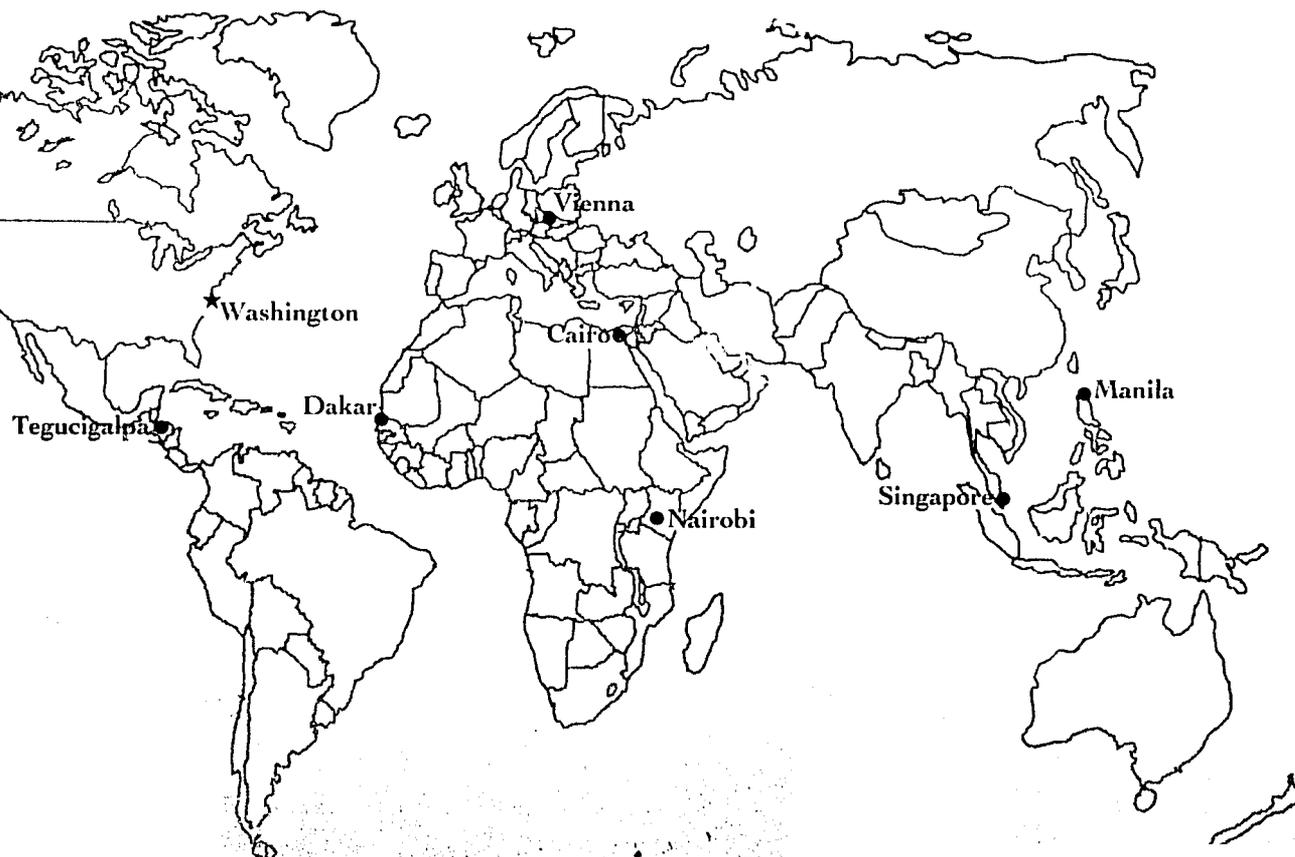


Financial Audits

**AUDIT OF FISCAL YEAR 1993
ANNUAL FINANCIAL STATEMENT FOR USAID'S
MISCELLANEOUS U.S. DOLLAR TRUST FUNDS
UNDER THE CFO ACT**

**Report No. 0-000-94-005
June 30, 1994**



BEST AVAILABLE DOCUMENT





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Assistant Inspector
General for
Audit

June 30, 1994

MEMORANDUM

TO: AA/M, Larry E. Byrne
FROM: AIG/A, James B. Durnil
SUBJECT: Audit of Fiscal Year 1993 Annual Financial Statement
for USAID's Miscellaneous U.S. Dollar Trust Funds under
the CFO Act

The Chief Financial Officers (CFO) Act of 1990 requires the U.S. Agency for International Development (USAID) to prepare an Annual Financial Statement for the Miscellaneous U.S. Dollar Trust Funds. This statement is to include the presentation of program and financial performance information related to the program. The USAID Office of Inspector General is responsible for auditing the Annual Financial Statement. To fulfill this responsibility, we contracted with the independent certified public accounting firm of Deloitte and Touche to perform, under our general oversight, the financial audit for fiscal year (FY) 1993. In addition, the USAID Office of Inspector General reviewed the presentation of management performance information required by the Office of Management and Budget (OMB). This report presents the results of the audit.

Audits under the CFO Act are to be made in accordance with generally accepted government auditing standards and OMB Bulletin Number 93-06, "Audit Requirements for Federal Financial Statements." Those standards require the audit to provide reasonable assurance that the financial statements are free of material misstatement. The audit included obtaining an understanding of the relevant internal control policies and procedures designed to achieve control objectives; determining that the controls had been placed in operation; and assessing the control risks. The audit also included tests of USAID's compliance with certain laws and regulations.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

MISCELLANEOUS U.S. DOLLAR TRUST FUNDS

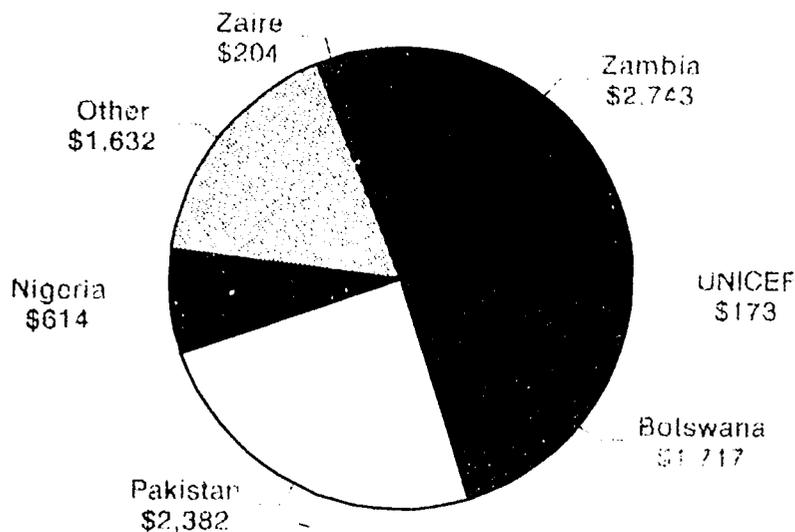
REPORT OF INDEPENDENT AUDITORS
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1993

REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL STRUCTURE

REPORT OF INDEPENDENT AUDITORS ON
COMPLIANCE WITH LAWS AND REGULATIONS

The Annual Financial Statement for the Miscellaneous U.S. Dollar Trust Funds includes the activity of two trust funds -- the U.S. Dollar Advances from Foreign Governments Trust Fund and the Gifts and Donations Trust Fund. The U.S. Dollar Advances from Foreign Governments Trust Fund records expenditures against receipts held in trust where USAID acts in a fiduciary capacity in carrying out specific purposes and programs in accordance with trust agreements. The Gifts and Donations Account records the receipt of money, funds property and services of any kind made available by gift, devise, bequest and grants, and expenditures against these receipts in accordance with applicable agreements and in furtherance of USAID program objectives. Neither of the two trust funds involves appropriated funds.

Miscellaneous U.S. Dollar Trust Funds



This chart depicts the countries with the largest trust fund balances, at September 30, 1993.
(in thousands)

Financial Statement Audit

Deloitte and Touche's audit objectives were to determine whether: (1) the financial statements were presented fairly in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles, (2) the trust funds had an adequate internal control structure, and (3) the trust funds complied with laws and regulations that could have a direct and material effect on the financial statements and certain other laws and regulations designated by OMB and USAID.

Deloitte and Touche was unable to express an opinion on the financial statements. The accounting records, procedures and automated systems maintained to account for the Trust Fund's operations were inadequate. Deloitte and Touche was unable to

apply alternative auditing procedures to satisfy themselves regarding substantially all account balances, and automated systems were inadequate to facilitate audit testing.

Deloitte and Touche's Report on Internal Control Structure identified one material weakness¹ applicable to the U.S. Dollar Advances from Foreign Governments Trust Fund:

"USAID cannot provide a complete accounting for the Trust Funds."

The balances for individual trusts in USAID's financial records cannot be adequately supported by source documentation and are derived from various records rather than a controlled system. The lack of controls over trusts has resulted in a vulnerability that Trust Fund monies could be misspent.

Our report for FY 1992² on the CFO Act audit of this Miscellaneous U.S. Dollar Trust Fund identified the same material weakness and recommended that the Office of Financial Management, Central Accounting and Reporting Division:

- (a) obtain sufficient detail from the Missions to record and reconcile all transactions pertinent to trusts,
- (b) implement procedures to identify and resolve all reconciling items with Treasury accounts and ensure that appropriate entries are posted monthly for reconciling items, and
- (c) produce monthly reports of the status of funding for each trust, reconcile the records to Treasury, and account for transactions on a full accrual basis.

Parts (b) and (c) of our recommendation remain open and will be highlighted in our next semi-annual report to the Congress unless final management resolution has been taken before that time.

Deloitte and Touche's Report on Compliance with Laws and Regulations states that USAID is not in compliance with the CFO Act or generally accepted accounting principles since this entity's overhead costs (borne by USAID as a whole) are not included in the statements. Deloitte and Touche considered this a material

¹ See Deloitte and Touche's Report on Internal Control Structure (page 23) for the definition of a "material weakness."

² Audit Report No. 0-000-93-003 dated June 30, 1993.

instance of noncompliance³, but recognized that this activity is a very small portion of the overall activity of USAID. Moreover, USAID management has indicated that the overhead cost will be included in the FY 1994 statements. In view of USAID's plans to correct the noncompliance for this small entity, we are not making a recommendation.

Assessment of USAID's Approach to Developing Performance Measures

In addition to audit work performed by Deloitte and Touche, we inquired into USAID's approach to developing performance measures - a requirement of the CFO Act. Our objective, as required by OMB, was to determine whether USAID had established a performance measurement system for the Miscellaneous U.S. Dollar Trust Funds with adequate internal controls for the existence and completeness of performance information captured.

USAID has not developed performance measures for this relatively small entity. For the U.S. Dollar Advances from Foreign Governments Trust Fund, USAID's Overview provides its rationale for this decision, such as the size of the funds and plans to liquidate them. While performance measures have not been developed as of FY 1993, management reports its intention to develop financial performance measures for FY 1994, such as a 60-day time frame to (a) deposit funds, (b) reconcile disbursements and collections, and (c) process inter-office payments. For the even smaller Gifts and Donations Trust Fund, USAID management considers performance measures "impractical."

We consider USAID's approach to performance measures for this entity to be prudent, practical and cost-conscious. We believe management's stated intention to use financial performance measures for the U.S. Dollar Advances from Foreign Governments Trust Fund adequately meets the spirit of the CFO Act requirement. Accordingly, we are not making any recommendations regarding performance measures.

Management's Comments

Agency management concurred with our audit results and expressed a commitment to improve the financial records of this entity and to close outstanding audit recommendations. A copy of management's written comments to the draft audit report is attached as Appendix I.

³ See Deloitte and Touche's Report on Compliance with Laws and Regulations (page 24) for the definition of a "material instance of noncompliance."

We appreciate the courtesies and cooperation extended to both the staffs of the USAID Office of Inspector General and Deloitte and Touche during the course of this audit.

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**INDEPENDENT AUDITORS' REPORT**

To the Administrator and
the Inspector General of the
U.S. Agency for International Development

We were engaged to audit the accompanying statement of financial position of the Miscellaneous U.S. Dollar Trust Funds (the Trust Funds) of the U.S. Agency for International Development (USAID) as of September 30, 1993, and the related statements of operations, changes in net position, cash flows, and budget and actual expenses for the year then ended. These financial statements are the responsibility of USAID's management. Audit procedures on the financial statements for the year ended September 30, 1992, were performed by other auditors whose report dated June 7, 1993, disclaimed an opinion on the statements of financial position; financing sources and expenditures and trust fund balance by trustor, and cash flows for reasons similar to those described in the following section.

As discussed in the following paragraphs, the Trust Funds lack adequate accounting records, procedures, and automated systems to account for the Trust Funds' operations.

In the unaudited financial statements for the year ended September 30, 1993, the Trust Funds indicate a cumulative balance due from the U.S. Treasury at September 30, 1993, of \$17,515,790. The U.S. Treasury, however, indicates a cumulative balance of \$16,862,498 - a difference of \$653,292. Neither these balances nor the activity recorded in 1993 were supported by reliable evidence, nor were adequate explanations of the differences provided by USAID management. Accordingly, adjustments were recorded during 1993, with which we concur, to agree the Trust Funds' balances to those of the U.S. Treasury at September 30, 1993.

