

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 1990 - September 30, 1990



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE INSPECTOR GENERAL

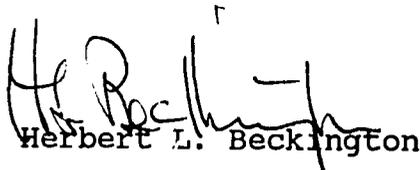
27 NOV 1990

NOTE FOR: Counselor, Alexander R. Love

Enclosed for your information and use is a copy of the Inspector General's Semiannual Report to the Congress for the period April 1, 1990, through September 30, 1990. The report highlights some of the most recent problems identified by the IG's office in A.I.D.'s operations and programs and includes recommendations for corrective measures.

The IG's office hopes this report will be a useful management tool in gaining Agency-wide support to improve our Agency's operations. I encourage you to circulate this report among your offices to increase employees' awareness of IG operations and activities, and areas within the Agency's operations identified by the IG to be in need of improvement.

Should you have any questions or wish additional copies, please contact the Office of Policy, Planning, and Oversight on 875-4151.


Herbert L. Beckington

Enclosures:

IG Semiannual Report
to the Congress (1)

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 1990—September 30, 1990



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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FOREWORD

A.I.D.'s foreign assistance role is taking on some additional dimensions with the emergence of the new democracies in Latin America, the Caribbean, Eastern Europe, and Africa. The foreign aid programs in these democracies will present the Agency with new and different issues to tackle. As is the case now, one of the key elements to the delivery of successful U.S. economic foreign aid in the future will be the Agency's ability to identify and resolve the problems which may adversely affect its programs.

This Semiannual Report of the A.I.D. Inspector General continues to raise issues regarding project assistance, host country contracting, staffing, financial management, and local currency accountability. But, as noted in A.I.D.'s first Semiannual Management Report to the Congress, the Agency is embarking on a number of management improvements to address these and other issues and problems. The Agency and the Office of the Inspector General recognize that these improvements will take time.

The Agency's Internal Control Program is one of the specific improvement areas. Recognizing the importance of internal controls, the Agency approved a series of measures in July 1990 aimed at strengthening its internal control and audit follow-up processes. These measures focus primarily on raising the level of attention that senior A.I.D. managers must place on internal controls. Through this added management attention, the Agency should be better able to identify and address weaknesses in its management systems.



Herbert L. Beckington
Inspector General

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OVERVIEW

Office of Audit

The Office of Audit:

- Issued and processed 232 reports;
- Identified \$65.4 million in deobligations, reprogrammings, and actions that would result in funds being put to better use;
- Questioned \$13.6 million in costs that were either ineligible or unsupported;
- Noted that A.I.D. actually recovered or produced results which increased efficiencies amounting to \$74.8 million for recommendations made in this and prior periods; and
- Reached agreement with management on \$151.7 million in efficiencies and questioned costs which were awaiting final action or collection at September 30, 1990.

Office of Investigations

The Office of Investigations:

- Achieved nine convictions or confinements;
- Attained one suspension;

- Achieved 22 disciplinary or administrative sanctions;
- Recovered \$140,713; and
- Saved or avoided unnecessary expenditures amounting to \$219,891.

Office of Security

The Office of Security:

- Completed security and communications projects at 14 and 10 A.I.D. overseas posts, respectively;
- Conducted 17 security inspections at A.I.D. posts; and
- Developed new policies on physical security and computer security.

Office of Resource Management

The Office of Resource Management:

- Accelerated recruitment efforts to meet the workforce level of employees mandated by the Congress; and
- Upgraded and modernized ADP capabilities.

OFFICE OF THE INSPECTOR GENERAL ORGANIZATION

The Office of the A.I.D. Inspector General was established on December 16, 1980, by Public Law (PL) 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 which brought the A.I.D. Inspector General under the purview of the Inspector General Act of 1978, PL 95-452, instead of 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

Pursuant to the Inspector General Act of 1978, the Inspector General's duties are 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 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:

