,000 in A.I.D.-financed contraceptives and potential spoilage of an additional \$444,000 before project completion.**
- Inadequate monitoring by A.I.D. of technical advisory services and a lack of host government commitment to use these services considerably diminished the upgrading of Zaire's family planning delivery system.
- **The host government did not fulfill its financial commitment to the project by approximately \$2 million.**

The report recommended improved A.I.D. monitoring systems; a drastic curtailment of contraceptive purchases; transfer of excess commodities to other A.I.D. programs; and fulfillment by the host government of its financial commitments to the project. Of the ten recommendations made in the audit report, all but one are resolved because of corrective actions taken or planned by USAID/Zaire. (Audit Report No. 7-660-91-009, April 26, 1991)

Reviews of Nonproject Assistance

Nonproject assistance is concerned with the transfer of commodity or dollar resources to alleviate balance of payments or budgetary problems in lesser-developed countries. These resources are usually provided on the condition that the lesser-developed countries undertake certain specific policy reform actions to address the obstacles which are the cause of the problems. This nonproject assistance is generally made through cash transfer grants, commodity import programs, and/or sector assistance programs.

*Inadequate Planning
Results in Destruction
of Contraceptives
Valued at \$308,000*



*A.I.D. Nonproject
Assistance Fosters
Policy Reform*

Commodity Import Program in Egypt

Persistent Problems Continue in Egypt's Commodity Import Program



To help countries that face foreign exchange difficulties, A.I.D. sponsors commodity import programs (CIP), which finance needed imports of raw materials, intermediate goods, and equipment of almost any type. Since 1975, A.I.D. has provided \$4.5 billion in CIP financing to public- and private-sector importers in Egypt. The Government of Egypt (GOE) benefits not only from the savings in foreign exchange represented by the value of the imported commodities, but also from the deposit of the equivalent local currency value of those commodities into a Special Account established for this purpose by its Central Bank.

The audit covered USAID/Egypt's monitoring of private-sector import transactions from 1986 and public sector imports from 1988 through 1990 (\$651 million combined), as well as its oversight of local currency generation and deposit into the Special Account. USAID/Egypt had taken a series of corrective actions in response to past audit recommendations (1988), actions that contributed to a significant improvement in its management of the program. However, certain problems continue to require management attention. To streamline program operations and increase accountability for imported commodities and the local currency used to pay for them, management should take steps to solve the following problems:

- While reasonable assurance had been provided that the commodities financed by A.I.D. did, in fact, arrive in Egypt, **data on commodity arrivals were incomplete.**
- End-use checks verifying the arrival of imported goods and their use for the purposes intended were not always completed promptly.
- Program staff relied on importers' oral statements concerning commodities without comparing the sale and use to the program records.
- Imported equipment was not always marked with the familiar A.I.D. handclasp emblem as required. Nor did the Agency penalize suppliers who failed to comply with this marking requirement.

Although the procedures for depositing Egyptian pounds resulting from commodity imports had been revised, incorrect exchange rates were used in calculating the amount of the deposits. In addition, the GOE Central Bank was not enforcing the timely deposit of local currency and had no control system that would alert it to the late deposit of such monies. The regulation governing these deposits did not contain enforcement sanctions that would levy penalties for noncompliance.

USAID/Egypt agreed with and has taken corrective action on seven of eight recommendations. For the remaining recommendation, the Mission is proposing alternative corrective action, which is under consideration. (Audit Report No. 6-263-91-006, August 18, 1991)

Mandated and Miscellaneous Audits

The A.I.D. Inspector General has been mandated by Congress to provide specialized audit coverage to assess the effectiveness of program implementation, determine compliance with applicable laws, and/or review the propriety of the use of A.I.D. funds. Highlights of significant audits performed during this period follow.

Congress Mandates Several Audits

Economic Support Fund Programs in Nicaragua and Panama

Included in the 1990 Dire Emergency Supplemental Appropriations Act (Act), signed into law in May 1990, are \$300 million and \$420 million in Economic Support Fund assistance programs to Nicaragua and Panama, respectively. The assistance programs were designed to help the countries restore democracy and their respective economies.

Nicaragua and Panama Assistance Programs Have Several Common Problems

In Nicaragua, assistance was extended through FY 1991, when an additional \$223.9 million was allotted—for a total of \$523.9 million in funding. With this assistance in Nicaragua, A.I.D. developed three cash transfer programs and five development projects and is planning eight more projects. As of May 31, 1991, A.I.D. had obligated \$472 million and had accrued expenditures of \$281.1 million.



In Panama, the Congress established a \$420 million Economic Support Fund Program. With the assistance in Panama, A.I.D. developed two cash transfer programs and 16 development projects which, as of May 31, 1991, had obligations of \$390.5 million and accrued expenditures of \$69.4 million.

The Act requires the Inspector General of A.I.D. to assess the financial management and administrative systems by which the programs are controlled. The audits' objectives were to determine whether:

- A.I.D. followed the Act and additional Congressional Guidance in designing the program; and
- A.I.D. followed its established policies and procedures for control of program implementation, monitoring and evaluating funds.

In both countries, the audits found that A.I.D. generally followed its prescribed financial management and administrative control systems except that both Missions did not: (1) develop the normal strategy documents prior to beginning assistance activities; (2) always prepare the normal planning documents called for by A.I.D. Handbooks; (3) issue Mission orders formally establishing their monitoring and evaluating systems; and (4) prepare information plans as part of the assistance program design. In each of the individual assistance programs the audit found additional problems.

In Nicaragua, A.I.D. did not (1) notify Congress of subsequent changes in the scope of the initial cash transfer program activities; (2) include elements in the initial design to compare results with plans; and (3) accurately report accrued project expenditures. The audit also disclosed that:

- The Mission's import financing arrangements (\$265.5 million of commodities under the first three cash transfer programs) need to be strengthened.
- Given the economic conditions in Nicaragua, the Mission decided that the first two cash transfer programs would not generate local currency. Nevertheless, the Mission approved operating procedures for the first transfer program that required the generation of local currency.
- The Mission may have inadvertently created a local currency program which required it to ensure that accountability requirements for the local currency generated under the second cash transfer agreement were met. However, no local currency control or accountability requirements were established for the host government.

USAID/Nicaragua agreed with all but one recommendation, which it believes could have a negative impact on the host government. The Mission will be requesting the Bureau to amend the agreement by deleting the provisions pertaining to price and end-use checking. (Audit Report No. 1-524-91-012, August 23, 1991)

In Panama, A.I.D. did not always follow its normal procedures for tracking the end use of cash transfer funds and effectively seeking delinquent financial data. The audit also disclosed that the Private Sector Reactivation Program was initiated without fully analyzing the need for credit expansion in the Mission's final planning document. Without a full analysis, the entire \$107.9 million obligated under this program could be expended in a manner that may not be the best way to meet private-sector development needs or ensure that needed credit would not otherwise be available through normal banking activity.

In addition, the program was not being implemented according to the program agreement. Under this agreement, funds would be provided to banks for current increases in their medium- or long-term lending to the private sector. In reality, however, program funds were provided to banks based on their past lending activity because the Mission did not have a system to ensure that agreement provisions were met.

USAID/Panama did not agree with the report's two recommendations. (Audit Report No. 1-525-91-014, September 12, 1991)

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 used for their intended purposes and are adequately accounted for. To fulfill the Agency's financial audit responsibility, the Office of Audit performs and/or arranges for audits by independent auditors of all A.I.D. financial statements prepared in accordance with the Chief Financial Officers Act of 1990. Regarding financial audits of A.I.D.'s contractors and grantees, IG policy is that Agency management is responsible for ensuring that the audits are performed and that appropriate action is taken on any audit recommendations. In turn, the IG is responsible for determining whether the Agency is meeting its responsibility with respect to financial audits of its grantees and contractors and that the audits meet the appropriate auditing standards. **The Agency should generally rely on Agency-contracted auditors supervised by the IG or other Federal cognizant auditors to perform audits of its contractors and recipient-contracted independent auditors to perform audits of its grantees.**

OMB Circular A-73 requires agencies to rely on recipient-contracted financial audits of the agencies' grantees provided such audits are in accordance with generally accepted government auditing standards and otherwise meet the needs of the agencies. The IG has been working closely with A.I.D. management, which for the first time has begun taking measures to accept its responsibility for ensuring that financial audits of its grantees and contractors are performed. The IG 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. **This is absolutely essential to have in order for A.I.D. management to set up monitoring systems to assure that required audits are made.** A.I.D./Washington has also begun the process of eventually taking over

*Agency-Contracted
Financial Audits
Provide Much Needed
Audit Coverage*

*A.I.D./Washington
Begins Initial
Monitoring of OMB
Circular A-133 and
Other Federal Audits*

monitoring responsibility for OMB Circular A-133 audits of U.S. grantees and DCAA audits of U.S.-based contractors, a task that has up until now been performed by the Inspector General.

*Office of Audit Works
Closely With A.I.D. to
Revise Standard Audit
Provisions*

Furthermore, the IG has been working closely with the Agency in revising outdated standard audit provisions in A.I.D. policy handbooks so that new agreements with recipients will—for the first time—contain provisions requiring regular recurrent audits in accordance with U.S. Government Auditing Standards or other appropriate standards. As a result, A.I.D. has already adopted OMB Circular A-133 audit requirements applicable to U.S. nonprofit organizations, and the standard audit provisions applicable to grants and cooperative agreements with foreign nonprofit organizations have been revised to require audits in accordance with U.S. Government Auditing Standards. The IG's proposed revisions to the standard audit provisions applicable to grants to foreign governments are currently in the review and approval process. The IG's recommended audit provision for P.L. 480 Title II food aid has been published in the Federal Register for comment. And the IG has recommended a proposed audit provision to be included in P.L. 480 Title III country-to-country agreements.

*Housing Guaranty
Investment Program
Becomes First Audit
Under Chief Financial
Officers Act of 1990*

In accordance with the Chief Financial Officers Act of 1990, IG policy provides that financial statement audits of A.I.D.'s revolving funds and trust funds and other A.I.D. activities involving substantial commercial activities will be performed by either IG or by Agency-contracted independent auditors under IG supervision. To date, one such audit (of the Housing Investment Guaranty Program) performed by Agency-contracted independent auditors has been completed. This report should be issued before the end of 1991. When Agency-wide financial statements are prepared by A.I.D. in the future, audits of such statements will be performed by IG staff or by Agency-contracted independent auditors under IG supervision.

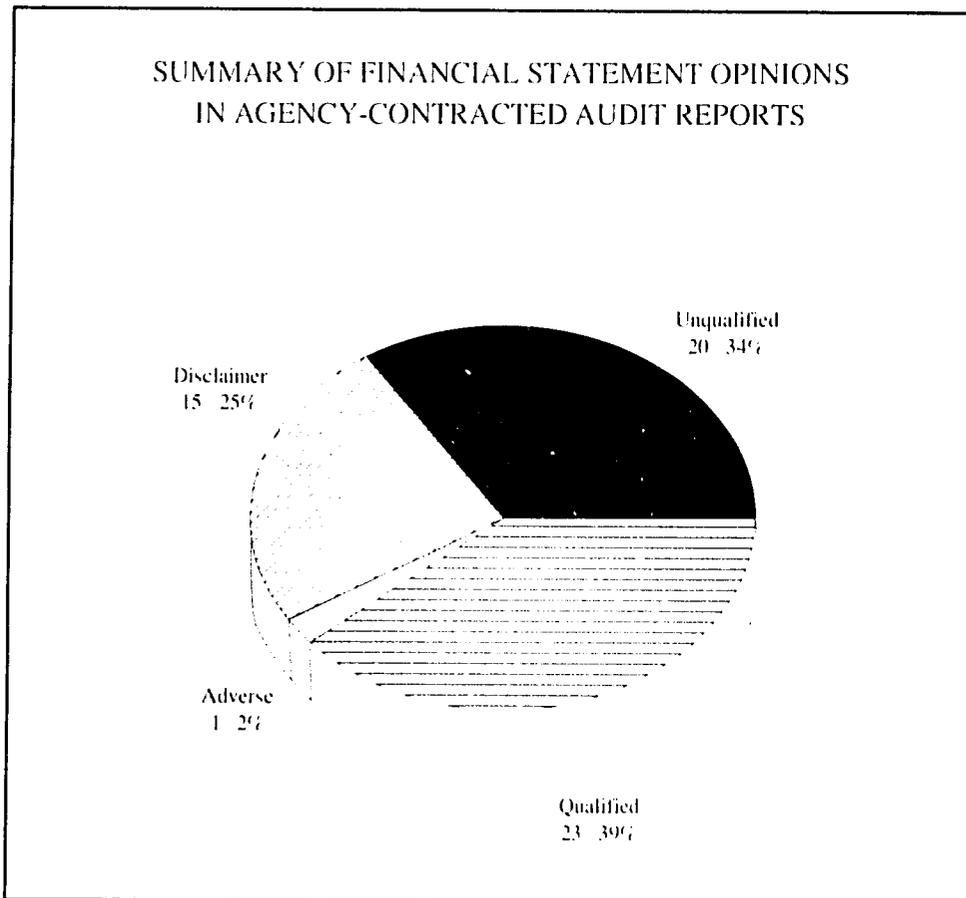
In conclusion, adherence to current IG policy and the Agency's acceptance of its responsibilities regarding financial audits of its grantees and contractors should provide significantly better accountability for A.I.D.'s funds in subsequent years.