The detailed schedule of trust funds for the year ended September 30, 1992 indicate that the Trust Fund liabilities were \$16,187,136. The Trust Funds records of individual trust fund liabilities show an amount due of \$16,846,905. The Trust Funds recorded an adjustment during 1993, with which we concur, of \$659,769 to write - off these and other unidentified differences.

Furthermore, as discussed in Note 7 to the financial statements, the Trust Funds' financial statements do not include all overhead costs associated with running the Trust Funds. The treatment is contrary to the principles outlined in Office of Management and Budget Bulletin Number 93-02, *Form and Content of Agency Financial Statements*, and generally accepted accounting principles that require all operating costs for an entity be properly recorded and disclosed within its financial statements.

Miscellaneous U.S. Dollar Trust Funds
Independent Auditors' Report
Page 2

Because we were not able to apply alternative auditing procedures to satisfy ourselves regarding substantially all account balances, and because automated systems were inadequate to facilitate audit testing, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

Deloitte & Touche

May 20, 1994

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISCELLANEOUS U.S. DOLLAR TRUST FUNDS**

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 1993 AND 1992
(In Thousands)**

	1993	1992
ASSETS		
Fund Balance with Treasury (Note 2)	\$ 5	\$ 6
Restricted Fund Balance with Treasury (Note 2)	16,858	17,218
Non-financial Resources	<u>6</u>	<u>35</u>
TOTAL ASSETS	<u>\$16,869</u>	<u>\$17,259</u>
LIABILITIES AND NET POSITION		
Accounts Payable, Non-Federal	\$ 7,108	\$ 1,056
Trust Fund Balances (Note 3)	<u>9,465</u>	<u>16,187</u>
TOTAL LIABILITIES	<u>16,573</u>	<u>17,243</u>
NET POSITION		
Gifts and Donations Fund Balances	15	16
Cumulative Results of Operations	<u>281</u>	<u>-</u>
TOTAL NET POSITION	<u>296</u>	<u>16</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$16,869</u>	<u>\$17,259</u>

The accompanying notes are an integral part of these financial statements.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISCELLANEOUS U.S. DOLLAR TRUST FUNDS**

**STATEMENT OF OPERATIONS
YEAR ENDED SEPTEMBER 30, 1993
(In Thousands)**

INCOME FROM FUND ACTIVITY	\$65,697
TRUST FUND EXPENSES	<u>65,697</u>
RESULT OF TRUST FUND ACTIVITIES	-
MISCELLANEOUS INCOME	<u>281</u>
RESULTS OF OPERATIONS	<u>\$ 281</u>

The accompanying notes are an integral part of these financial statements.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISCELLANEOUS U.S. DOLLAR TRUST FUNDS**

**STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 1993
(In Thousands)**

	Cumulative Results of Operations	Gifts and Donations Fund Balances		Net Position
		Unconditional	Conditional	
BALANCE, OCTOBER 1, 1992	\$ -	\$ 6	\$ 10	\$ 16
Transferred to Income from Fund Activity	<u>281</u>	<u>(1)</u>	<u>-</u>	<u>280</u>
BALANCE, SEPTEMBER 30, 1993	<u>\$281</u>	<u>\$ 5</u>	<u>\$ 10</u>	<u>\$296</u>

The accompanying notes are an integral part of these financial statements.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISCELLANEOUS U.S. DOLLAR TRUST FUNDS**

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 1993
(In Thousands)**

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

Result of Trust Fund Activities	\$ -
Adjustments Affecting Cash Flow:	
Prepays	29
Accounts Payable	6,052
Trust Funds	(6,722)
Miscellaneous Income	<u>281</u>
Net cash used in operating activities	(360)
CASH USED IN FINANCING ACTIVITIES	
Gifts and Donations	<u>(1)</u>
NET CASH USED IN OPERATING AND FINANCING ACTIVITIES	(361)
FUND BALANCES WITH TREASURY AND CASH, BEGINNING	<u>17,224</u>
FUND BALANCES WITH TREASURY AND CASH, ENDING	<u><u>\$16,863</u></u>

The accompanying notes are an integral part of these financial statements.

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
MISCELLANEOUS U.S. DOLLAR TRUST FUNDS**

**STATEMENTS OF BUDGET AND ACTUAL EXPENSES
YEARS ENDED SEPTEMBER 30, 1993 AND 1992
(In Thousands)**

	1993	1992
BUDGET RESOURCES:		
U.S. Dollar Advances from Foreign Governments	\$65,364	\$22,441
Gifts and Donations	<u>14</u>	<u>15</u>
Total	<u><u>\$65,378</u></u>	<u><u>\$22,456</u></u>
BUDGET OBLIGATIONS:		
U.S. Dollar Advances from Foreign Governments	\$62,383	\$15,377
Gifts and Donations	<u>1</u>	<u>2</u>
Total	<u><u>\$62,384</u></u>	<u><u>\$15,379</u></u>
BUDGET RECONCILIATION:		
Expenses:		
U.S. Dollar Advances from Foreign Governments	\$65,696	\$14,999
Gifts and Donations	<u>1</u>	<u>25</u>
Accrued Expenditures (Note 4)	<u><u>\$65,697</u></u>	<u><u>\$15,024</u></u>

The accompanying notes are an integral part of these financial statements.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT MISCELLANEOUS U.S. DOLLAR TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 1993 AND 1992

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

U.S. Dollar Advances from Foreign Governments - Section 607 of the Foreign Assistance Act (FAA) of 1961, provides the U.S. Agency for International Development (USAID) with the authority to accept advances of U.S. dollars from foreign governments and international organizations to facilitate the purposes of the FAA. In accordance with Treasury regulations, USAID has established a U.S. Dollar Advances from Foreign Governments Trust Fund (Account 72X8502) to record expenditures against receipts held in trust where USAID acts in a fiduciary capacity in carrying out specific purposes and programs in accordance with bilateral agreements. The Treasury Symbol for this program is 72X8502 and the Office of Management and Budget (OMB) Control Number is 15-06-00-3-8502.

Gifts and Donations - Section 635(d) of the FAA, provides the principal authority authorizing the Agency to accept and use, in furtherance of USAID program objectives, money, funds, property and services of any kind made available by gift, devise, bequest, and grants. In accordance with Treasury regulations, USAID has established a Gifts and Donations Trust Fund (Account 72X8824) which records cash expenditures against deposit of funds into this account. The OMB Control Number is 15-06-00-3-8824.

These financial statements have been prepared to report the combined financial statements of the two Trust Funds, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990.