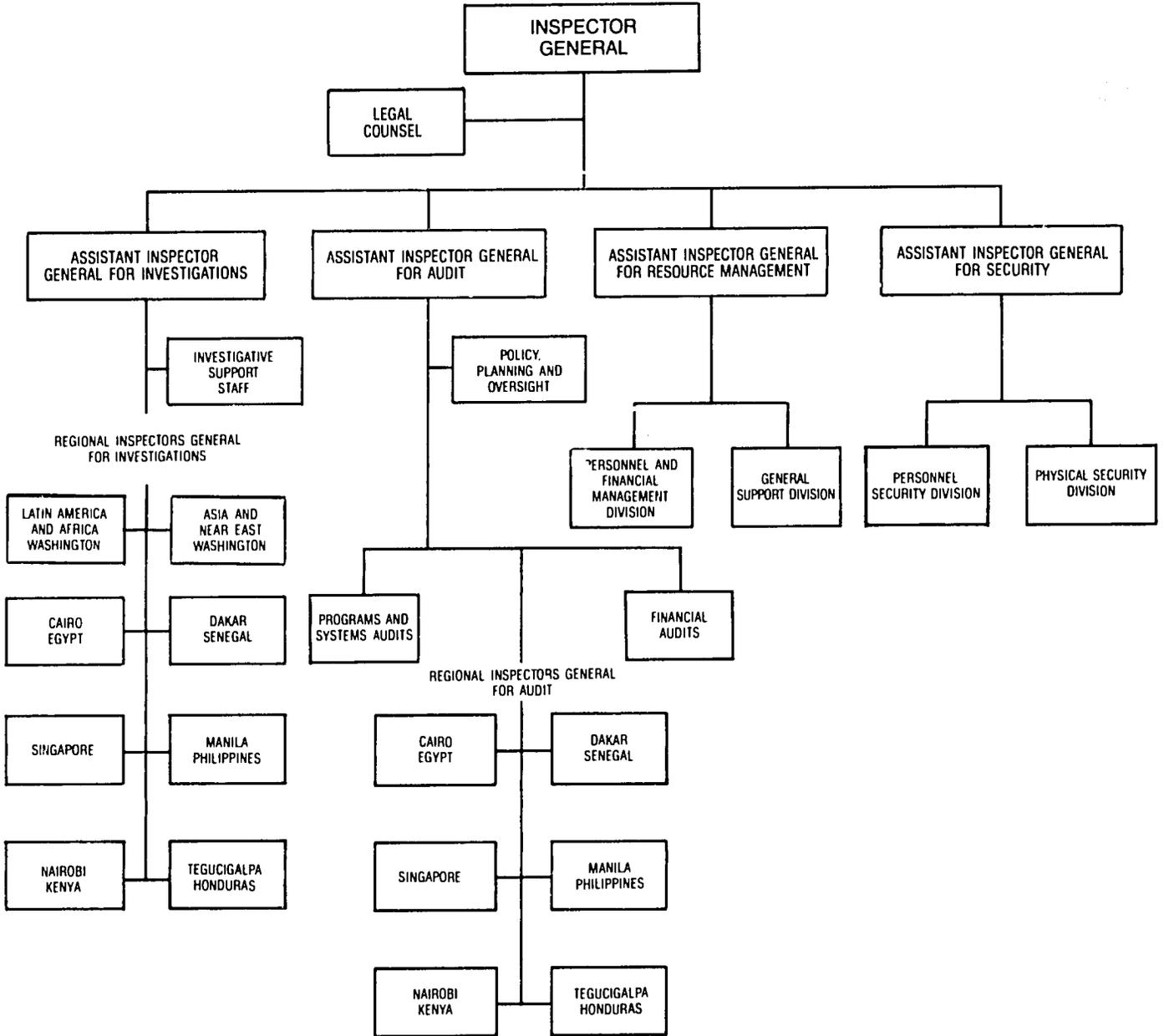
REGIONAL
INSPECTOR GENERAL
GEOGRAPHICAL
RESPONSIBILITY

Regional Inspector General Office Location	Geographical Areas
Cairo, Egypt Dakar, Senegal Manila, Philippines Nairobi, Kenya	Egypt West and Central Africa East Asia North, East, and South Africa and Middle East Near East and South Asia Central America, South America and the Caribbean
Singapore Tegucigalpa, Honduras	

An organization chart for the Office of Inspector General is shown on the following Table.

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INSPECTOR GENERAL ORGANIZATION CHART



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OFFICE OF AUDIT

AUDIT RESPONSIBILITY

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 (PL 480). The PL 480 program is funded by the Department of Agriculture, and A.I.D. is responsible for certain aspects of its administration.