Agency-Contracted Audits

The Office of Audit continues to **expand a worldwide program for using Agency-contracted audits to conduct financial and financial-related audits of A.I.D. contracts, grants, and cooperative agreements.** 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, 53 Agency-contracted audits, of which six were pre-award reviews, 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 \$7.9 million**, as well as numerous procedural recommendations to improve controls over A.I.D. projects, contracts and grants.

*Agency-Contracted
Audits Recommend
Resolution of \$7.9
Million in Questioned
Costs*

Only 20 of the 59 reports that gave an opinion on the financial statements expressed a favorable opinion (34 percent). In the accompanying reports on internal controls and compliance, less than half reported adequate internal controls and sufficient compliance with laws, regulations, and agreements. The chart below provides an analysis by type of financial statement opinions.



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. The high incidence of these opinions in audits of foreign aid expenditures reflects the highly vulnerable environment in which A.I.D. does business.** This reporting of disturbing problems in financial accountability for A.I.D. funds demonstrates the continued need for the Agency to develop and implement a much more comprehensive program of financial audits of its grantees and contractors. Highlights of Agency-contracted audits follow.

Costs Claimed by Contractor From USAID/Honduras and USAID/Yemen

\$1.2 Million in Contract Costs Questioned by Agency-Contracted Audit



In June 1985, USAID/Honduras executed a \$6.5 million contract with a U.S. contractor with the goal of strengthening the capabilities of the Honduran Ministry of Health to effectively and efficiently manage and administer its resources in support of health-care programs. An Agency-contracted financial-related audit was made of nearly \$6.4 million in costs claimed by the contractor during the period July 1, 1985 through December 31, 1988.

The audit verified that **the contractor did not maintain adequate accounting records and was unable to furnish documents to support the allowability of salary and allowance expenditures that were charged to the contract.** The auditors were unable to apply other auditing procedures to satisfy themselves as to the allowability of expenditures. Accordingly, the audit did not express an opinion on contract expenditures.

In total, the audit report contained 12 findings on noncompliance and six findings on internal control weaknesses. Moreover, **the audit questioned costs totalling \$659,691.** Report recommendations call for USAID/Honduras to resolve the questioned costs and require the contractor to correct compliance and internal control deficiencies. (Audit Report No. 0-000-91-002-N, April 31, 1991)

In October 1983, USAID/Yemen executed a \$7.4 million contract with this same U.S.-based contractor with the objective of providing technical assistance to support the development of primary health care services in the Tihama region of Yemen. Another audit was made of the \$7.4 million in costs claimed by the contractor during the period April 5, 1983 through June 30, 1989.



Like the Honduras experience, the audit verified that **the contractor had not maintained adequate accounting records and could not support certain salary and allowance claims made against the contract.** This audit, too, did not express an opinion on contract expenditures and questioned \$514,537 in costs claimed. The report recommends that USAID/Yemen resolve these questioned costs. (Audit Report No. 0-000-91-003-N, April 30, 1991)

Public Law 480 Title II Program in India

Under the P.L. 480 food program, the U.S. Government donates millions of dollars of food commodities to the people of India. For FYs 1988 and 1989, Cooperative American Relief Everywhere (CARE) distributed, on behalf of the U.S. Government, 86,372 metric tons of food commodities valued at \$37.8 million to about 5.1 million beneficiaries. An Agency-contracted audit was made of this massive program. The auditors visited three of the ten states within India where CARE distributes food and over 420 of the almost 42,000 locations within these three states. The audit objectives were to determine whether (1) commodity statements for the two-year audit period were accurate; (2) internal controls were adequate; (3) CARE complied with applicable requirements; and (4) known problems were corrected.

*5.1 Million Needy
Citizens of India
Receive \$38 Million of
Food Donated by the
U.S. Government*

The audit concluded that **CARE had established a comprehensive system for distributing the commodities and that the commodities were reaching needy people. However, the commodity statement could be more reliable, internal controls could be improved, compliance with requirements could be increased, and known problems could be more fully corrected.** Specifically, the audit firm reported the following three inter-related findings:



- Commodity distributions were not always recorded properly, feeding interruptions were too frequent, losses were not accurately reported, and attendance/inventory records were questionable.

- Program oversight required substantial improvement. The oversight reviews that were performed were insufficient in number, undocumented, and incomplete in certain important aspects. Also, CARE did not always ensure that known problems disclosed in prior reviews were corrected.
- Commodity storage required improvements at certain locations. Storage problems included improper dunnage, segregation, stacking, poor rotation, unrepaired containers, and infestation.

The audit report recommended that A.I.D. require more accurate reporting and monitoring including the non-feeding aspects of the program. The recommendations are currently being implemented by CARE and A.I.D. (Audit Report No. 5-386-91-002-N, April 2, 1991)

Economic Support Fund Program in Nicaragua

\$1.4 Million in Questionable Costs Recovered in Economic Support Fund Program in Nicaragua



On May 25, 1990, the President signed into law the FY 1990 Dire Emergency Supplemental Appropriations Act, which included \$300 million to support Nicaragua's economic recovery. The program includes (1) cash transfer assistance for balance of payments and budget support to assist in carrying out an economic program to stabilize and reactivate the Nicaraguan economy, and (2) disbursements over a longer period of time to support the new government's economic recovery and social programs.

Of the \$60 million in cash transfers and \$687,537 in developmental assistance, the Agency-contracted audit found that, **except for questionable costs of \$1.4 million, the fund accountability statement fairly presents the locally executed receipts and disbursements for program activities managed by the Government of Nicaragua and the implementing entities.** The audit also found that there was a material weakness in the Central Bank of Nicaragua's internal control system.

The audit recommended that USAID/Nicaragua:

- negotiate a settlement with the Central Bank of Nicaragua for questioned costs totalling \$1,375,342; and
- ensure that the Central Bank of Nicaragua improve internal control procedures, especially in financial reporting, competitive bidding documentation, and the monitoring of program transactions.

USAID/Nicaragua agreed with the audit recommendations and, **to date, has recovered \$1.4 million.** The Mission also has required that the Central Bank of Nicaragua improve its internal control system. (Audit Report No. 1-524-91-032-N, May 28, 1991)

Railway Rehabilitation Contract in Zimbabwe

In May 1986, USAID/Zimbabwe entered into a fixed-price contract with a highly diversified engineering/manufacturing company located in Bulawayo, Zimbabwe and specializing in railway products. Under the contract, the contractor was to rehabilitate 11 locomotives and provide associated services as part of a project to improve Mozambique's railroad system. The contractor completed its services under the contract and billed the equivalent of \$3,498,204. In December 1989, the contractor submitted a final claim requesting reimbursement in the amount of \$560,763 for extra costs it claimed had been incurred.

\$560,763 Supplemental Claim Rejected on Railroad Rehabilitation Contract



The audit considered the \$560,763 supplementary claim as either questionable and/or unsupported, and it recommended that it be rejected. The report also recommended the Mission take appropriate action to prevent the contractor from being awarded any additional U.S.-funded contracts until a pre-award survey establishes that the contractor has adopted appropriate accounting procedures.

The Regional Contracting Officer and USAID/Zimbabwe agreed with the recommendation and rejected the supplemental claim. In addition, the Regional Contracting Officer recovered \$28,839 equivalent for interest charges incurred by the U.S. Government. The Regional Contracting Officer also notified all East and South Africa contracting officers not to award any contracts to this contractor until the pre-award survey is conducted. (Audit Report No. 3-613-91-007-N, April 2, 1991)

Combatting Childhood Communicable Diseases in Burundi

*Improvements Needed
in Controls Over
USAID/Burundi's
Combatting
Communicable
Childhood Diseases
Project*



The Combatting Childhood Communicable Diseases (CCCD) Project, undertaken in 1985 in a grant agreement between USAID/Burundi and the Ministry of Public Health in Burundi, consists of various disease control and public health activities to reduce the level of infant and childhood mortality resulting from malaria, diarrhea, and communicable diseases. These activities are designed to expand and improve immunization services, promote the utilization of oral rehydration treatment for diarrheal diseases, expand the use of antimalarial drugs, and integrate these programs into the primary health care program at the village level. The USAID grant finances certain project operating costs, commodities to support the programs, training of Burundi health service personnel, and technical assistance to the Ministry of Public Health. The project has been expanded to include financial support of Burundi's AIDS prevention program. The total grant is \$1,584,000, of which \$555,000 was allocated to Burundi's Ministry of Public Health for local currency costs. The scope of the audit covered the local currency expenses which, as of December 1990, were \$375,540. Of the \$375,540 in local currency expenses, the auditor tested \$221,182.

The Agency-contracted audit concluded that the Fund Accountability Statement did not fairly present the revenues and expense of the project and the auditor issued an adverse opinion on the statements. **The audit questioned \$1,749 of expenses and considered \$168,508 audited (or 76 percent of the amount audited) as unsupported.** The audit also identified weaknesses with internal controls, including petroleum distribution procedures, inadequate accounting, weak disbursement and documentation procedures, and lack of written procedures.

The audit recommended that the Mission:

- resolve the questioned and unsupported costs; and
- require that Burundi's Ministry of Public Health improve its internal control structure and compliance with the grant agreement.

Currently, we are awaiting USAID/Burundi's response to the recommendations. (Audit Report No. 3-695-91-012-N, September 11, 1991)

Other Federal Audits

Audit Services Provided by Other Federal Audit 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 has other Federal auditors, primarily the Defense Contract Audit Agency (DCAA) and the Department of Health and Human Services, 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 74 audit reports completed by other Federal auditors, **covering more than \$139.9 million of A.I.D. funds.** These financial and compliance audits included pre-awards, termination claims and costs incurred audits.

The **74 audit reports issued this period resulted in 79 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) require increased 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 \$1.1 million** of costs incurred or proposed by contractors, subcontractors and grantees. For example:

Substantial Costs Savings Could Be Realized Through a Pre-award Survey

Based on a request from the A.I.D. Mission in Egypt, A.I.D.'s Inspector General arranged to review a \$5.9 million cost proposal prepared by a prospective contractor. The contractor was to provide technical assistance services in Egypt over a five-year period. In reviewing the proposal, the audit:

Pre-award Survey Questions the Basis for \$500,000 in Contract Proposal

- **Questioned \$38,592 in costs proposed for prime contractor use.**
- **Noted that the prime contractor had not performed an adequate cost and price analysis of \$1,001,340 in subcontractor costs.**
- **Demonstrated that, in reality, the proposed overhead methodology involved two firms and would cost Federal agencies an additional \$450,000 in overhead expense.**

Both A.I.D.'s Office of Procurement and USAID/Egypt generally agreed with recommendation actions which could result in a substantial contract savings. (Audit Report TR No. 91-113, April 26, 1991)

Termination Claim for Technical Services in Somalia

***80 Percent of \$200,000
Termination Claim
Substantially
Questioned***

A.I.D.'s Inspector General arranged for the Department of Health and Human Services (DHHS) to review a \$200,000 termination claim made by a University that had provided technical expertise in Somalia. Due to security concerns at the time, A.I.D. was forced to terminate the contract in September 1989. DHHS found that:

- There was no legal contract between the University and its claimed subcontractor.
- **\$53,901 in subcontract claims were questionable.**
- **\$20,544 in claims by the University were questionable.**
- **\$94,261 of the subcontractor's fixed fee was questionable based on the percentage of work that had actually been performed.**

Audit findings and recommendations have been transmitted to the appropriate A.I.D. overseas office for resolution. (Audit Report TR No. 91-137, June 27, 1991)

Recipient-Contracted Audits of Federal Awards to Nonprofit Organizations

***Recipient-Contracted
Audits Are Becoming
Increasingly Important
in Audit Process***

OMB Circular A-110, "Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations," 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 Federal contracts, grants and other agreements. The IG's Financial Audit Office is primarily responsible for ensuring that A-110 audits are performed and meet generally accepted government auditing standards. The Office fulfills these responsibilities through desk reviews of the audit reports and through detailed quality control reviews of auditors' workpapers.

The Office of the Inspector General has asked the grantees to incorporate audits of indirect cost rates in their A-110 audit reports. The Inspector General's desk reviews of those rates serve as a basis for recommending to A.I.D. Management that they negotiate final rates with the grantees. This procedure avoids the need for separate Federal audits to determine the acceptability of indirect cost rates.

OMB Circular A-133, dated March 8, 1990, superseded and expanded the audit requirements contained in OMB Circular A-110. These new audit requirements apply to audits for fiscal years that began on or after January 1, 1990.

During this reporting period, five A-133 and 54 A-110 reports were desk reviewed by the Inspector General. The Inspector General also performed desk reviews of two individual grant audits of the Polish and Hungarian Enterprise Funds performed under Government Auditing Standards. **Of the 61 audits, 52 were issued without change and 9 were rejected because they did not comply with Government Auditing Standards.** The reports that were reviewed resulted in recommendations to resolve \$13.1 million in questioned (unsupported) costs. The reports identified 274 internal control and compliance deficiencies classified, as follows:

• Material Internal Control Weaknesses	44
• Other Internal Control Weaknesses	127
• Noncompliance resulting in questioned costs	27
• Noncompliance without questioned costs	<u>76</u>
	<u>274</u>

Highlights of significant recipient-contracted audits follow.

No System of Internal Control to Safeguard A.I.D. Funds Causes Significant Questioned Costs

Five OMB Circular A-110 audit reports—covering a five-year period with one grantee—**contained findings that identified questioned costs totaling \$12.8 million and unsupported costs totalling \$48.5 thousand.** To illustrate, the grantee’s letter of credit drawdowns exceeded expenditures by \$1.2 million. In addition, questioned costs of \$2.1 million resulted because amounts billed to A.I.D. exceeded amounts recorded in the grantee’s accounting records.