B. *Basis of Presentation*

The financial statements have been prepared to report the financial position and results of operations of the Miscellaneous U.S. Dollar Trust Funds (the Trust Funds), pursuant to the requirements of the CFO Act of 1990. They have been prepared from the books and records of the Trust Funds in accordance with the form and content specified in OMB Bulletin 93-02 and the Trust Funds' policies which are summarized in this note. These statements are, therefore, different from the financial reports prepared pursuant to OMB directives, that are used to monitor and control the Trust Fund's use of budgetary resources.

C. *Basis of Accounting*

Transactions are recorded on an accrual basis and on a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal restraints and controls over the use of federal funds.

In addition, the overhead costs of the Trust Funds are borne by USAID as a whole and are not reported in these financial statements. As such, the financial statements do not comply with the requirement in generally accepted accounting principles and in OMB Bulletin 93-02 to account for all of an entity's activities in its own financial statements.

D. Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments with original maturities of three months or less. The balances are restricted for use in accordance with Trust Fund or Donation agreements with the exception of \$4,653 of unconditional donations.

E. Fund Balances, with Treasury

This represents the total of the unobligated and unliquidated obligations as reflected in the USAID records. The Trust Funds do not maintain cash in commercial bank accounts.

F. Statement of Operations and Statement of Changes in Net Position

In order to comply with the terms of OMB Bulletin 93-02, these two statements are presented for the first time for 1993. As a result, there are no comparative 1992 statements presented.

G. Financing Resources

Financing for the U.S. Dollar Advances from Foreign Governments' Trust Fund is from advances received from foreign governments and/or international organizations. Appropriated funds are not used to finance this fund and the fund does not generate any revenue to supplement its financing amounts.

Financing for the Gifts and Donations Trust Fund is from either conditional or unconditional contributions from individuals or public organizations. Appropriated funds are not used to finance this fund and the fund does not generate any revenue to supplement its financing amounts. In 1993, there were no new contributions made to the fund.

H. Income from Fund Activity

This amount reflects receipt of funds from Foreign Governments' Trust Fund and the Gifts and Donations Trust Fund to be used for expenditures.

2. FUND BALANCES WITH TREASURY

Fund Balances with Treasury are as follows (in thousands):

	Available	Restricted	Total
TRUST FUNDS			
U.S. Dollar Advances from Foreign Governments	\$ -	\$16,848	\$16,848
Gifts and Donations	<u>5</u>	<u>10</u>	<u>15</u>
Total	<u>\$5</u>	<u>\$16,858</u>	<u>\$16,863</u>

3. TRUST FUND BALANCES

The Trust Fund Balances are detailed as follows (in thousands):

	1993	1992
Unexpended Appropriations:		
Unobligated	\$2,981	\$ 7,064
Undelivered Orders	<u>6,484</u>	<u>9,123</u>
Total	<u>\$9,465</u>	<u>\$16,187</u>

The Trust Funds represent advances or donations received from foreign governments and international organizations for which USAID has a fiduciary responsibility. These fund balances do not represent equity to the U.S. Government.

For 1993 the Trust Fund Balances by country were (in thousands):

	Balance at Start of Year	Deposits Received	Transferred to Statement of Operations	Balance at End of Year
Government of:				
Bolivia	\$ 1,707	\$ 1,900	\$ 3,599	\$ 8
South Korea	7	-	2	5
Zambia (Washington managed)	3,139	55,533	55,978	2,694
Zambia (Overseas managed)	-	1,197	1,148	49
Botswana	3,712	-	1,995	1,717
Pakistan	4,358	(1,017)	959	2,382
Bahrain	14	-	-	14
Guatemala	603	-	603	-
Nigeria	618	-	4	614
Kuwait	-	96	64	32
Zaire	-	204	-	204
South Vietnam	1,070	-	-	1,070
Malta	254	-	-	254
Bolivia	502	-	502	-
Liberia	333	-	333	-
Others	203	-	(13)	216
United Nations Children Fund (UNICEF)	155	336	318	173
Reimbursable Training Program (Note 6)	<u>188</u>	<u>50</u>	<u>205</u>	<u>33</u>
	16,863	58,299	65,697 ⁽¹⁾	9,465
Other In-transit/Unapplied Expenditures	(1,162)	-	(1,162)	-
Unidentified/Suspense	<u>486</u>	<u>-</u>	<u>486</u>	<u>-</u>
TOTAL TRUST FUND BALANCES	<u>\$16,187</u>	<u>\$58,299</u>	<u>\$65,021</u>	<u>\$9,465</u>

(1) Balance reported on the Statement of Operations. See independent auditors' report for description of unresolved differences and disclaimer of opinion.

The difference identified between the total Trust Fund Balances liability and the sum of the trust fund balance for each foreign country was \$940,954. USAID management was unable to identify the sources of differences and choose to eliminate the differences by recording a credit to 1993 operations and reducing the Trust Fund Balances' liability to the sum of the trust fund balance for each foreign country.

4. ACCRUED EXPENDITURES

Accrued Expenditures by object classification are as follows (in thousands):

Description	1993	1992
Travel	\$ (4)	\$ 7
Transportation of Commodities	40,073	12,454
Contractual Services	71	18
Supplies and Materials/Commodities	19,527	1
Equipment not capitalized	11	-
Grants, Subsidies, and Commodities	237	24
Other:		
(a) Participant Training Costs:		
- Tuition and Fees	142	251
- Miscellaneous	108	236
- Maintenance	126	157
- Books and Supplies	44	62
- Administrative	79	55
- Travel	1	16
(b) Overseas Managed Trust Funds	5,281	3,918
(c) Representational Allowances	1	1
(d) Unapplied/In-transit Expenses	-	(2,176)
	<u> </u>	<u> </u>
Total Accrued Expenditures by Object Classification	<u>\$ 65,697</u>	<u>\$ 15,024</u>

5. MISCELLANEOUS INCOME

The amount is detailed as follows (in thousands):

	1993	1992
Cash reconciling items and advice of charges eliminated	\$941	\$ -
Unsupported Trust Funds balances	<u>(660)</u>	<u>-</u>
	<u>\$281</u>	<u>\$ -</u>

These amounts relate to adjustments of unidentified differences that were not supported by reliable documentary evidence.

6. REIMBURSABLE TRAINING PROGRAM

USAID manages several activities for training foreign students, funded by the trust funds of certain foreign governments. These costs are accounted for in the Reimbursable Training Program. The funding of Reimbursable Training Program costs was provided as follows (in thousands):

	1993	1992
Government of:		
Bahrain	\$ -	\$ 5
Guatemala	-	5
Kuwait	33	-
Nigeria	3	133
South Korea	1	-
UNICEF	<u>168</u>	<u>219</u>
 Total	 <u>\$205</u>	 <u>\$362</u>

The types and amounts of expenses are as follows:

Personal Services & Benefits - RTP Contract Staff	\$130	\$198
Personal Services & Benefits - USAID Direct Hire Staff	39	103
Travel and Transportation for RTP staff	1	2
Office Space	33	57
Supplies and Materials	<u>2</u>	<u>2</u>
 Total	 <u>\$205</u>	 <u>\$362</u>

Amounts included above for Personal Services and Benefits - USAID Direct Hire Staff, and Office Space were paid out of USAID's operating expense appropriation. These costs were reimbursed to USAID's operating expense appropriation and were available for obligation in that appropriation.