AUDIT ACCOMPLISHMENTS

In fiscal year (FY) 1990, A.I.D.'s economic assistance budget, as presented to the Congress, is estimated at \$5.9 billion, of which \$2.4 billion will be provided from the Development Assistance appropriation and \$3.5 billion from the Economic Support Fund appropriation. In addition, funding for PL 480 in FY 1990 is estimated at \$1.5 billion. The following bar graph illustrates the composition of this assistance:

ASSISTANCE FUNDING FY 1990		Amount of Funding (\$Millions)-FY 1990									
Funding Category	%	0	500	1000	1500	2000	2500	3000	3500	4000	
Agriculture, Rural Development and Nutrition	8	— \$478									
Population Planning	3	— \$201									
Health	2	— \$126									
Child Survival Fund	1	. \$71									
AIDS	1	. \$42									
Education and Human Resources Development	2	— \$139									
Selected Development Activities	2	— \$137									
Science and Technology	0	. \$9									
Development Fund for Africa	9	— \$565									
South African Development Coordination Conference	1	. \$50									
Economic Support Fund	57	—————								\$3349	
P.L. 480—Food for Peace	N/A	————— \$1482									
Operating Expenses	8	— \$479									
Retirement and Other Misc. Programs	5	— \$321									

During this semiannual reporting period, the Office of Inspector General's and other governmental audit organizations' audit reports of A.I.D. programs and administration were instrumental in recovering or reprogramming significant sums of money and identifying waste, abuse and noncompliance with established policies and regulations.

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The Office of Audit issued 53 internal audit reports and processed 179 reports performed by non-Federal auditors or other Federal Government audit organizations during this reporting period. These reports **recommended \$65.4 million in deobligations, reprogramming of funds, and other actions** that would put funds to better use. The reports also recommended resolution of questioned costs amounting to \$13.6 million of which \$4 million were ineligible and \$9.6 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 **\$126.5 million in efficiencies (funds be put to better use) and questioned costs** identified in Inspector General audit reports. Of this total, **\$121.2 million or 96 percent** was agreed to by A.I.D.
- A.I.D. Management **reached resolution on \$12.1 million in efficiencies and questioned costs** in financial-related audit reports (external reports) by non-Federal auditors or other governmental audit agencies. Of this total, \$9.4 million or 78 percent was sustained by A.I.D.
- **A total of \$ 74.8 million** (\$70.7 million from Inspector General audit reports and \$4.1 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, 1990, \$61.2 million in recommended efficiencies and questioned costs were awaiting A.I.D. determination, of which \$8 million (13 percent) represented recommendations over six months old.
- As of September 30, 1990, \$151.7 million in recommended efficiencies and questioned costs were agreed to by A.I.D. but final action/collection was not taken.

A.I.D. PUTS TO BETTER USE OR RECOVERS \$74.8 MILLION AS A RESULT OF AUDIT RECOMMENDATIONS

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:

—A.I.D. HEADQUARTERS DIRECT PAYMENT PROCEDURES—

A.I.D. NEEDS TO
IMPROVE ITS
CONTROLS OVER
HEADQUARTERS
PAYMENTS

During Fiscal Year 1989, A.I.D. Headquarters in Washington disbursed \$4.1 billion in checks and wire transfers for a variety of activities including A.I.D.'s operating expenses and various grants and contracts handled on a centralized basis.

The audit evaluated the payment controls which ensure that A.I.D. gets what it pays for. From a statistically selected sample of 80 transactions totaling \$6.1 million, the audit found that the applied controls did not adequately protect A.I.D.'s interests. The payments system did not have many major internal control requirements, was conceptually flawed, lacked personnel resources, and was ineffectively managed.

The system weaknesses were revealed in numerous erroneous payments. Most known cases of erroneous or duplicate payments were either caught by A.I.D. or brought to its attention by recipient vendors or banks. It is uncertain how many such payments were not disclosed. Projections of the audit sample results indicated that about **1,375 payments, or 3.75 percent of the 36,659 Fiscal Year 1989 transactions, could be erroneous or duplicate payments.** These figures translated into a range of between \$3.1 and \$6.1 million which may be conservative because the audit did not include some transactions such as those financed by letters of credit or direct charges by Treasury.

The audit showed that **weak controls existed in each phase of the payment process.** Administrative approvals added little certainty that goods and services were received as contracted for—many invoices were paid without administrative approval. Authorized Certifying Officers could not ensure that invoices were always appropriate for payment because there was a lack of supporting records and other reference materials and because the voucher examiners were unfamiliar with the details of contracts and grants and their payment terms. Because of the many problems in payment processing and recording, A.I.D. had been unable to reconcile its accounting records with Treasury for several years.