***OMB Circular A-110
Audits Identify
Significant Internal
Control Weakness and
\$12.8 Million in
Questioned Grant Costs***

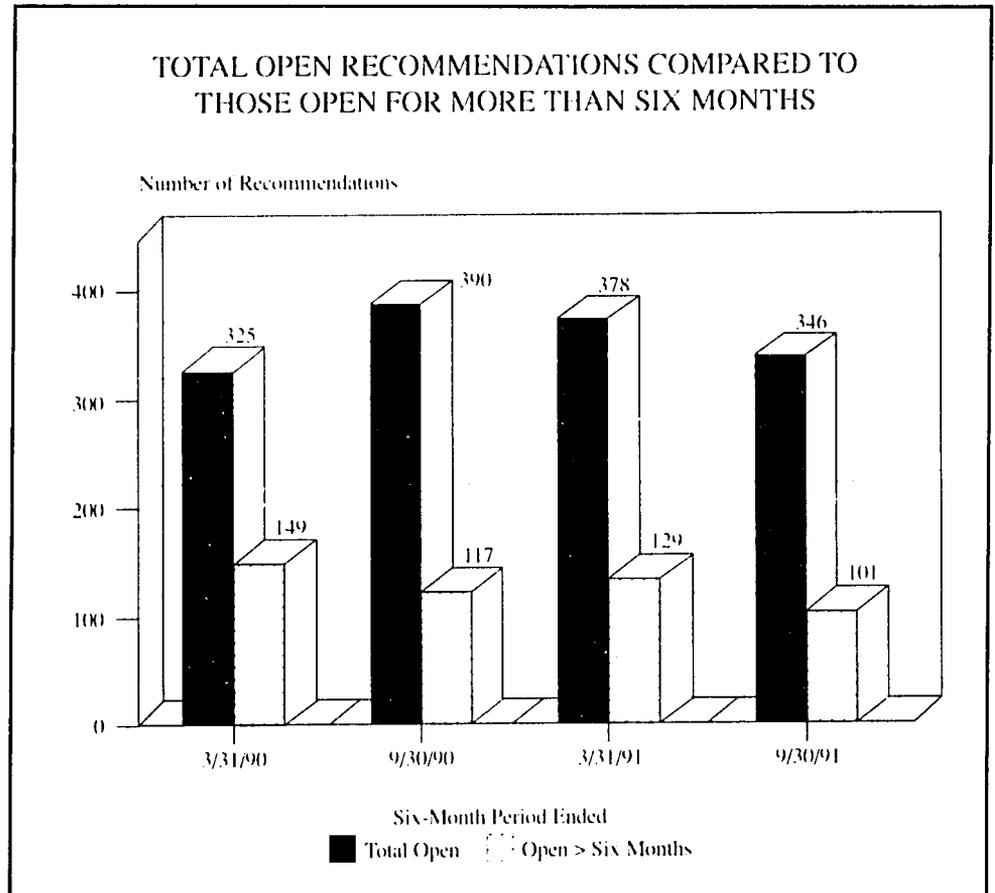
All five audits concluded that there was **no system of internal control to ensure that A.I.D. funds were adequately protected from improper use.** The report recommends that A.I.D. suspend disbursements on present grants and cease to execute new grants until internal control weaknesses are corrected. To date, the 12 recommendations contained in the five reports are unresolved. (Audit Report LTR Nos. 91-69, 91-70, 91-71, 91-72, and 91-73, July 15, 1991)

Audit Recommendations, Follow-up and Resolution

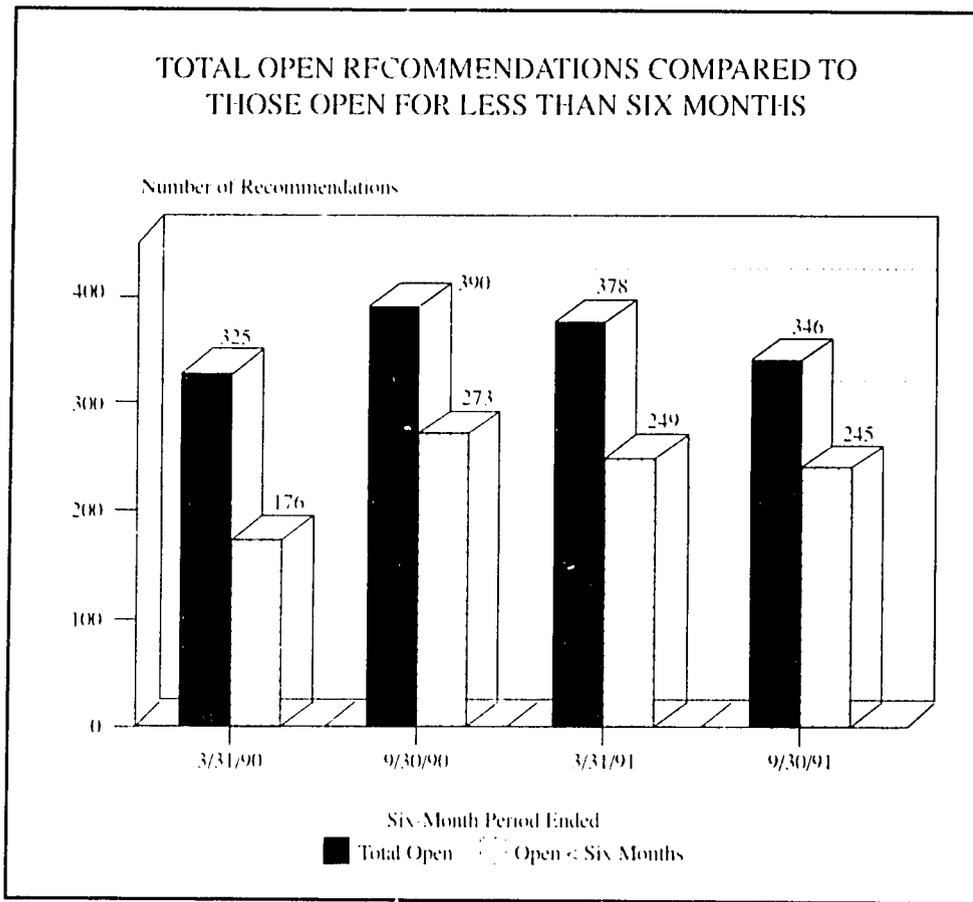
Comparison of Status of Open Recommendations

The total number of open recommendations at the end of the reporting period decreased by 8.5 percent (378 to 346) from the prior period. The number of recommendations open in excess of six months decreased by 21.8 percent (129 to 101) from the prior period.

*Total Open
Recommendations
Compared to Those
Open for More Than
Six Months*



Total Open Recommendations Compared to Those Open for Less Than Six Months



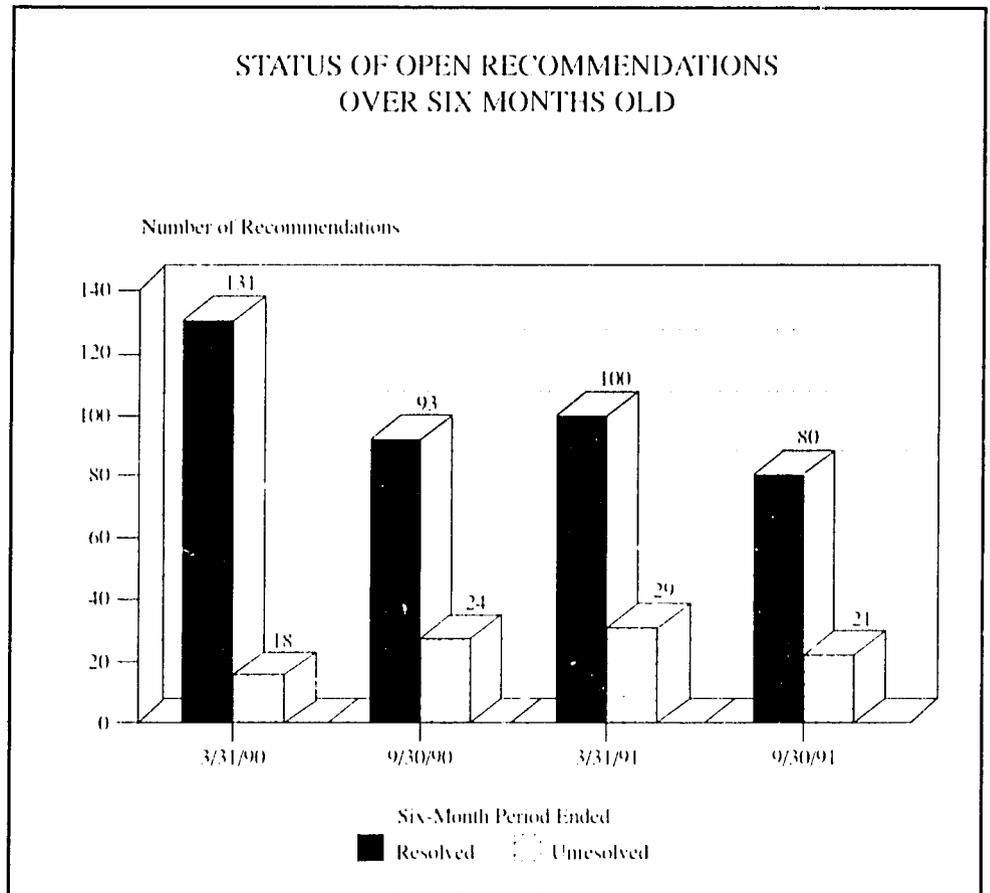
Comparison of Status of Open Recommendations Over Six Months Old

Office of Management and Budget Circular A-50 requires that recommendations be resolved within six months of issuance. In this context, resolution and closure are not synonymous terms. Audit recommendations are resolved when 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, the bill for collection has been issued.

A.I.D. Compliance With OMB Circular A-50

The number of IG recommendations open over six months decreased by 18 (from 129 to 101) between April 1, 1991 and September 30, 1991. Non-compliance with A-50 requirements for resolution decreased during this period from 29 to 21.

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.

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, 1991
- Table B:** Significant Audit Reports Described in Previous Semiannual Reports Without Final Action at September 30, 1991
- Table C:** Reports Issued with Questioned and Unsupported Costs (April 1, 1991 through September 30, 1991)
- Table D:** Reports Issued with Recommendations that Funds Be Put to Better Use (April 1, 1991 through September 30, 1991)

**AUDIT REPORTS ISSUED PRIOR TO START OF PERIOD
WITH NO MANAGEMENT DECISION
AT SEPTEMBER 30, 1991¹**

REPORT NUMBER	REPORT TITLE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DECISION TARGET DATE
1-520-89-028-N	Audit of the Immunization and Oral Rehydration Therapy Services for Child Survival Project No. 520-0339	02/13/89	The unresolved recommendation involves questioned costs of \$41,103. To date, USAID/Guatemala has not negotiated a final settlement of the questioned costs.	11/91
1-520-89-051-N	Audit of the Small Farmer Diversification Systems Project Component with the Institute of Agricultural Science and Technology	09/18/89	The unresolved recommendation involves questioned (unsupported) costs of \$48,815. To date, USAID/Guatemala has only resolved \$3,407 of \$48,815. The remaining balance of \$45,408 must be documented to resolve this recommendation.	11/91
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/El Salvador has not negotiated a final settlement of the questioned costs.	11/91
1-519-90-043-N	Audit of the Education System Revitalization Project	06/22/90	The unresolved recommendation involves questioned costs of \$5,528,394. To date, USAID/El Salvador has not negotiated a final settlement of the questioned costs.	Unknown
1-518-90-055-N	Award Survey of the Non-Traditional Agricultural Exports Project, Phase II Components Managed by the Ecuadorian Federation of Exporters	07/30/90	Awaiting CPA's report determining the amount of interest that was applied to operations so the entity can repay amounts misapplied.	12/91
1-511-91-017-N1	Audit of USAID/Bolivia's Chapare Regional Development Project Activities Managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare, for the Year Ended December 31, 1989	01/22/91	USAID/Bolivia is in the process of awarding a contract to assist in implementing the recommendation. Once the action plan is developed and agreed to by the Mission and the host government, the recommendation can be resolved.	11/91
1-511-91-020-N	Audit of the Financial Statements of Artisanry and Fashion Association and its Management of USAID/Bolivia's Handicraft Export Development Project as of March 31, 1990	02/12/91	The unresolved recommendation involves questioned costs of \$80,525. To date, USAID/Bolivia has only resolved \$11,154 of \$80,825. The remaining balance of \$69,371 must be resolved.	11/91
2-498-91-001	Recurring Issues From Audits of the ASEAN Regional Development Program	10/19/90	To date, the Bureau for Asia and Private Enterprise has not provided a response to the audit.	Unknown

There were an additional four reports which contained monetary savings that A.I.D. officials had not agreed with the dollar value of the savings/recoveries. However, A.I.D. officials did agree with the intent of the corrective actions required by the report recommendations.