7. OPERATING AND ADMINISTRATIVE EXPENSES OF THE TRUST FUNDS

Because the Trust Funds have no appropriated funding, it is USAID's policy not to allocate overhead costs to them. As discussed in Note 6, certain specific USAID costs which are identified as relating to the Reimbursable Training Program are charged to that Program. All other administrative costs of operating the Trust Funds, including facilities, salaries, travel costs, supplies, and system costs, are absorbed by USAID as a whole, and are not recorded as expenditures in the statement of operations.

* * * * *

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE BASED
ON THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Administrator
and the Inspector General of the
U.S. Agency for International Development:

We were engaged to audit the financial statements of the Miscellaneous U.S. Dollar Trust Funds (the Trust Funds) administered by the U.S. Agency for International Development (USAID) as of and for the year ended September 30, 1993, and have issued our report thereon dated May 20, 1994. In our report, we have disclaimed an opinion on the financial statements as we could not perform appropriate audit procedures for material account balances, nor could we obtain assurance on these account balances by other practicable means.

In planning and performing our audit of the financial statements of the Trust Funds for the year ended September 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

In addition to the objectives referred to in the following paragraph of this report, the management of USAID is responsible for providing reasonable assurance that data which support performance measures reported in the "Overview of the Reporting Entity" are properly recorded and accounted for to permit preparation of reliable and complete performance information. Office of Management and Budget (OMB) Bulletin Number 93-06, *Audit Requirements for Federal Financial Statements*, requires that auditors obtain an understanding of the internal control structure and assess control risk relative to policies and procedures designed to provide reasonable assurance of achieving this objective. The scope of our auditing procedures did not include obtaining and evaluating evidential matter to assess control risk concerning USAID management's assertions regarding performance measures. This requirement was addressed by the USAID Office of Inspector General as reported in its transmittal letter regarding the audit report of the Trust Funds for the year ended September 30, 1993.

The management of the Trust Funds is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Transactions are properly recorded and accounted for to permit the preparation of reliable financial statements:

Miscellaneous U.S. Dollar Trust Funds
Internal Control Structure Report
Continued

- Transactions are executed in accordance with management's authorization;
- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; and
- Transactions, including those related to obligations and costs, are executed in compliance with:
 - laws and regulations that could have a direct and material effect on the Principal statements, and
 - any other laws and regulations that the OMB, entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Controls used in administering compliance with laws and regulations

General requirements;
Specific requirements.

Accounting Applications

Deposits receivable and cash receipts;
Purchases and disbursements;
Salaries and benefits;
Program monitoring; and
Financial statement preparation and reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of

Miscellaneous U.S. Dollar Trust Funds
Internal Control Structure Report
Continued

management in the financial statements. The following matter involving the internal control structure and its operation is considered to be a reportable condition under the standards established by the AICPA:

USAID cannot provide a complete accounting for the Trust Funds.

Condition:

USAID accepts advances of funds from foreign governments and international organizations and acts in a fiduciary capacity in spending the funds in accordance with Trust agreements. The Trust Funds are deposited with the U.S. Treasury. No financial audit of the Trust Funds' activity had been performed prior to fiscal year 1992.

The balances for individual Trusts (particularly, the older ones) in USAID's financial records cannot be adequately supported by source documentation, and are derived from ad hoc records rather than a controlled system. At the end of the previous two fiscal years, there were unidentified differences of \$674,769 and \$2,851,222 respectively between the Trust Fund Balances as reported in the general ledger and the total of the individual Trust Fund Balances. These differences were eliminated in the 1993 fiscal year by writing off the unsupported items. However, there was insufficient reliable documentary evidence to support the revised balances.

Furthermore, the U.S. Treasury fund balance statement at September 30, 1992 showed a balance lower by \$868,229 from the amount recorded in the Trust Funds' financial statements of \$17,224,439. This difference was eliminated in the 1993 fiscal year by writing off the unsupported items.

In addition, the Trust Funds' records contain a suspense account of transactions to the amount of \$292,000 as at September 30, 1993, not applied to the appropriate programs of USAID. Until this account is cleared of all material suspense items, USAID cannot be assured that all transactions pertinent to Trusts have been recognized. This difference was eliminated in the 1993 year for financial reporting purposes.

Criterion:

Treasury's Financial Manual states that, "Agencies are responsible for verifying and reconciling with their records accounting data which is consolidated and reported by Treasury's Financial Management Service."

Cause:

The role of Trustee is not being fulfilled by USAID because of a lack of clear lines of control within the Agency resulting from the highly decentralized nature of USAID's operating activities. In addition, any of USAID's Bureaus or Missions can be the recipient of Trust deposits. That Bureau or Mission becomes the responsible party within USAID for that Trust. Neither the Bureaus nor the Missions are accountable for ensuring that Trust balances are reconciled to U.S. Treasury balances.

Accounting for the transactions of the Trust are performed by the Mission Controller's department for disbursements at a Mission, or USAID's Accounting Division, if disbursements are made in Washington.

Miscellaneous U.S. Dollar Trust Funds
Internal Control Structure Report
Continued

D.C. Although ultimately reported to the Central Accounting and Reporting Division, the Missions do not report Trust transactions and related cash reconciling items *in sufficient detail* to ensure that all Mission-level transactions are recorded in a timely fashion.

As the Trust Funds are, in many cases, initiated in the countries themselves, there is no control in place that would allow USAID in Washington to ensure the complete, proper and valid recording of Trust Fund balances has occurred. Reliance on mission-level controls without performing external checks seriously undermines the integrity of the internal control structure.

Effect:

The lack of controls over Trusts has resulted in a vulnerability that Trust Funds could have been misspent, because USAID cannot presently account for all of the Trust monies donated to it in the period since the Trust Funds were established by the Foreign Assistance Act of 1961. Although we did not uncover any instances where this occurred, it is possible that monies may have been misappropriated. Unidentified transactions and balances in the Trust Funds cast doubt over any of the reported balances for individual Trust accounts. Until the balances have been confirmed with the country that created the Trust, none of the amounts reported in USAID's records for Trust Funds can be relied upon.