The A.I.D. Office of Financial Management has made a serious effort to bring greater order to the payment process. Functions have been reorganized, staff training increased, new staff members added, and procedures and directives issued. But the problems have not been completely resolved. **Management is planning to implement a new accounting system.** The limited number and quality of personnel assigned to administer the payments function is at the heart of many problems in the audit report. The Inspector General expressed his concerns with the personnel issue in a June 1990 letter to the A.I.D. Administrator. In his view, meaningful progress in dealing with the payments issues and the related accounting processes can be achieved only by substantially upgrading staff in the Office of Financial Management. Since past efforts to improve staffing faltered, he suggested the Administrator take a personal interest in this issue.

The audit made a series of recommendations that address many parts of the Agency's payment system such as administrative approvals, separation of functions, voucher examinations, schedules of payments to the U.S. Treasury, duplicate payments, and staffing. These recommendations should be incorporated in the design of the future accounting system. A.I.D. Management took the appropriate action to close 20 of the 27 report recommendations. Management and the IG are discussing the remaining open recommendations. (Audit Report No. 9-000-90-005, June 26, 1990)

—PERSONAL SERVICES CONTRACTS AT OVERSEAS MISSIONS—

ACTIONS NEEDED TO BETTER CONTROL COMPETITION AND SALARIES FOR PERSONAL SERVICES CONTRACTS

The Foreign Assistance Act authorizes A.I.D. to award personal services contracts that create an employer-employee relationship between the U.S. Government and the person under contract. Federal Acquisition Regulations generally require that such contracts be let competitively, which includes soliciting offers from as many sources as practicable. Active A.I.D. personal services contracts are estimated at \$243 million.

A.I.D. established and implemented a system to control competition in the personal services contracting process, but the system needed to better ensure compliance with regulations. For example, A.I.D.'s procurement regulations require the missions to make a serious effort to attract competition before awarding contracts under the other than full and open competition procedures. However, the audit showed that **\$4.7 million of the \$13.7 million in personal services contracts at the four audited Missions were awarded without attempting to attract competition.** This occurred because, in the absence of effective A.I.D./Washington oversight, Mission managers tolerated expedient and procedurally incorrect procurements. Making awards without attracting competition may reduce the quality of the workforce, threaten confidence in the U.S. Government's fairness, and diminish the likelihood that A.I.D. funds are used economically. The report recommended that A.I.D. improve its internal control system for personal services contracting by using better techniques to detect noncompliance, establishing a system of sanctions which can be applied against frequent noncompliers, and reviewing the staff that oversees competition.

A.I.D. regulations provide salary setting rules to foster economy, equity, and consistency in paying personal services contractors. Nevertheless, in reviewing 119 contracts, the audit found 85 instances of **noncompliance in establishing salaries** at the four Missions. This noncompliance happened because the Missions frequently did not follow established procedures when setting contractor wages. For instance, (1) salary estimates were not established for the positions being recruited, (2) salaries were not given within the allowable percentages or logically based on the current earnings or the salary set forth in the job position, and (3) current earnings were not established based on information in the job application. Also, A.I.D. salary policies were not always clear. The report recom-

mended that A.I.D. clarify its salary setting requirements for personal services contractors and intensify its review of compliance with salary setting regulations when conducting contracting activity reviews at the missions. A.I.D. Management generally agreed with this and the other report recommendations, and was taking action to implement them. (Audit Report No. 9-000-90-003, May 23, 1990)

—CLOSE-OUT PROCEDURES FOR EXPIRED CONTRACTS IN BANGLADESH—

PROBLEMS IN FOLLOWING AND ESTABLISHING CONTRACT CLOSE-OUT PROCEDURES

The A.I.D. office administering contracts is responsible for assuring that contracts are closed out in a timely manner. This is the last phase of the contracting process and should ensure that goods and services have been received, A.I.D.-financed property in the possession of contractors is accounted for and properly disposed of, excess funds are deobligated, and audits are requested and/or performed. USAID/Bangladesh identified 159 expired contracts costing \$189.5 million as of September 30, 1989. These included 38 A.I.D.-direct and 121 host-country contracts costing \$2.2 million and \$187.3 million, respectively.

USAID had neither closed out any of the expired A.I.D.-direct contracts nor ensured that expired host-country contracts were properly and promptly closed out. These problems arose because they had **not yet implemented existing procedures** for closing out A.I.D.-direct contracts and had **not established procedures** to assure host-country contracts were closed out. Furthermore, USAID's assessments of the host-country agencies' contracting capabilities did not adequately address the close-out of expired contracts.