BEST AVAILABLE DOCUMENT

REPORT NUMBER	REPORT TITLE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DECISION TARGET DATE
3-696-90-009-N	Audit of Grant Agreement No. 696-0113-G-SS-9006-07 to the Rwandan National Office of Population	09/17/90	The unresolved recommendation involves questioned costs of \$2,038,306. USAID/Rwanda and the host government are negotiating the specific amount to be recovered. Because of civil disturbances, this process has not been completed.	Unknown
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. Because of civil disturbances, this process has not been completed.	Unknown
7-635-90-008	Audit of the Gambia Agricultural Research and Diversification Project	05/23/90	The unresolved recommendation involves questioned costs of \$53,470. To date, the Contracting Officer has not negotiated a final settlement of the questioned costs.	10/91
7-686-91-001	Audit of the Semi-Arid Food Grains Research and Development II Project No. 698-0452	10/31/90	The unresolved recommendation involves questioned costs of \$25,928 and the strengthening of controls over local currency expenditures. The Mission has requested that the Grant Officer make a final determination on the allowability of the costs.	Unknown
7-685-91-02-N	Audit of the Senegal Community and Enterprise Development Project	11/30/90	Recommendations involve establishing a loan monitoring system analysis of excess payments. USAID/Senegal is actively pursuing the recommendations and expects closure in the near future.	11/91
7-685-91-05-N	Audit of the Senegal Family Health and Population Project	01/29/91	USAID/Senegal expects to issue a Project Implementation Letter which will resolve the recommendations.	11/91
7-693-91-07	Audit of OAR/Togo's Private Sector Projects	02/28/91	Recommendations involve the write-off of \$629,580 in questioned costs to an insolvent grantee. To date, A.I.D./Washington has not completed final action.	Unknown
TR-90-078	BCI Geonetics International	06/06/90	USAID/Somalia records were destroyed. Report was sent in January 1991 to Contracting Officer, now located in A.I.D./Washington for action. On April 16, 1991, the recommendations were again transferred to the REDSO/East and South Africa for action. To date, REDSO has not taken any action.	Unknown
TR-90-085	Thunder and Associates, Inc.	06/22/90	Awaiting USAID/Kenya's actions to resolve the questioned costs with the contractor who has contested them. The contractor has not provided the requested documentation, as promised.	Unknown
TR-90-101	Louis Berger International, Inc.	07/16/90	Awaiting response from the Africa Bureau Controller, which received the report on USAID/Liberia's behalf in January 1991. To date, Africa Bureau has not responded to the audit.	Unknown
TR-91-096	Audit of Clapp and Mayne, Inc.	03/12/91	Awaiting response from the Africa Bureau Controller, which received the report on USAID/Liberia's behalf in March 1991. To date, Africa Bureau has not responded to the audit.	Unknown

**SIGNIFICANT AUDIT REPORTS DESCRIBED IN PREVIOUS
SEMIANNUAL REPORTS WITHOUT FINAL ACTION
AT SEPTEMBER 30, 1991**

REPORT NUMBER	REPORT TITLE	ISSUE DATE	FINAL MANAGEMENT DECISION DATE	FINAL ACTION TARGET DATE
AM-90-02	Audit of the International Science and Technology Institute	12/18/89	03/19/91	Unknown
1-500-90-09	Audit of Verification of Accountability for Dollars and Local Currency in Selected Missions in the Latin America and Caribbean Region	04/30/90	04/30/90	10/91
5-391-90-03	Audit of Commodity Import Programs in Pakistan	10/26/89	04/27/90	03/92
5-383-91-01	Audit of the Diversified Agriculture Research Project in Sri Lanka--Project No. 383-0058	01/31/91	04/12/91	Unknown
6-263-91-01	Audit of USAID/Egypt's Alexandria Wastewater System Expansion Project No. 263-0100	11/29/90	11/29/90	12/91
6-263-91-03	Audit of Costs Claimed by DAC International, Inc. under its Contract No. 263-0182-C-00-7227 with USAID/Egypt	12/13/90	12/13/90	12/91
6-263-91-04	Audit of USAID/Egypt's Local Development II Program (Project No. 263-0182)	01/31/91	03/06/91	12/91
7-683-90-07	Audit of the Agriculture Sector Development Grant in Niger--Project No. 683-0246	05/04/90	05/04/90	12/91
7-675-91-02	Audit of Economic Policy Reform Program in Guinea--Guinea Economic Policy Reform Program No. 675-0217--Economic Policy Reform Support Project No. 675-0218	11/23/90	05/30/91	12/91
7-660-91-06	Audit of USAID/Zaire's Central Shaba Agricultural Development Project No. 660-0105	01/25/91	01/25/91	12/91
9-000-90-05	Audit of A.I.D. Headquarters' Direct Payment Procedures	06/26/90	08/29/90	11/91
9-000-91-05	Audit of the Activities of the Bahamian Agricultural Credit Guarantee Fund	03/29/91	03/29/91	03/92

¹ The recommendations have been resolved but final action has not been completed to close the recommendation.

BEST AVAILABLE DOCUMENT

REPORTS ISSUED WITH QUESTIONED AND UNSUPPORTED COSTS
April 1, 1991 through September 30, 1991

(Dollars in Thousands)

REPORTS...	NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS ¹
For which no management decision has been made as of April 1, 1991	63	14,691 ^{2,3}	7,027 ³
Add: Reports issued April 1991 through September 1991	51	21,689 ⁴	5,033 ⁴
	114	36,380	12,060
Less: Reports with a management decision made April 1991 through September 1991	63	10,569 ^{5,6}	4,491 ^{5,6}
For which no management decision has been made as of September 30, 1991	51	25,811 ⁷	7,569 ⁷
For which no management decision was made within six months of issuance	13	5,960	2,884

¹ 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).

² The ending balance at March 31, 1991 was decreased by \$241,994 to reflect reclassification of two monetary recommendations from Questioned Costs to Better Uses and increases in eight recommendations' original amounts.

³ Amounts include \$1,866,683 Questioned Costs and \$1,218,968 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

⁴ Amounts include \$485,855 Questioned Costs and \$1,060 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

⁵ Agency Officials disallowed \$4.3 million in Questioned Costs (\$808,934 Unsupported Costs) cited in 45 reports. Agency Officials did not disallow \$6.2 million (\$3.7 million Unsupported Costs) cited in 52 reports.

⁶ Amounts include \$2.0 million Questioned Costs and \$1.2 million Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

⁷ Amounts include \$399,284 Questioned Costs and \$2,161 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

BEST AVAILABLE DOCUMENT

**REPORTS ISSUED WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
April 1, 1991 through September 30, 1991**

(Dollars in Thousands)

REPORTS...	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
For which no management decision has been made as of April 1, 1991	18 ¹	13,370 ^{1,2}
Add: Reports issued April 1991 through September 1991	28	43,522 ³
	46	56,892
Less: Reports with a management decision made April 1991 through September 1991	25	14,169 ^{4,5}
For which no management decision has been made as of September 30, 1991	21	42,723 ⁶
For which no management decision was made within six months of issuance	4	5,073

¹ The ending balance at March 31, 1991 was increased by \$3,392,511 to reflect reclassification of two monetary recommendations from Questioned Costs to Better Uses and increases in two recommendations' original amounts.

² Amounts include \$4 million for audits performed for IG by other Federal Audit Agencies.

³ Amounts include \$649,940 for audits performed for IG by other Federal Audit Agencies.

⁴ Agency Officials agreed with \$10.3 million in actions cited in 22 reports, and Agency Officials did not agree with \$3.9 million in actions cited in 11 reports.

⁵ Amounts include \$2,919,765 for audits performed for IG by other Federal Audit Agencies.

⁶ Amounts include \$2,832,203 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 decreased from 17 in the prior period to 13 at September 30, 1991.

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, we determine from available information that recommendations should be reopened. During the past six months, the Office of the Inspector General conducted follow-up activities on nine recommendations and did not reopen any.

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.

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 the proposed new authorization bill for the Foreign Assistance Program 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.

*Follow-up on Closed
Recommendations*

*Referrals to the Deputy
Administrator*

*Review of Legislation
and Regulations*

OFFICE OF SECURITY

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

Security Responsibility

In spite of wars, natural disaster, civil strife, revolutions, coup d'états, the constant threat of international terrorism, and a drastically changing world order, the business of A.I.D. in the developing world continues. One of the missions of the Office of Security is to protect A.I.D. personnel, facilities and property, regardless of the location. Despite being located in some of the most dangerous places in the world, A.I.D. personnel assigned overseas, according to analysis of reported incidents, are generally safer than citizens living in most major American cities. This is due in no small measure to the 24-hour-a-day security umbrella designed, installed and maintained by the Office of Security. Ninety-five percent of planned security projects worldwide have been completed and one hundred percent of the projects in high- or critical-threat locations are finished.

Summary of Achievements

During this reporting period, the Office integrated all of its paper security files into an automated case management system with optical scanning capability. This system has placed the Office of Security in the forefront of the Executive Branch for completion times of investigations and costs per investigation. The Security Communication Program continues to develop systems that provide A.I.D. employees assigned overseas reliable communications with the U.S. Embassies where they are located.

Physical Security Program

During this reporting period, A.I.D. presence expanded to an additional 11 posts (Asuncion, Belgrade, Budapest, Bucharest, Cotonou, Georgetown, Jerusalem, Prague, Sofia, Ulaanbaatar, and Vienna). One post, Mogadishu, was closed due to Somalia's civil war.

11 New A.I.D. Offices Established, While One Closes

*17 of 86 Cities
Where A.I.D. Is
Located Are High
Threat Posts*

A.I.D. is represented in 86 cities throughout the world. The threat from terrorism, war, insurgency, civil disturbance, and narco-terrorism in 17 of the 86 posts is considered critical or high by the Department of State's Bureau of Diplomatic Security. Two of the Agency's posts, Lima and Manila, were designated critical-threat posts where A.I.D. employees receive danger pay. Recent activities affecting other posts include the following:

*Employees Return to
Posts Following Gulf
War*

- Employees and dependents returned to the posts where evacuations or drawdowns were ordered as a result of the war in the Persian Gulf (i.e., Bangladesh, Jordan, Mauritania, Morocco, Pakistan, Sudan, Tanzania, Tunisia, and Yemen).

*Civil Strife Disrupts
A.I.D. Programs*

- At the time this report was submitted, civil strife in Zaire resulting from rioting government soldiers had caused the full evacuation of all A.I.D. employees and dependents in Kinshasa.
- In Ethiopia, A.I.D. personnel have not returned to Addis Abba since the fighting near the capitol resulted in an evacuation of all employees.
- A.I.D. personnel stationed in Somalia remain in evacuation status following their removal from post as a result of fighting in the region.

*Nine Physical Security
Projects Completed at
Overseas Locations*

Physical security projects were completed for new office facilities in Antananarivo, Bujumbura, Bridgetown, Guatemala City, Kathmandu, Lagos, Maputo, Singapore and Windhoek. These projects involved the hardening of office facilities to deter forced entry, terrorist activities or mob action. Security enhancements include the installation of ballistic-resistant materials, public-access controls, walk-through metal detectors, secure rooms, and perimeter barriers.

Projects, cited above, in Antananarivo, Guatemala City, Lagos, Maputo, Singapore, and Windhoek were new office buildings. Planning for a new building in Dakar is still underway. The State Department Foreign Buildings Office (FBO) intends to relocate the A.I.D. mission in Panama into an existing facility leased by FBO. These plans are pending, awaiting the resolution of issues with the building owner. The proposals to acquire different office space in Bissau, Lusaka, and Khartoum are pending.

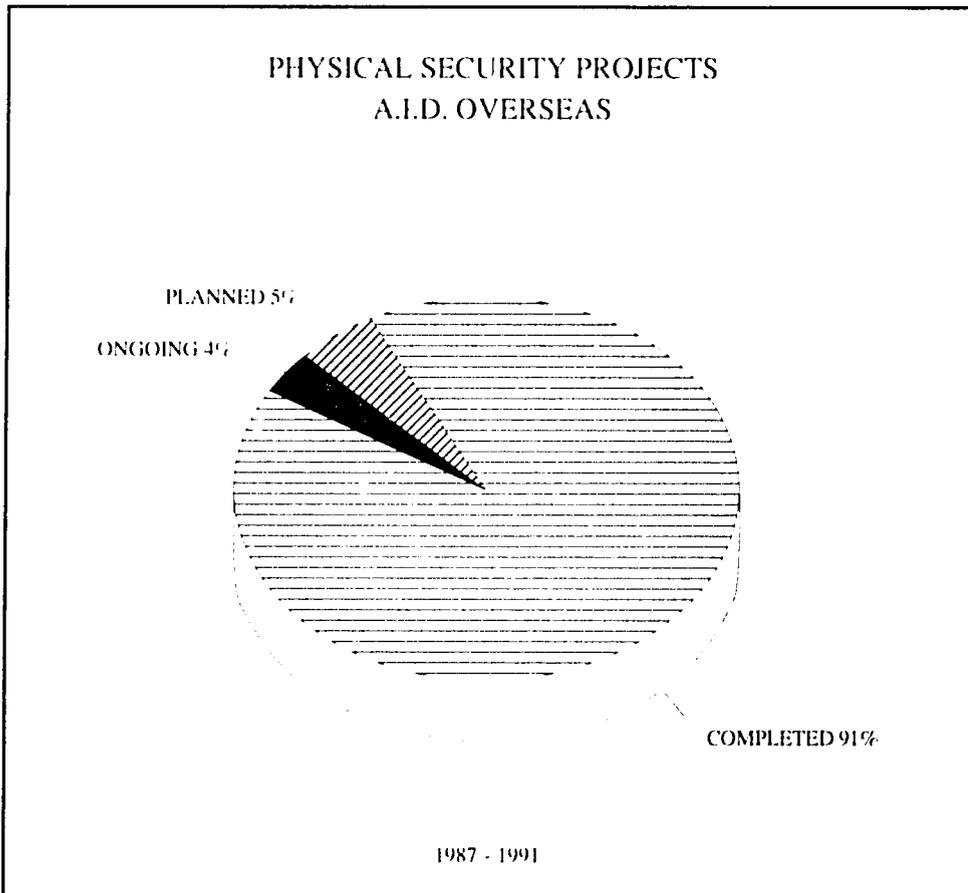
*New Physical Security
Standards*

During the reporting period, new physical security standards went into effect. These standards, coordinated within the interagency Overseas Security Policy Group chaired by the Department of State, identify required physical security measures tailored to the local threat, type of building, and operational requirements of the affected agency.