Although the Trust Funds are small in relation to USAID as a whole, the cash received in 1993 totaled \$58,299,000 and \$56,381,000 was disbursed. However, the majority of fund balances are inactive. Only 11 of the 31 funds had any activity during the year. In many cases, there are no accounting records that would enable USAID in Washington to identify whether USAID has a complete record of all the Trust Funds established.

Recommendation:

We recommend that:

- In circumstances where the political situation allows it, all inactive Trust Funds be terminated and the balances eliminated by September 30, 1994, in order to remove the main problem balances from the financial statements, thereby reducing the chance of a disclaimed opinion on the financial statements in 1994. USAID management should seek legal advice of the appropriate way to do this;
- All active Trust Funds should be confirmed with each country to ascertain whether the balances recorded by USAID are accurate. Any differences should be resolved appropriately. All the supporting evidence for this procedure should be filed by country. This evidence should be complete and sufficient as well as reliable enough to be enable USAID to support the numbers recorded; and
- The legal documents and agreements establishing each Trust Fund are obtained and held by USAID in Washington. No further Trust Funds should be established without USAID in Washington being notified.

Miscellaneous U.S. Dollar Trust Funds
Internal Control Structure Report
Concluded

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However we believe that the reportable condition previously described is also a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of USAID in a separate letter dated May 20, 1994.

This report is intended for the information of the U.S. Congress, the USAID Office of the Inspector General, and the management of USAID. This restriction is not intended to limit the distribution of this report when it becomes a matter of public record.

Deloitte & Touche

May 20, 1994

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS**

To the Administrator
and the Inspector General of the
U.S. Agency for International Development:

We were engaged to audit the financial statements of the Miscellaneous U.S. Dollar Trust Funds (the Trust Funds) administered by the U.S. Agency for International Development (USAID) as of and for the year ended September 30, 1993, and have issued our report thereon dated May 20, 1994. In our report, we have disclaimed an opinion on the financial statements as we could not perform appropriate audit procedures for material account balances, nor could we obtain assurance on these account balances by other practicable means.

Compliance with laws and regulations applicable to USAID is the responsibility of USAID's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the USAID's compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Applicable laws included:

- Eligibility provisions of Title III of the Foreign Assistance Act of 1961, as amended;
- The Chief Financial Officers (CFO) Act of 1990;
- The Budget and Accounting Procedures Act of 1950; and
- The Federal Managers' Financial Integrity Act (FMFIA) of 1982;

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes or regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements, or if the sensitivity of the matter would cause it to be perceived as significant by others. The results of our tests of compliance revealed the following material instances of noncompliance.

Noncompliance with the Chief Financial Officers Act

The CFO Act requires the CFO of each Agency and independently operated program to have financial statements prepared. The Act specifies in its amendment of United States Code Section 3515 (c) that the form and content shall be defined by the Office of Management and Budget (OMB). This was done in OMB Bulletin 93-02, *Form and Content of Agency Financial Statements* and its successor pronouncement of the same title, OMB Bulletin 94-01. Page 9, paragraph 1 of 93-02 requires agencies to follow generally accepted accounting principles (GAAP) and examples of accounting in the state and local government

Miscellaneous U.S. Dollar Trust Funds
Compliance with Laws and Regulations
Continued

sectors where 93-02 does not offer specific guidance. In addition, section 3515 (b) states that the statements of financial position, results of operations, and cash flows are required.

OMB Bulletin 93-02 requires, in Part III of the Attachment, that "for a reporting entity to provide a complete statement ... all costs incurred, ... including the applicable portions of the related salaries and expense accounts", must be included within the financial statements.

Furthermore, OMB Bulletin 94-01, *Form and Content of Agency Financial Statements*, establishes a hierarchy of accounting pronouncements in the context of government accounting. In paragraph VI on pages 6 and 7, 94-01 states that GAAP is the default in situations where there is no guidance in governmental pronouncements.

Although we recognize that the Trust Funds are a very small portion of the overall activity of USAID, the requirements of the CFO Act establishes the scope of the financial audit at the entity level and not at the agency level, a point reiterated in OMB Bulletin 93-02. Therefore, as the Trust Funds' financial statements do not include overhead costs (these are borne by USAID as a whole), the financial statements do not comply with the requirement in both Bulletin OMB 93-02 and GAAP to include all costs and revenues of an entity within its financial statements in order to present fairly the results of that entity's activities, financial position and cash flows. This failing is also a breach of the spirit of the CFO Act, which seeks to allow comparison of the actual costs of running programs and agencies. Without the disclosure of these costs, meaningful comparison is impossible and no reliable conclusion about the efficacy of the use of taxpayers' money can be drawn. USAID management has indicated that these costs will be incorporated into the 1994 financial statements.

Noncompliance with Other Legislation

As discussed in our report on the financial statements dated May 20, 1994, the scope of our work was not sufficient to enable us to express an opinion on the financial statements for the year ended September 30, 1993. Because the scope of our testing was limited as a result of the Trust Funds' lack of adequate accounting records and systems, we are unable to determine whether all transactions were subject to testing for compliance with the provisions referred to in the second paragraph of this report. Consequently, we are unable to determine, and thus give no assurance about, the degree to which the Trust Funds complied with provisions set out in the FMFIA.

Miscellaneous U.S. Dollar Trust Funds
Compliance with Laws and Regulations
Concluded

Furthermore, our review of management's process for evaluating and reporting on internal control and accounting systems as required by the FMFIA revealed that USAID's most recent FMFIA reports did not reflect the material weakness in the Trust Funds' internal control structure. This weakness significantly impairs the fulfillment of the Trust Funds' mission, violates statutory requirements of the Budget and Accounting Procedures Act and significantly weakens safeguards against loss of funds. Therefore, the material weakness should have been disclosed in USAID's FMFIA report. However, because the Trust Funds form a very small part of USAID's activities, management should consider whether disclosure can be avoided in the FMFIA report by making alternative arrangements. Discussion with other branches of the U.S. Government may help to resolve this matter.

We considered this material instance of noncompliance in our decision to disclaim an opinion on the financial statements of the Trust Funds as of and for the year ended September 30, 1993.

Because the scope of our testing was limited as described above, we are unable to determine whether all transactions were subject to testing for compliance with the applicable provisions referred to in the second paragraph of this report. Consequently, we are unable to determine whether the Trust Funds complied with those provisions and are unable to express, and do not express, an opinion on the Trust Funds' compliance with these provisions.

This report is intended for the information of the U.S. Congress, the USAID Office of the Inspector General, and the management of the USAID. This is not intended to limit distribution of this report when it becomes a matter of public record.