The lack of adequate records prevented a complete accounting of A.I.D.-financed property provided to contractors under expired contracts. USAID noted that 13 of the 25 examined contracts were fixed-price contracts and these contractors were probably not provided A.I.D.-funded property. Of the remaining 12 contracts, available documentation indicated at least four contractors had A.I.D.-funded property worth **\$3.3 million in their possession that had not been adequately accounted for and disposed of** as required.

Proper implementation of close-out procedures would have identified the potential to deobligate \$253,606 for 8 of the 25 contracts included in the audit sample. For 23 of the 25 contracts (costing \$109.8 million) examined, USAID had not assured that audits were requested or performed.

The report recommended actions to ensure expired contracts are properly and promptly closed out, to develop procedures assuring that assessments of host country contracting capabilities include close-out procedures, and to increase controls over A.I.D.-funded property in the possession of contractors. Also, USAID should address the specific problems concerning the proper disposition of the \$3.3 million in property and the resolution

of unliquidated obligations amounting to \$253,606. USAID concurred with the findings and has begun to implement the recommended actions. (Audit Report No. 5-388-90-07, May 31, 1990)

—VERIFICATION OF ACCOUNTABILITY FOR DOLLARS AND LOCAL CURRENCY IN THE LATIN AMERICA AND CARIBBEAN REGION—

MISSIONS NEED
TO ENSURE
THAT AUDIT
REQUIREMENTS
ARE MET

Officials who manage A.I.D. dollars and local currency associated with A.I.D. programs must fully account for their activities to the public. Independent audit is an important internal control technique which serves to verify that funds are properly accounted for and used for authorized purposes. Audits of A.I.D.-managed resources may be performed by Federal auditors, by non-Federal auditors supervised by the Office of the Inspector General, or by non-Federal auditors contracted by organizations receiving assistance. The Office of the Inspector General made an audit of six Latin American and Caribbean Missions' verification of accountability for appropriated dollars and host government-owned local currency.

The Missions had not completely complied with audit requirements applicable to appropriated dollar projects. Although project papers prepared by the Missions generally evaluated audit needs in accordance with A.I.D. policy, the Missions did not often ensure that audits were actually performed and used effectively. Of the audit sample, **only 62 percent of the audits required by the agreements were actually performed.** In reviewing recipient audit reports, problems were found in three areas: (1) 30 percent of the reports were not on file in the Missions and had to be requested from the recipient organizations, (2) 89 percent of the reports did not meet established standards, and (3) 41 percent of the reports with significant recommendations were not followed up on by the Missions.

Furthermore, Missions had requested final audits for only 14 percent of the cost reimbursement contracts, grants, and cooperative agreements over \$500,000. Also, the standard refund provision used in agreements with nongovernmental organizations **did not clearly establish A.I.D.'s right to recover undocumented expenditures.** In many cases, these instances of noncompliance with Office of Management and Budget and A.I.D. guidance resulted from weaknesses in the Missions' systems for ensuring that audit requirements were met.

The report recommended that A.I.D. (1) ensure required audits are actually performed, (2) make more effective use of recipient organizations' audit reports, (3) request final audits when necessary, and (4) revise the standard refund provision used in agreements with nongovernmental organizations to better protect A.I.D.'s interests. A.I.D. Management agreed with the findings and recommendations and was taking action to implement them. (Audit Report No. 1-500-90-09, April 30, 1990)

—CONTROLS OVER HOST COUNTRY CONTRACTS FOR TECHNICAL ASSISTANCE IN BANGLADESH—

Host-country contracting is a process whereby foreign governments enter into contracts to carry out A.I.D. -funded economic development projects. A.I.D. is not a party to these contracts. Nonetheless, as a U.S. Government Agency dispensing public funds, it is responsible for ensuring that funds are properly used. A.I.D. handbooks require that missions institute certain procedures and controls over host-country contracting. As of January 1990, USAID/Bangladesh was responsible for seven active host-country contracts for technical assistance with total estimated costs of \$40.1 million. The audit covered four of these contracts with total estimated costs and disbursements of \$25.4 million and \$8.2 million, respectively.

HOST-COUNTRY
CONTRACTING
REQUIRES ADDED
ATTENTION TO THE
REASONABLENESS OF
NEGOTIATED PRICES
AND OVERSIGHT OF
CONTRACTORS

USAID/Bangladesh had adequate controls so that host-country contracts for technical assistance were competitively awarded or that required waivers were obtained. However, **USAID did not always ensure that records were available to document that most of the \$25.4 million in negotiated prices for the reviewed contracts were reasonable.** USAID did not (1) ensure that the Government of Bangladesh contracting agency obtained the required information and performed an adequate cost analysis concerning the reasonableness of negotiated prices, or (2) document their own detailed cost analysis.