September 30, 1991 marked the end of the Office of Security five-year worldwide physical security enhancement program.

*End of Five-Year
Physical Security
Enhancement Program*

During the period which began in Fiscal Year (FY) 1987, over 100 physical security projects were completed, nearly half of which were for new facilities. The progress of the enhancement plan fluctuated with the changing operational requirements of A.I.D. During the past reporting period, for example, projects for seven of the new A.I.D. Missions were added to the planning, the bulk for Eastern European posts. It is anticipated that additional posts will be added in the Baltics and elsewhere as world conditions change. In spite of these variables, **major security projects in all critical- and high-threat posts have been completed.** As shown in the graph below, security projects have been completed or are underway at 95 percent of A.I.D. facilities.



*Five A.I.D. Vehicles
Armored*

The vehicle-armoring program is designed to provide protection for vehicle occupants through an application of opaque and transparent armoring. These materials, combined with the mobility of the vehicle, afford protection against ballistic attacks. The Office of Security funded the application of armoring for five vehicles during the reporting period.

*Security Inspections
Conducted at 12 Posts*

The Office of Security inspected 12 posts to determine the adequacy of physical security protection provided A.I.D. employees from acts of violence and terrorism; and the adequacy of security communications systems; and to evaluate A.I.D. compliance with national security information-protection requirements and implementation of measures to detect and preclude espionage. The posts visited were Kathmandu, New Delhi, Guatemala City, Abidjan, Dakar, Tegucigalpa, Managua, Maputo, Kampala, Nairobi, Windhoek, and Pretoria.

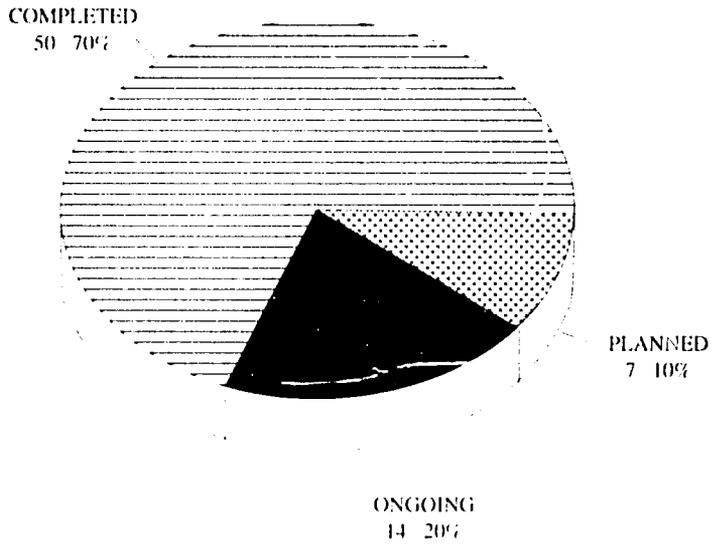
The inspections revealed that security programs in A.I.D. missions are generally adequate. Areas found in need of improvement included communications systems, proper usage and maintenance of installed physical security equipment, and personal security awareness. The building security deficiencies were either subsequently corrected on the spot, or if they involved requirements for replacement or revision of security systems, were programmed for completion. Discrepancies in the handling of classified information and personal security awareness were resolved during the inspection visits by personnel briefings and procedural changes.

*Security
Communications
Enhancement
Continues*

The Security Communications Program provides A.I.D. employees with a reliable means of accessing the Embassy Emergency and Evacuation radio network. The communications systems include residential and vehicle radios, base stations, and repeaters. These systems provide employees with 24-hour communications while at work, at home, and during transit.

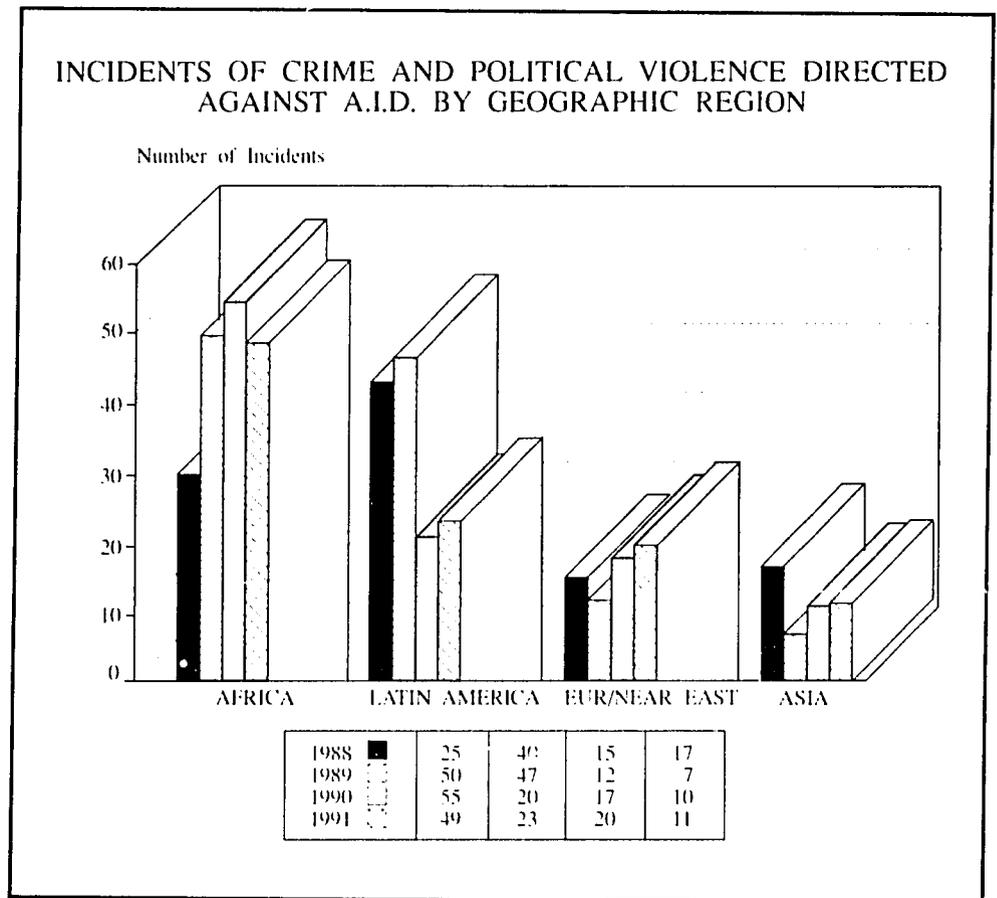
During 1989, the Office of Security initiated a five-year plan to replace obsolete equipment with less expensive, state-of-the-art equipment. One of the traditional problems placing post communications programs at risk has been a requirement by host governments to change operating frequencies. The majority of the security communications equipment currently in the field consists of hand-held radios that have a minimum of two crystals. In order to change frequencies, roughly three man-hours per radio is required. The replacement radios issued under the five-year plan do not have crystals, can be programmed by personal computer to cover an entire frequency spectrum, are less expensive and are easier to use. The following graph depicts the current completion and replacement status of ongoing security communications enhancement efforts.

A.I.D. SECURITY COMMUNICATIONS
ENHANCEMENT PROJECTS OVERSEAS



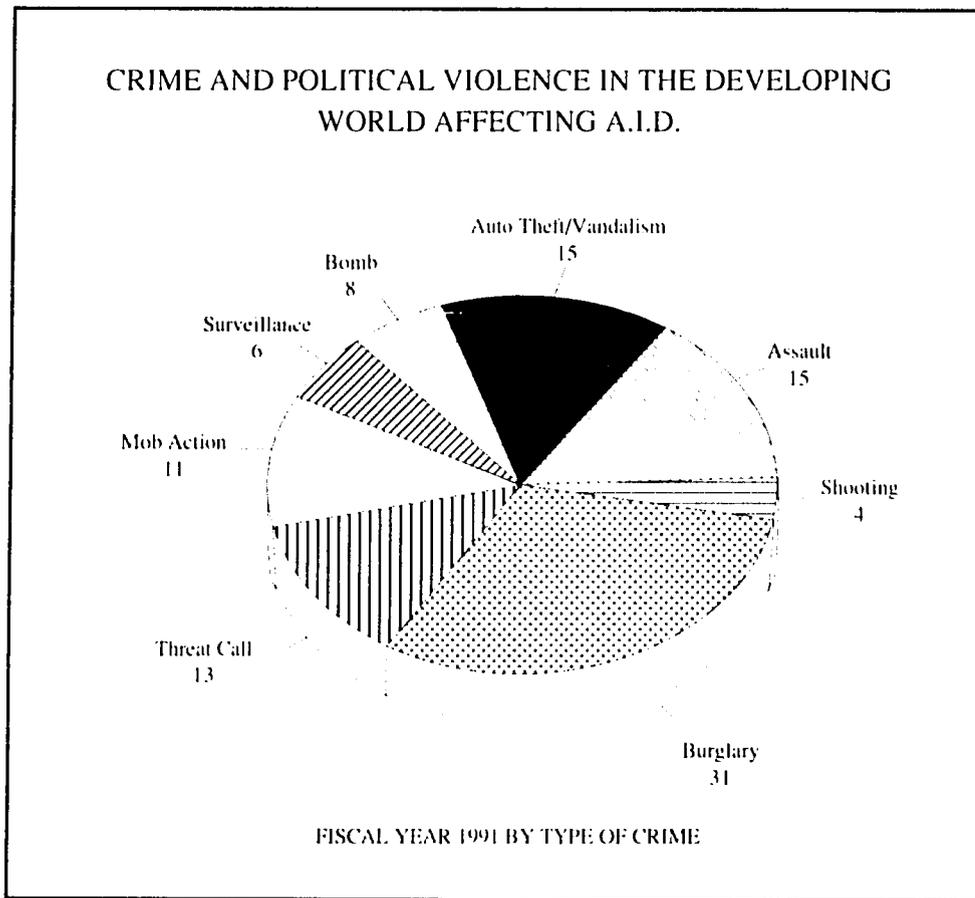
*Crime in the
Developing World
Portrayed by Region*

The following chart portrays incidents of crime and/or political violence directed against the Agency for International Development, by geographic region for the years 1988-1991.



There were 103 reported incidents of crime, political violence or harassment directed against the Agency for International Development during FY 1991. The following chart depicts the type of activity.

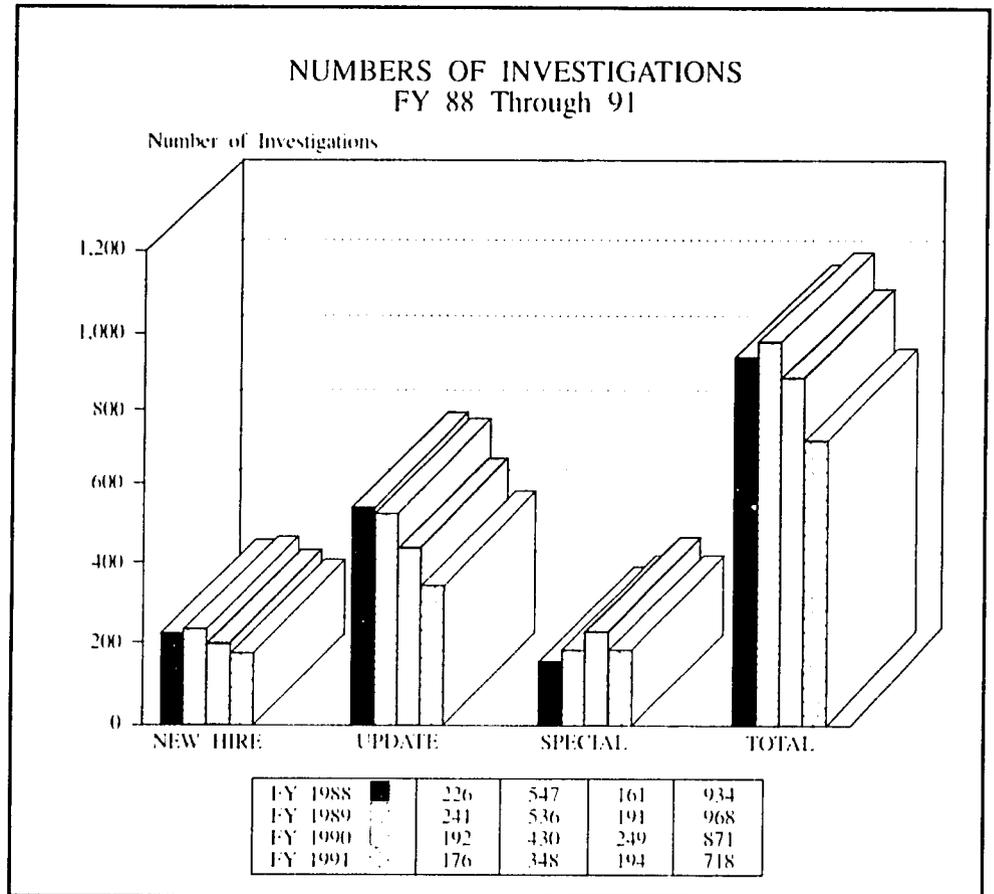
*Crime and Harassment
in the Developing
World by Type of
Incident*



Personnel Security Program

Number of Investigations Decline

Fiscal Year 1991 projections for a reduction in the number of overall investigations from previous year totals proved accurate. The decline was attributable to reduced hiring on the part of the Agency, a related reduction in the number of limited or special investigations, and a cyclical factor associated with the periodic five-year update program.