Deloitte & Touche
May 20, 1994

**USAID Management's
Program Overview of the
Miscellaneous U.S. Dollar Trust Funds**

PROGRAM OVERVIEW

The Financial Statements for the Miscellaneous U.S. Dollar Trust Funds (the Trust Funds) include the financial activities of two USAID Trust Funds. These are:

- The U.S. Dollar Advances from Foreign Governments Trust Fund; and
- The Gifts and Donations Trust Fund

In the Program Overview section, each of these are separately described. The financial statements reflect the consolidated activity of both of these funds. Supplemental information is provided in the notes to the financial statements.

U.S. DOLLAR ADVANCES FROM FOREIGN GOVERNMENTS

Program Overview

Section 607 of the Foreign Assistance Act (FAA) of 1961, provides USAID with the authority to accept advances of U.S. dollars from foreign governments and/or international organizations to facilitate the purposes of the FAA. In accordance with U.S. Treasury regulations, USAID has established a U.S. Dollar Advances from Foreign Governments Trust Fund account (Number 72X8502) at the U.S. Treasury to maintain these deposits. USAID acts in a fiduciary capacity in carrying out specific activities and programs in accordance with bilateral agreements with foreign countries and draws from the foreign countries trust fund balance to pay for related expenditures.

The funds are not tied to a specific organization or program in USAID. The goal is to offer services that USAID already performs in other programs and has the technical expertise and resources to provide. The difference between these funds and other programs is that the funding is provided by foreign countries instead of by Congress appropriation or revenue-generating services. These funds are derived from primarily a financing mechanism rather than a specific organization or program.

Active Trust Fund Programs Managed by USAID - Washington

(i) *Government of Bahrain*

The Government of the State of Bahrain, Civil Service Bureau, signed an agreement with USAID in June 1981 to provide professional and administrative services for Bahraini participants to receive training at various training institutions and facilities in the United States to meet Bahrain's manpower development requirements.

(ii) *Government of Bolivia*

The Government of the Republic of Bolivia signed an agreement with USAID in March 1992 to enhance food security in Bolivia. The sale of the United States (U.S.) agricultural commodities generates local currency to (1) combat hunger and malnutrition and their causes; (2) promote equitable and sustainable development; and (3) develop and expand export markets for agricultural commodities. The deposits of U.S. Dollar Trust funds made by the Government of Bolivia are used

Miscellaneous U.S. Dollar Trust Funds
Program Overview
Continued

to pay for port-to-port and in-land transportation of PL 480, Title III agriculture commodities (maize).

(iii) *Government of Kuwait*

The Government of Kuwait signed an agreement with USAID in January 1993 to provide the professional and administrative services needed by Kuwaiti participants receiving human resource, management, development and programming training at various institutions and facilities in the U.S.

(iv) *Government of Guatemala*

The Government of the Republic of Guatemala's General Secretariat of the National Economic Planning Council and its Ministry of Public Finance signed an agreement with USAID in June 1978 to provide the professional and administrative services required by Guatemalan public officials receiving training at various institutions and facilities in the United States. This training sought to increase the technical and professional capacity of these officials and make them better able to respond to the economic and social development needs of Guatemala. In 1993, the Guatemala Trust Fund was liquidated and closed.

(v) *Government of Nigeria*

The Government of the Federal Republic of Nigeria, acting through the Federal Ministry of Education, signed an agreement with USAID in August 1977 to provide professional and administrative services for Nigerian participants receiving manpower development and technical teacher training requirements training at various institutions and facilities in the United States.

(vi) *Government of South Korea*

The Government of the Republic of South Korea signed an agreement with USAID in March 1992 to provide professional and administrative services required by South Korean participants receiving training in the operational aspects of administering international development programs at various institutions and facilities in the United States.

(vii) *Government of Zambia*

The Government of the Republic of Zambia signed an agreement with USAID in March 1992 to enhance food security in Zambia. The sale of U.S. agricultural commodities generates foreign currency to (1) generate local currency upon sale of these commodities to combat hunger and malnutrition and their causes; (2) promote equitable and sustainable development; and (3) develop and expand export markets for the United States agricultural commodities.

The deposits of U.S. Dollar Trust funds made by the Government of Zambia are used to pay for port-to-port and in-land transportation of PL 480, Title III agriculture commodities (maize).

Miscellaneous U.S. Dollar Trust Funds
Program Overview
Continued

(viii) *United Nations Children's Emergency Fund (UNICEF)*

The United Nations Children's Emergency Fund (Training Component of the Mickey Leland Memorial Fund for Africa) signed an agreement with USAID in December 1990 to provide professional and administrative services for participants from various African countries receiving training in human resource development requirements at various institutions and facilities in the United States.

Active Trust Fund Programs Managed by USAID Overseas Missions

(i) *Government of Pakistan*

Monies received from the Government of Pakistan are for the placement, monitoring, tuition, fees, monthly maintenance, and management of Pakistani participants in U.S. educational institutions. The Academy for Educational Development under direct mission contract provides screening and monitoring of such participants.

(ii) *Government of Botswana*

Monies received from the Botswanan Permanent Secretary to the Ministry of Finance and Development Planning are for long-term and short-term training in the U.S., long-term and short-term technical assistance, and general program support costs Botswanan trainees studying in the U.S.

(iii) *Government of Guatemala*

The fund was used to pay for training to the public sector. USAID recorded obligations and disbursements to account for these activities. In 1993, the fund was liquidated and closed.

(iv) *Government of Zambia*

The Government of the Republic of Zambia signed an agreement with USAID in March 1993 to share the administrative costs of the United States Assistance Programs in the Republic of Zambia. The amounts deposited by the Government of the Republic of Zambia were made available for purchase of the USAID office in Zambia. Title to any tangible assets purchased from the Trust Fund account will ultimately be vested in the Government of Zambia.

(v) *Government of Zaire*

U.S. economic assistance to Zaire ceased with the civil insurrection of September 1991. At that time, the decision was made to dispose of all program and project funded personal property in the custody of the mission and the proceeds from disposal of this property were deposited into the fund.

The Government of Zaire was made aware of this action by either an amendment to Project Agreements or by letters from mission officials. The funds are to be used as mutually agreed.

Miscellaneous U.S. Dollar Trust Funds
Program Overview
Continued

Performance Measures

Although USAID is required to develop performance measures for all programs under its control, no such measures have been developed for the Trust Funds. This is because:

- The Trust Funds are being liquidated, and it is USAID's intention to continue to liquidate these funds wherever possible;
- The overall size of the funds make relevant, reliable, and consistent measurement impractical; and
- USAID management believes that it is more important to concentrate scarce resources on more significant programs such as the Housing Guaranty and Direct Loan Programs.