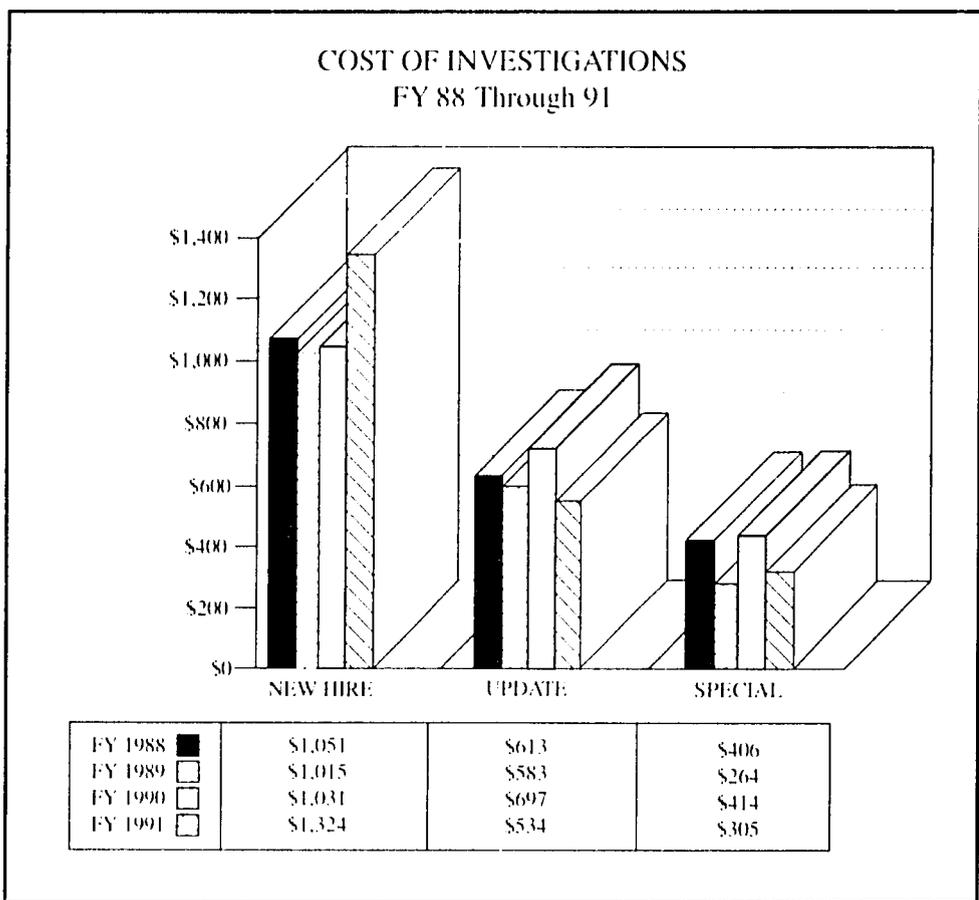
A slight increase in costs was experienced in new-hire investigations.

This was caused by an increase in the contract rate paid to the Special Agents, an increase in travel costs and lost economies of scale associated with the reduction in the investigative caseload. During periods of higher investigative activity, costs can be more easily contained through the scheduling of multiple cases on a single trip, thereby reducing potentially duplicative time and travel costs.

Costs of Field Investigations Increase Slightly

The cost per update investigation was slightly reduced, a reduction achieved in large measure through the demographics of the newly acquired contract Special Agent force. By locating a large percentage of the workforce in the Washington metropolitan area where the bulk of update investigations are conducted, the Office of Security was able to eliminate the need to bring out-of-town Agents to work in Washington.

The costs of special investigations depend on the location of the investigation and the scope of issues under investigation. The cost for the reporting period was in line with the projected cost.



Other Investigative Activity

National Agency Checks (NAC) consist of an examination of the records of the Federal Bureau of Investigation; the U.S. Office of Personnel Management, where appropriate; the Departments of State and Defense; the Central Intelligence Agency; State and Local Police jurisdictions where applicants lived, worked and were educated; and Credit Bureaus. NAC plus inquiries (NACI) include all of the preceding plus written inquiries sent to educational institutions and places of employment and, in some cases character references. NAC's were conducted in conjunction with the 718 Field Investigations handled by the Office of Security, as well as with 55 investigations of lesser scope. NACI's were conducted on 942 individuals during the reporting period. **The NAC and NACI Programs alone resulted in the generation and processing of over 30,000 individually written investigative actions during the reporting period.**

Security Clearance Actions

Virtually every investigation, whether it be a NACI or a field investigation, leads to a security clearance action. These actions involve a review of the entire investigative file; an evaluation of all information developed, including derogatory material; and the preparation of the allied paperwork in the case of a favorable decision. In the case of an unfavorable recommendation, a fact sheet is prepared. When a preliminary unfavorable decision is reached, the adjudicator prepares all related due process material for transmittal to the affected employee. **During this reporting period, 1,644 security clearance actions were completed by the Office of Security.**

Contractor Applicants Found To Be Fugitives From Justice

During security investigations on A.I.D. contractor personnel, three persons were discovered to be fugitives with outstanding arrest warrants. The Office of Security notified the appropriate law enforcement agencies of the individuals' current addresses so that arrests could be made. Another applicant for a security clearance was charged with using his computer to write illegal prescriptions for controlled substances.

Security Clearance Reinstated

A Foreign Service officer whose clearance had previously been suspended was reinstated after the employee demonstrated rehabilitation from drug and alcohol abuse and associated periods of bad credit. The clearance action was concluded following consultation with the Department of State's Office of Medical Services and expansion of the investigative process to verify the subject's most recent activities.

Counterintelligence

The Counterintelligence Program, which was implemented during FY 1990, remained active as close liaison was continued with the Department of State and other intelligence organizations. **Special challenges are also being faced as the dramatic changes in Eastern Europe impact upon formerly "hostile intelligence services" and A.I.D. moves quickly to assist the**

emerging democracies. Coordination is ongoing with the newly created European Missions to promote an environment conducive to both rapid development and the protection of A.I.D. interests.

During the reporting period, the Office of Security initiated a position sensitivity survey of the 2,225 General Schedule positions in A.I.D./ Washington, the Trade and Development Program, and the Overseas Private Investment Corporation. Results of the positions surveyed are inconclusive because of reporting delays caused by A.I.D.'s major reorganization. It is anticipated that some critical-sensitive positions will be downgraded to non-critical sensitive and therefore reduce overall investigative program costs.

From July 19 to 24, 1991, the Office of Security served as the security coordinator for the A.I.D.-hosted Tidewater Conference in Santa Fe, New Mexico. The conference gathered senior diplomats from around the world, heads of international relief organizations, and experts in developmental concerns. Security was provided in cooperation with local law enforcement agencies and the Federal Bureau of Investigation, with threat-assessment support from the U.S. Department of State.

The Office of Security Combined Automated Records (OSCAR) System was upgraded by an expansion of the central processing unit and the addition of an automatic disk retrieval system to replace its previous manual operation. Additional work stations and a third optical scanner reduced the need for equipment sharing and allowed for further efficiencies to be realized. A major accomplishment of the Office of Security during this reporting period was the manual review of over 7,000 paper files left from the pre-OSCAR days—an aggressive destruction and retirement effort involving approximately 5,000 of those files and the scanning of the remaining active files into the automated system. **The direct benefits attributable to the Office of Security's automated effort have included significant efficiencies in the investigative processing of cases, off-site back-up storage of critical security files and the elimination of over 250 cubic feet of paper files.** This effort was accomplished with no degradation in services to the security clearance candidates and ultimately to the ability of the Agency to perform its mission.

Position Sensitivity Survey

Tidewater Conference

Update of Automated Case Management System

Security Education

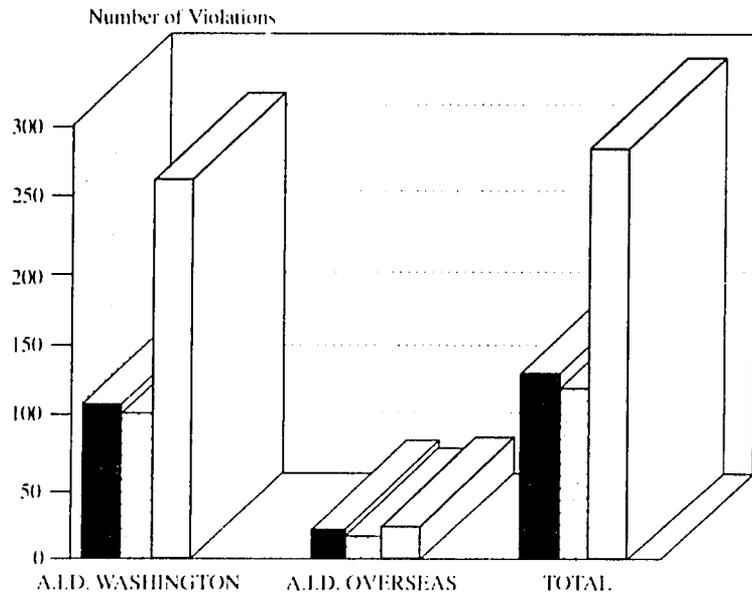
The Office of Security continued to brief each newly hired employee on the procedures for classifying, declassifying and safeguarding national security information as mandated by Executive Order 12356, National Security Information. Initial security orientations were provided to 272 new employees and contractors. **Briefings designed for specific security concerns and work environments were also presented to approximately 600 personnel within bureaus and offices throughout A.I.D./Washington.** The positive effects of this effort were reflected in a most favorable inspection report from the Information Security Oversight Office (ISOO) following its annual review of A.I.D.

In regard to the self-inspection program, the Information Security Oversight Office noted that "at headquarters, A.I.D. has developed an inspection program that provides formal guidance for the conduct of inspections, including specifying the frequency and coverage, and requiring the formal documentation of the results. A.I.D. has also expanded the scope of overseas inspections to include information security requirements in addition to physical and personnel security." The report concluded that, "**Their genuine interest in the [ISOO] inspection and its findings demonstrates their [Office of Security's] commitment to a strong security program.**"

Protection of National Security Information Remains Inadequate

The number of security violations during the reporting period increased at an alarming rate because of the increase in the numbers of after-duty-hours inspections and the emphasis on detection of violations. These violations include documents and material not secured and safes and containers left open. The Office of Security has initiated an even more aggressive FY 1992 security education effort and enlisted more direct participation by senior management on corrective/disciplinary actions.

SECURITY VIOLATIONS FY 89 through 91



	A.I.D. WASHINGTON	A.I.D. OVERSEAS	TOTAL
FY 1989	105	21	126
FY 1990	99	17	116
FY 1991	261	23	284

OFFICE OF RESOURCE MANAGEMENT

The Office of Resource Management (IG/RM) 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. IG/RM is directly responsible for implementing and administering personnel, financial, budgetary, contract, logistic and administrative activities for the Inspector General's Washington Office and six Regional Inspector General Offices abroad.

Office Responsibility

A regional office has been opened in Vienna, Austria; training plans, career development and employee recognition programs are established; modernization of our ADP capabilities continue; and an agreement has been reached with the Agency on a new method of determining reimbursement costs for services rendered.

Summary of Achievements

Personnel and Financial Management

A regional office has been opened in Vienna, Austria to oversee the Agency's Eastern European Programs. Initially, the Office is staffed with two U.S. direct-hire auditors and two local support personnel. Additional staffing is planned for FY 1992.

A Regional Audit Office for Eastern European Programs

In June of this year, the Consolidated Senior Foreign Service, Senior Threshold and FS-02 and Below Selection (Promotion) Boards convened to review the performance files of all OIG Foreign Service officers. As a result of their deliberations, 13 officers were granted promotions, one officer received a salary adjustment and seven officers received meritorious step increases. Additionally, annual performance bonuses were granted to 47 Foreign Service and 45 Civil Service employees of the OIG.

Promotions and Performance Bonuses

Our training and career development efforts have grown from merely enrolling employees into training classes to more comprehensive programs entailing (1) employee counseling; (2) establishment of a training library; (3) development of a program to assist employees with identifying and acquiring experience for career and/or personal growth; (4) issuance of an annual training needs survey; and (5) issuance of a training policy outlining both regulatory and internal guidance for OIG staff. Additionally, employees are encouraged to participate in career interest testing. Once career paths are established, mentors within the OIG will be assigned to each employee to provide coaching and support.

Training and Career Development

OIG's Awards Program

An Inspector General Awards Program was established to recognize OIG employees for exceptional achievements that yield significant benefit to the OIG and to provide each individual the opportunity to earn a tangible, non-monetary symbol of the OIG's appreciation for her/his contribution. The three award categories are Citation for Superior Performance, Special Commendation, and Award for Excellence.

Reimbursement to the Agency

The OIG was able to reduce the amount paid to the Agency in FY 1991 for support services by \$250,000 (26 percent). The reduction was made possible because of OIG efforts to perform many of the functions, such as contracting, previously provided by the Agency. Further, agreement has been reached with the Agency on future reimbursement costs, which will be based on direct charges or a negotiated amount rather than determined by formula as is now the case.