However, it is management's intention to develop basic financial performance measures to ensure that the activity is appropriately recorded, and individual Trust Fund balances are reconciled. The measures established for 1994 are:

- The financial statements themselves;
- All receipts into the trust fund will be deposited and budget allowances prepared and recorded within 60 days of receipt;
- All cash disbursements and collections will be reconciled to Treasury (USDOs) and any difference cleared within 60 days;
- All inter-office payments (Advice of Charges) will be reviewed and processed within 60 days of original payment; and
- Monthly status reports of deposits, disbursements, and current fund balance for each individual Trust Fund will be prepared and reviewed.

Furthermore, it is management's objective to receive an unqualified audit opinion on the financial statements.

Financial Matters

Financing for the Trust Funds is obtained from advances received from foreign governments and/or international organizations. Appropriated funds are not used to finance this fund and the fund does not generate any revenue to supplement its financing amounts. Apportionment of available funds by OMB is not required.

(i) *Financial Condition*

The financial condition of the program is sound enough to fund current active programs. Commitments and obligation for new programs are incurred only after deposits by the foreign

Miscellaneous U.S. Dollar Trust Funds
Program Overview
Concluded

countries or international organizations are received by USAID and deposited into U.S. Treasury Account 72X8502. Funding is sufficient to cover the expenses related to the current programs.

There are problems with the records that support the Trust Funds that need to be addressed and resolved. All of the problems listed below are general problems in USAID's current financial accounting systems and are not limited to the Trust Funds. These problems have been recognized by USAID management and corrective actions are included in USAID's 5-year plan submitted to OMB under the terms of the Chief Financial Officers' Act.

(ii) *Problem Areas*

The key issues facing the Trust Funds in the reporting on these financial statements are:

- Cash reconciliation differences; and
- Trust fund balance reconciliations to related foreign government records.

The cash reconciliation differences can be identified by reporting period and mission. These differences represent overstatement of financial statement line items as a result of cash transactions not being fully reconciled to the balances reported by the Treasury. The cumulative differences by period are \$653,000 and \$868,000 for 1993 and 1992, respectively. During the audit of the 1993 financial statements, the decision was made to expense or write-off the accumulated balance.

The differences on the trust fund balances had risen to \$674,769 by September 30, 1992. In 1993, this and other unidentified differences were expensed or written-off. However, the auditors were still unable to reach a conclusion as to the validity, completeness, and accuracy of the reported Trust Fund balance (\$9,465,000 at September 30, 1993). As a result, the auditors decided to disclaim their opinion on the financial statements. This inability to reconcile cash balances contributed to the auditors citing of material weaknesses in internal controls over Trust Fund accounts and on compliance with applicable legal requirements.

These problems will be resolved in the 1994 year by closing out inactive trust funds and by obtaining confirmation from those countries with active trust funds that the balance reported by USAID is a valid one. Although USAID management foresees that there will be some difficulties with this procedures, it is hoped that sufficient evidence will be gathered to allow the auditors to come to an opinion about the 1994 financial statements.

Conclusion

Program Performance

Essentially, the success or failure of the program is determined by the foreign countries themselves, since the existence of the program is dependent on their financing. As long as USAID can provide the desired services, and there are countries and international organizations are willing to provide the financing through advances, the program will continue to function.

Miscellaneous U.S. Dollar Trust Funds
Program Overview
Continued

Performance Measures

Although USAID is required to develop performance measures for all programs under its control, no such measures have been developed for the Trust Funds. This is because:

- The Trust Funds are being liquidated, and it is USAID's intention to continue to liquidate these funds wherever possible;
- The overall size of the funds make relevant, reliable, and consistent measurement impractical; and
- USAID management believes that it is more important to concentrate scarce resources on more significant programs such as the Housing Guaranty and Direct Loan Programs.

However, it is management's intention to develop basic financial performance measures to ensure that the activity is appropriately recorded, and individual Trust Fund balances are reconciled. The measures established for 1994 are:

- The financial statements themselves;
- All receipts into the trust fund will be deposited and budget allowances prepared and recorded within 60 days of receipt;
- All cash disbursements and collections will be reconciled to Treasury (USDOs) and any difference cleared within 60 days;
- All inter-office payments (Advice of Charges) will be reviewed and processed within 60 days of original payment; and
- Monthly status reports of deposits, disbursements, and current fund balance for each individual Trust Fund will be prepared and reviewed.

Furthermore, it is management's objective to receive an unqualified audit opinion on the financial statements.

Financial Matters

Financing for the Trust Funds is obtained from advances received from foreign governments and/or international organizations. Appropriated funds are not used to finance this fund and the fund does not generate any revenue to supplement its financing amounts. Apportionment of available funds by OMB is not required.

(i) *Financial Condition*

The financial condition of the program is sound enough to fund current active programs. Commitments and obligation for new programs are incurred only after deposits by the foreign

Miscellaneous U.S. Dollar Trust Funds
Program Overview
Concluded

- USAID management believes that is more important to concentrate scarce resources on more significant programs, such as the Housing Guaranty and Direct Loan Programs.

Conclusion

There are no material problems with the current Gifts and Donations Trust Fund. In August 1991, USAID's Inspector General Office issued an unqualified opinion on the fund. Analysis will be done on the \$10,060 conditional balance remaining on the books. If the project for which the funds are restricted is complete, the funds will be returned to NCR or, if authorized by NCR, converted to unconditional gifts.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the combined financial position and results of operations of the two Trust Funds, pursuant to the requirements of the CFO Act of 1990.

While the statements have been prepared from the books and records of the Trust Funds in accordance with the form and contents specified by OMB, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

In addition, the overhead costs of the Trust Funds are borne by USAID as a whole and are not reported in these financial statements. As such, the financial statements do not comply with the requirement in Generally Accepted Accounting Principles to account for all of an entity's activities in its own financial statements.

APPENDICES



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Appendix I

JUN 10 1994

TO: IG/A/FA, B. Reginald Howard, Director
FROM: M/FM/CONT, *Tony Cully*, Acting Controller
SUBJECT: Draft Audit Report on FY 1993 Annual Financial
Statement for USAID's Miscellaneous U.S. Dollar Trust
Fund under the CFO Act

We are in agreement with the recommendations included in the draft audit report. We are committed to improving the financial records of the Miscellaneous U.S. Dollar Trust Fund program and will take all reasonable and cost effective action to accomplish this task and close the recommendations.

Considerable effort was expended this past year in regards to last years recommendations and progress has already been made in regards to the recommendations contained in the draft audit report. The FY 1994 financial reports will demonstrate that USAID has improved the financial records of the Miscellaneous U.S. Dollar Trust Fund.

We appreciate the efforts of your staff and that of Deloitte and Touche in provision of this audit of the Miscellaneous U.S. Dollar Trust Fund.

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Appendix II

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