General Support

Automation

A Case Management Information System (CMIS) under development for the OIG Office of Investigations is nearing completion. Testing of the CMIS is expected shortly. Also, necessary improvements in the electronic imaging system used by the OIG Office of Security has been completed. Along with added access stations, the storage capacity and speed of the system have dramatically enhanced the ability to perform background investigations on new-hire and in-service Agency employees. Additionally, design of the local area network (LAN) for OIG Washington offices is completed. To become operational, a three-phase approach will be initiated. Phase I will provide E-mail and telecommunications to electronically link all OIG Washington offices and regional offices abroad. Phases II and III will expand basic LAN service and transfer of critical database systems from stand-alone personal computers to the LAN.

Contracts

During the past six months, 560 purchase requests totalling \$1.6 million were processed using small purchase procedures. Additionally, \$863,000 were expended for Agency-contracted Indefinite Quality Contract audits.

INSPECTOR GENERAL AUTHORIZED STAFFING
September 30, 1991

<u>Professional</u>	<u>Position</u>
Office of the Inspector General	1
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.	138
Foreign Nationals	<u>15</u>
Total Professional Staff	246
 <u>Support Staff</u>	
U.S.	42
Foreign Nationals	<u>1</u>
Total Support Staff	43
 Total Staff	 <u>289</u> ¹

¹Includes three part-time positions.

AUDIT REPORTS ISSUED

April 1, 1991 through September 30, 1991

INTERNAL AUDIT REPORTS

<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>
AUDITS OF MAJOR MANAGEMENT SYSTEMS/PROGRAMS				
3-615-91-08	06/28/91	Audit of USAID/Kenya's Compliance with Audit Requirements	—	—
3-633-91-09	06/28/91	Audit of USAID/Botswana's Accounting for Project Funds	2,024	BU
5-383-91-02	04/19/91	USAID/Sri Lanka's Close-Out Procedures for Expired Contracts	2,034	BU
5-367-91-07	09/11/91	Audit of USAID/Nepal's Management of Direct A.I.D. Contracts for Technical Assistance	1,500	BU
9-000-91-07	06/19/91	Audit of Disaster and Continuity Planning for A.I.D./Washington's Data Processing Facility	—	—
AUDITS OF PROJECT ASSISTANCE				
1-520-91-09	06/28/91	Audit of USAID/Guatemala's Rural Access Roads Project Nos. 520-0274 and 520-0332	2,000	BU
1-517-91-10	07/26/91	Audit of USAID/Dominican Republic's Agribusiness Promotion Project No. 517-0186	—	—
1-538-91-11	07/31/91	Audit of the Regional Development Office/Caribbean Infrastructure Expansion and Maintenance Systems Project No. 538-0138	—	—
1-511-91-13	08/29/91	Audit of USAID/Bolivia's Chapare Regional Development Project No. 511-0543	23	BU
2-492-91-05	05/30/91	Audit of USAID/Philippines' Accelerated Agricultural Production Project No. 492-0385	—	—
2-492-91-06	08/29/91	Audit of Enterprise in Community Development Project No. 492-0395	269	BU
3-633-91-06	05/31/91	Audit of Botswana Junior Secondary Education Improvement Project No. 633-0229	42	QC
3-632-91-07	06/21/91	Audit of Lesotho Basic and Non-Formal Education Systems (BANFES) Project No. 632-0222	38	QC
3-617-91-10	07/19/91	Audit of Uganda Manpower for Agricultural Development Project No. 617-0103	227	BU
5-391-91-03	05/24/91	Audit of USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network	2,900	BU
5-391-91-04	05/24/91	Audit of USAID/Pakistan's Participant Training Program	—	—
5-367-91-05	05/17/91	Audit of Nepal's Agricultural Research and Production Project—Project No. 367-0149	—	—
5-442-91-06	07/31/91	Audit of the Controls Over Special Accounts Used to Fund the Cambodian Non-Communist Resistance Groups' Activities—Project No. 442-0100	2	BU
6-263-91-07	08/28/91	Audit of USAID/Egypt's Peace Fellowship Program	67	QC
7-660-91-09	04/26/91	Audit of USAID/Zaire's Family Planning Services Project—Project No. 660-0094	8	BU
7-641-91-10	05/30/91	Audit of A.I.D.'s Participant Training Program in Ghana	—	—
7-685-91-13	07/31/91	Audit of A.I.D.'s Participant Training Program in Senegal	—	—
AUDITS OF NONPROJECT ASSISTANCE				
3-613-91-11	08/21/91	Audit of Commodity Import Programs Follow-up—USAID/Zimbabwe	—	—
6-263-91-06	08/18/91	Audit of USAID/Egypt's Commodity Import Program	—	—
AUDITS OF P.L. 480 TITLE I, II, AND III AGREEMENTS				
7-641-91-11	07/12/91	Audit of P.L. 480 Commodity Claims in Ghana	—	—
7-693-91-12	07/26/91	Audit of P.L. 480 Commodity Claims in Togo	—	—

BEST AVAILABLE DOCUMENT

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

**Internal 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>
MANDATED AND MISCELLANEOUS AUDITS				
1-524-91-12	08/23/91	Audit of the Nicaragua Assistance Program Funded by Public Law 101-302 and Fiscal Year 1991 Appropriations as of May 31, 1991	—	—
1-525-91-14	09/12/91	Audit of the Panama Assistance Program Funded by Public Law 101-302 as of May 31, 1991	—	—
7-669-91-14	09/13/91	Audit of the Regional Economic Development Services Office for West and Central Africa's Automated Accounting Support Services	—	—
9-000-91-06	04/24/91	Audit of A.I.D./Washington's Compliance with A.I.D. Regulation 1, Section 201.11, Eligibility of Commodities	—	—
9-000-91-08	08/08/91	Audit of A.I.D.'s Compliance with Requirements for Consulting Services	—	—
FINANCIAL AND FINANCIAL-RELATED AUDITS				
0-000-91-02	08/30/91	Audit of the Recorded Deposits and Disbursements to the Agency's Gifts and Donations Trust Fund Account	—	—

BEST AVAILABLE DOCUMENT

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

Agency-Contracted Audits

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
0-000-91-02-N	04/30/91	Audit Report of Management Sciences for Health, Inc. Contract No. 522-0153-C-00-5397-00, July 1, 1985 to December 31, 1988	660 43	QC UN
0-000-91-03-N	04/30/91	Audit Report of Management Sciences for Health, Inc. Contract No. NEB-0065-C-00-3032-00, April 5, 1983 to June 30, 1989	515 139	QC UN
1-520-91-27-N	05/21/91	Audit of the Farm-to-Market Access Roads and the Highlands Agricultural Development Project Activities Managed by the Ministry of Communication, Transportation, and Public Works, September 30, 1983 to December 31, 1988	1,449 1,423	QC UN
1-523-91-28-N	05/21/91	Audit of the Community Doctors Project Managed by the Mexican Foundation for Family Planning, November 1, 1986 to July 31, 1990	—	—
1-527-91-29-N	05/22/91	Audit of USAID/Peru's Grant to the "Support to Population Programs" Organization under the Integrated Family Planning and Health Project, June 28, 1984 to February 28, 1990	—	—
1-524-91-30-N	05/22/91	Pre-award Survey of the Central Bank of Nicaragua Economic Stabilization and Recovery Program Administered by USAID/Nicaragua	—	—
1-524-91-31-N	05/24/91	Pre-award Survey of the Capability of the Family Planning Association of Nicaragua to Manage the Family Planning Expansion and Regionalization Project	—	—
1-524-91-32-N	05/24/91	Audit of USAID/Nicaragua's Economic Support Fund Program, May 31, 1990 to November 30, 1990	1,375 344	QC UN
1-519-91-33-N	05/28/91	Audit of the Credit Activities of USAID/El Salvador's Earthquake Reconstruction Project for the Year Ended September 30, 1990	—	—
1-519-91-34-N	05/29/91	Audit of the Restoration of Public Services Component of USAID/El Salvador's Earthquake Reconstruction Project for the Year Ended September 30, 1990	—	—
1-519-91-35-N	05/30/91	Audit of El Salvador's National Plan for Area Restoration Managed by the National Commission for Area Restoration for the Year Ended September 30, 1990	276	BU
1-527-91-36-N	07/25/91	Audit of USAID/Peru's Upper Huallaga Area Development Project Managed by the Upper Huallaga Special Project Office--September 15, 1981 to March 31, 1990	43	QC
1-520-91-37-N	07/25/91	Audit of USAID/Guatemala's Highlands Agricultural Development Project--Phase I Activities Managed by the National Agricultural Development Bank--September 30, 1983 to June 30, 1990	—	—
1-520-91-38-N	07/25/91	Audit of USAID/Guatemala's Highlands Agricultural Development Project--Phase I Activities Managed by the General Directorate for Agricultural Services--September 30, 1983 to June 30, 1990	318 297	QC UN
1-520-91-39-N	07/31/91	Audit of USAID/Guatemala's Highlands Agricultural Development Project--Phase I Activities Managed by the General Directorate of Forests and Wildlife--September 30, 1983 to June 30, 1990	413 409	QC UN
1-520-91-40-N	07/26/91	Audit of USAID/Guatemala's Highlands Agricultural Development Project--Phase I Managed by the Agricultural Sector Planning Unit	38 38	QC UN
1-596-91-41-N	07/31/91	Audit of ROCAP's Private Sector Initiatives Project Managed by the Federation of Private Entities of Central America and Panama--February 27, 1989 to June 30, 1990	—	—
1-522-91-42-N	08/14/91	Pre-award Survey of the Capability of the Federation of Agricultural and Agro-Industrial Producers and Exporters of Honduras to Manage the USAID/Honduras Investment and Export Development Project	—	—
1-522-91-43-N	08/14/91	Pre-award Survey of the Capability of the Foundation for Investment and Development of Exports to Manage the USAID/Honduras Investment and Export Development Project	—	—
1-521-91-44-N	08/15/91	Pre-award Survey of the Capability of the Haitian Foundation for Private Education to Manage USAID/Haiti's Incentives to Improve Basic Education Project	—	—
1-527-91-45-N	08/19/91	Audit of USAID/Peru's Rural Water Systems and Environmental Sanitation Project Managed by the Ministry of Health--September 25, 1980 to June 30, 1989	1,546 1,422	QC UN
1-517-91-46-N	08/22/91	Audit of USAID/Dominican Republic's Export and Investment Promotion Project Managed by the Investment Promotion Council--January 1, 1989 to September 30, 1990	117 78	QC UN

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

BEST AVAILABLE DOCUMENT

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

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
1-519-91-47-N	08/30/91	Audit of USAID/El Salvador Project Activities Managed by the National Commission for Assistance to the Displaced Population—June 19, 1990 to December 31, 1990	—	—
1-521-91-48-N	09/12/91	Audit of USAID/Haiti's Private Voluntary Organization Collaboration and Development Project, Managed by the Haitian Association of Voluntary Agencies, October 1, 1989 to June 30, 1990	—	—
1-518-91-49-N	09/17/91	Pre-award Survey of the Capability of Our Youth Foundation to Manage USAID/Ecuador's Drug Information and Public Awareness Project-Phase II	—	—
1-511-91-50-N	09/18/91	Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the National Directorate for Agricultural Reconversion, for the Year Ended December 31, 1990	—	—
1-511-91-51-N	09/18/91	Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the Subsecretariat for Alternative Development and Coca Crop Substitution, for the Year Ended December 31, 1990	1	BU
1-511-91-52-N	09/20/91	Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the Bolivian Institute of Agriculture and Cattle Technology/Chapare, for the Year Ended December 31, 1990	—	—
1-511-91-53-N	09/20/91	Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the PL-480 Executive Secretariat, for the Year Ended December 31, 1990	—	—
1-511-91-54-N	09/20/91	Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the National Service of Roads, for the Year Ended December 31, 1990	2	QC
1-511-91-55-N	09/20/91	Audit of USAID/Bolivia's Chapare Regional Development Project, Activities Managed by the Program of Alternative Regional Development, for the Year Ended December 31, 1990	111	QC
2-882-91-12-N	04/24/91	Audit of the South Pacific Commission Multi-Project Support Grant—Fiji	279 261	QC UN
2-492-91-13-N	06/18/91	Audit of the Southern Mindanao Agricultural Research Center of the University of Southern Mindanao—Philippines	19 7 2	QC UN BU
2-492-91-14-N	06/24/91	Audit of the University of the Philippines at Los Banoa Foundation, Inc.—Philippines	20	QC
2-492-91-15-N	07/23/91	Audit of Actuator for Socio-Economic Progress, Inc.—Philippines	21	QC
2-492-91-16-N	07/30/91	Audit of the Philippine Statistical Association, Inc.—Philippines	45	BU
2-492-91-17-N	08/07/91	Audit of Notre Dame of Midsayap College Community Extension Services under the Local Resources Management Project—Philippines	4	QC
2-492-91-18-N	09/04/91	Audit of the University of North-Eastern Philippines Bicol Small Business Foundation Inc., under the Local Resources Management Project	1	QC
2-492-91-19-N	09/09/91	Audit of the Market Information Dissemination Grant to the Philippine Chamber of Commerce and Industry under the Accelerated Agricultural Production Project	—	—
3-613-91-07-N	04/02/91	Audit of USAID/Zimbabwe's Contract No. 613-0231-C-00-6022-00 with Zeco Limited	590	BU
3-612-91-08-N	06/25/91	Audit of Grant No. 612-0214-G-00-5003 to the Credit Union National Association, Inc. in Malawi	1 1	QC UN

BEST AVAILABLE DOCUMENT

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>
3-674-91-09-N	06/29/91	Audit of the Educational Opportunities Council Cooperative Agreement No. 674-0230-A-00-5003-00	2 40	QC BU
3-674-91-10-N	08/19/91	Audit of the African Teachers Association of South Africa Agreement No. 674-0302-A-00-6055-00	2 446	UN QC
3-687-91-11-N	09/11/91	Audit of the Commodity Import Program Component of the Madagascar Agricultural Rehabilitation Support Project No. 687-0101	376 21	UN QC
3-695-91-12-N	09/11/91	Audit of USAID/Burundi's Grant with the Ministry of Public Health under the Combatting Childhood Communicable Diseases Project No. 698-0421	136 170	BU QC
3-613-91-13-N	09/16/91	Audit of Local Currency Generations under USAID/Zimbabwe Grant No. 613-K-606	169	UN
3-613-91-14-N	09/16/91	Audit of Local Currency Generations under USAID/Zimbabwe Grant No. 613-K-605	447	BU
3-613-91-15-N	09/16/91	Audit of Local Currency Generations under USAID/Zimbabwe Grant No. 613-K-604	—	—
3-613-91-16-N	09/16/91	Audit of Local Currency Generations under USAID/Zimbabwe Grant No. 613-K-603	204	BU
3-613-91-17-N	09/16/91	Audit of Expenditures on Selected Projects Funded by Local Currency Generated under USAID/Zimbabwe Grant Nos. 613-K-603 to 613-K-606	— 24,891	— BU
5-386-91-02-N	04/02/91	Audit Report on CARE's PL-480, Title II Program in India States of Karnataka, Maharashtra, and West Bengal	—	—
5-388-91-03-N	04/17/91	Audit Report on the Enterprise Development Project with the Micro Industries Development Assistance Society in Bangladesh	150	QC
5-388-91-04-N	04/17/91	Audit of Indirect Costs for the International Center for Diarrhoeal Disease Research in Bangladesh	174	BU
5-367-91-05-N	07/26/91	Audit of World Education, Inc.—Nepal	3	QC
5-497-91-06-N	09/06/91	Audit of Save the Children Federation—Indonesia	155	QC
6-263-91-05-N	04/04/91	Audit of Local Expenditures by Family of the Future Association under USAID/Egypt's Population/Family Planning Project No. 263-0144	1	UN
6-263-91-06-N	04/28/91	Audit of Local Expenditures by Project Hope/Egypt under USAID/Egypt's Technical Cooperation and Feasibility Studies Project No. 263-0102	— 22 2	— QC UN
6-263-91-07-N	05/30/91	Audit of Local Expenditures by Chemonics International Consulting Division under USAID/Egypt's Agricultural Production and Credit Project No. 263-0202	49 3	QC UN
7-683-91-06-N	04/30/91	Audit of the Agriculture Sector Development Grant in Niger (Project No. 683-0246)	5,077	BU

BEST AVAILABLE DOCUMENT

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

OMB Circular A-110/A-133 Audits

<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>
LTR-91-039	04/17/91	International Planned Parenthood Federation--Western Hemisphere Region, Inc.	—	—
LTR-91-040	04/17/91	Polish-American Enterprise Fund	—	—
LTR-91-041	04/17/91	Hungarian-American Enterprise Fund	—	—
LTR-91-042	04/17/91	The Pathfinder Fund	—	—
LTR-91-043	04/17/91	Family Health International	—	—
LTR-91-044	04/17/91	Wellstart/The San Diego Lactation Program	—	—
LTR-91-045	04/18/91	Esperanca, Inc.	100	QC
			1	UN
LTR-91-046	04/19/91	World Environment Center, Inc.	—	—
LTR-91-047	05/06/91	International Eye Foundation	—	—
LTR-91-048	05/06/91	National Association for Equal Opportunity in Higher Education	—	—
LTR-91-049	05/06/91	New TransCentury Foundation	—	—
LTR-91-050	05/15/91	Lutheran World Relief, Inc.	—	—
LTR-91-051	05/15/91	International Center for Research on Women	—	—
LTR-91-052	05/15/91	Cooperative for American Relief Everywhere (CARE USA)	—	—
LTR-91-053	06/14/91	World Resources Institute	—	—
LTR-91-054	06/21/91	Christian Reformed World Relief Committee	—	—
LTR-91-055	06/21/91	Council for International Development	—	—
LTR-91-056	06/21/91	America-Mideast Educational and Training Services, Inc.	—	—
LTR-91-057	06/21/91	American Institute for Free Labor Development	—	—
LTR-91-058	06/24/91	African Wildlife Foundation, Inc.	—	—
LTR-91-059	06/24/91	African Wildlife Foundation, Inc.	—	—
LTR-91-060	06/24/91	American College of Nurse-Midwives	—	—
LTR-91-061	06/24/91	National Rural Electric Cooperative Association	—	—
LTR-91-062	07/12/91	Bangladesh-United States Business Council	—	—
LTR-91-063	07/12/91	Center for Human Services	—	—
LTR-91-064	07/12/91	Opportunities Industrialization Centers International, Inc.	—	—
LTR-91-065	07/12/91	Asian-American Free Labor Institute	—	—
LTR-91-066	07/12/91	Caribbean Conservation Corporation, Inc.	86	QC
LTR-91-067	07/12/91	World SHARE, Inc.	3	QC
			3	UN
LTR-91-068	07/12/91	Freedom From Hunger Foundation	—	—
LTR-91-069	07/12/91	Cooperative Housing Foundation	474	QC
LTR-91-070	07/15/91	Cooperative Housing Foundation	61	QC
LTR-91-071	07/15/91	Cooperative Housing Foundation	2,100	QC
LTR-91-072	07/15/91	Cooperative Housing Foundation	2,118	QC
LTR-91-073	07/15/91	Cooperative Housing Foundation	8,072	QC
LTR-91-074	07/17/91	Oceanic Institute	—	—
LTR-91-075	07/17/91	Consortium for International Crop Protection	—	—
LTR-91-076	08/23/91	Private Agencies Collaborating Together, Inc.	—	—
LTR-91-077	08/23/91	Private Agencies Collaborating Together, Inc.	—	—
LTR-91-078	08/23/91	Inter-American Bar Foundation	8	QC
LTR-91-079	08/23/91	The Latin American Scholarship Program of American Universities, Inc.	—	—
LTR-91-080	08/23/91	The Population Council, Inc.	—	—
LTR-91-081	08/23/91	American Public Health Association	—	—
LTR-91-082	09/10/91	The End Hunger Network	—	—

BEST AVAILABLE DOCUMENT

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

**OMB Circular A-110/-133 Audits
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<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>
LTR-91-083	09/10/91	National Council for International Health, Inc.	—	—
LTR-91-084	09/10/91	Planned Parenthood Federation of America, Inc.	85	QC
			15	UN
LTR-91-085	09/10/91	Volunteers in Overseas Cooperative Assistance	—	—
LTR-91-086	09/10/91	World Relief Corporation of National Association of Evangelicals	—	—
LTR-91-087	09/12/91	Council for International Development	—	—
LTR-91-088	09/12/91	Helen Keller International, Inc.	—	—
LTR-91-089	09/13/91	Pan American Development Foundation, Inc.	—	—
LTR-91-090	09/13/91	National Council of Negro Women, Inc.	—	—

BEST AVAILABLE DOCUMENT

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

Other Government Audit Agency Audits

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
TR-91-100	04/05/91	The Omega Group, Inc.	—	—
TR-91-101	04/05/91	Computer Assisted Development, Inc.	18	BU
TR-91-102	04/05/91	Mississippi State University	—	—
TR-91-103	04/05/91	Roy F. Weston, Inc.	—	—
TR-91-104	04/05/91	University of Idaho	—	—
TR-91-105	04/05/91	Cal Poly Kellogg Unit Foundation, Inc.	—	—
TR-91-106	04/10/91	International Media Fund	—	—
TR-91-107	04/12/91	U.S. Telecommunications Training Institute	—	—
TR-91-108	04/12/91	State of Florida	11	QC
TR-91-109	04/16/91	Gilbert Commonwealth, Inc.	161	QC
TR-91-110	04/16/91	Ernst & Young International	5	QC
TR-91-111	04/17/91	Industry Council, Inc.	—	—
TR-91-112	04/17/91	University of California at San Francisco	—	—
TR-91-113	04/26/91	Black and Veatch International	39	BU
TR-91-114	04/26/91	Cultural Survival, Inc.	11	QC
TR-91-115	04/26/91	Summer Institute of Linguistics	—	—
TR-91-116	04/26/91	University of Connecticut	—	—
TR-91-117	04/26/91	Medical College of Hampton Roads	—	—
TR-91-118	04/26/91	Training Resources Group, Inc.	—	—
TR-91-119	05/09/91	Benchmarks, Inc., Subcontractor to Formentco, Inc.	—	—
TR-91-120	05/09/91	Formentco, Inc. (Mendez England and Associates)	19	BU
TR-91-121	05/10/91	Booker T. Washington Foundation	—	—
TR-91-122	05/10/91	Gibbs and Hill, Inc.	—	—
TR-91-123	05/17/91	Benchmarks, Inc.	39	BU
TR-91-124	05/20/91	Checchi and Company Consulting, Inc.	—	—
TR-91-125	05/21/91	Center for Strategic International Studies	—	—
TR-91-126	05/21/91	Mandex Incorporated	—	—
TR-91-127	05/24/91	International Dairy Development Program, A Division of Land O'Lakes, Inc.	—	—
TR-91-128	05/30/91	State of Vermont	—	—
TR-91-129	05/30/91	Resources for the Future	—	—
TR-91-130	06/11/91	National Academy of Sciences	—	—
TR-91-131	06/11/91	Dynamic Concepts, Inc.	120	QC
TR-91-132	06/14/91	Mandex Incorporated	—	—
TR-91-133	06/18/91	Environmental Research Institute of Michigan	132	QC
TR-91-134	06/18/91	Pragma Corporation	—	—
TR-91-135	06/18/91	Katalysis Foundation	—	—
TR-91-136	06/26/91	Pennsylvania State University	—	—
TR-91-137	06/27/91	Colorado State University	169	BU
TR-91-138	07/15/91	North Carolina Agricultural and Technical State University	—	—
TR-91-139	07/15/91	American Council for Voluntary International Action (Interaction)	1	QC
TR-91-140	07/16/91	Virginia Polytechnic Institute and State University	—	—
TR-91-141	07/16/91	American Council of Young Political Leaders	21	QC
			1	UN
TR-91-142	07/16/91	Washington Development Capital Corporation	—	—
TR-91-143	07/16/91	Purdue University	—	—
TR-91-144	07/17/91	World Environment Center	—	—
TR-91-145	07/18/91	World Environment Center	—	—
TR-91-146	07/24/91	Wellstart, the San Diego Lactation Program	—	—
TR-91-147	07/25/91	University of California at Davis	—	—
TR-91-148	07/25/91	Resources Development Associates International, Inc.	—	—

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

BEST AVAILABLE DOCUMENT

**Other Government Audit Agency Audits
(Cont'd)**

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
TR-91-149	07/26/91	Nathan Associates, Inc.	—	—
TR-91-150	07/29/91	Land O'Lakes, Inc.	—	—
TR-91-151	07/29/91	Bechtel Group, Inc.	—	—
TR-91-152	08/02/91	International USA (aka Foster Parents Plan, Inc.)	—	—
TR-91-153	08/21/91	Resources Development Associates International, Inc.	—	—
TR-91-154	08/26/91	Missouri Botanical Garden	—	—
TR-91-155	08/26/91	Network Solutions, Inc.	—	—
TR-91-156	08/29/91	Louis Berger International, Inc.	—	—
TR-91-157	08/29/91	Porter Novelli	—	—
TR-91-158	08/29/91	The Debt for Development Coalition, Inc.	—	—
TR-91-159	08/29/91	Save the Children Federation	—	—
TR-91-160	09/03/91	University of Nebraska-System	—	—
TR-91-161	09/05/91	T. Head and Company	—	—
TR-91-162	09/05/91	American Association for the Advancement of Science	—	—
TR-91-163	09/09/91	CASystem International	367	BU
TR-91-164	09/09/91	University of California, Riverside	—	—
TR-91-165	09/10/91	Missouri Botanical Garden	—	—
TR-91-166	09/10/91	Abel, Daft and Earley	—	—
TR-91-167	09/10/91	University of Nevada	—	—
TR-91-168	09/10/91	Louis Berger and Associates, Inc.	—	—
TR-91-169	09/10/91	Medical College of Virginia (formerly Eastern Virginia Medical Authority)	—	—
TR-91-170	09/12/91	Black and Veatch	23	QC
TR-91-171	09/12/91	TEM Associates, Incorporated	—	—
TR-91-172	09/11/91	Black and Veatch	1	QC
TR-91-173	09/12/91	University of Pittsburgh	—	—

BEST AVAILABLE DOCUMENT

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>
REJ-91-005	07/12/91	New Jersey Marine Sciences Consortium	—	—
REJ-91-006	09/11/91	Consortium for Service to Latin America, Inc.	—	—
REJ-91-007	09/11/91	Community Systems Foundation	—	—
REJ-91-008	09/12/91	Association for Voluntary Surgical Contraception, Inc.	—	—
REJ-91-009	09/12/91	Church World Service, Inc.	—	—
REJ-91-010	09/12/91	Cultural Survival, Inc.	—	—
REJ-91-011	09/13/91	National Council of Negro Women, Inc.	—	—
REJ-91-012	09/13/91	Nutrition Foundation, Inc.	—	—
REJ-91-013	09/13/91	The Salvation Army World Service Office	—	—

BEST AVAILABLE DOCUMENT

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