Progress reports by technical assistance contractors did not include information to effectively measure contractors' performance and project progress. This happened because (1) the scopes of work and reporting requirements stipulated in the contracts were vague, (2) contractors were not complying with reporting requirements, and (3) USAID did not take action or was not successful in ensuring that progress reports by three of the four audited contractors included information to objectively measure contractors' performance and project progress.

The report recommended that USAID establish procedures to ensure that the host country is adequately performing its duties to determine the reasonableness of negotiated prices. The report also recommended measures to provide improved oversight of contractors. These measures addressed the need for (1) better defined contract scopes of work and contractor reporting requirements, (2) project officers to document their reviews of contractors' progress reports, and (3) a policy on the action to be taken when contractors do not adequately perform. USAID generally concurred with our findings and recommendations. However, it disagreed with our position and recommended action concerning the scopes of work on technical assistance contracts. The IG and USAID are discussing resolution of this matter. (Audit Report No. 5-388-90-08, May 31, 1990)

AUDITS OF PROJECT ASSISTANCE

A.I.D. PROJECTS
ADDRESS VARIOUS
PROBLEMS

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 problems within 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:

—FAMILY PLANNING SERVICES AND SUPPORT PROJECT IN KENYA—

REPORT RECOMMENDS
A.I.D. REPROGRAM
\$4.2 MILLION

Kenya's annual population increase of 3.9 percent is among the highest in the world. The \$110 million Family Planning Services and Support Project was initiated in September 1985 to help the Government of Kenya and other institutions with family planning services to lower the growth rate. A.I.D. was to provide about \$46 million of total project funding, of which \$21 million was obligated as of August 1989.

Two of the project's components—Ovulation Awareness and Contraceptive Social Marketing—had not progressed in promoting periodic abstinence and in increasing the use of non-clinical contraceptives. Further, disbursements to the Government of Kenya for its own project activities and activities of voluntary organizations were not adequately controlled. Disbursements were made on the basis of budgeted rather than actual expenses, or were poorly supported. **USAID/Kenya reimbursed the Government of Kenya at least \$3 million without knowing if the expenditures were reasonable, allowable or allocable to the project.**

The audit report included recommendations to (1) discontinue the project's Ovulation Awareness and Contraceptive Social Marketing components and **reprogram \$4.2 million authorized** for them, (2) determine the allowability of \$676,426 in questioned costs, (3) improve controls over disbursements and (4) perform a non-Federal audit of certain disbursements. USAID/Kenya has begun negotiations with the Government of Kenya to reprogram \$4.2 million and they agreed with other parts of the recommendations. However, it disagreed with the amount of questioned costs and believed that a non-Federal audit is unnecessary. The three

recommendations remain open. (Audit Report No. 3-615-90-09, June 22, 1990)

—CHILD SURVIVAL PROJECT IN EGYPT—

The Child Survival Project was designed to reduce the morbidity and mortality of Egyptian infants, children, and women of childbearing age. Principal activities to be financed over the life of the project are: (1) immunization of children for six major diseases, (2) early diagnosis and treatment of acute respiratory infections, (3) child nutrition, and (4) child spacing. As of January 31, 1990, \$26 million had been obligated and \$3.8 million disbursed.

MISSION TAKES
PROMPT ACTION
ON PROJECT PROBLEMS

The U.S. technical assistance contractor did not provide key personnel and the necessary work products such as work and implementation plans in a timely manner. While the vaccination coverage has almost been achieved, its desired effect may not be accomplished because of deficiencies in the cold chain system that ensures that vaccines remain potent. The \$12 million training program has been seriously delayed—less than 10 percent of targeted training had been provided—because of the Government of Egypt's time-consuming process in selecting and negotiating a technical assistance contractor and in reorganizing its implementing agency. In amending the project budget, USAID did not properly account for all inflation and exchange rate changes. As a result, **\$8.8 million are still available that could be either saved or reprogrammed for other purposes.**

During the audit, the Mission took action to correct certain identified problems. In response to the report recommendations on matters requiring prompt attention, the Mission took timely action to improve the technical assistance contractor's performance and to address cold chain problems. The report also recommended that A.I.D. update training plans and amend the project budget. USAID is implementing the remaining open recommendations. (Audit Report No. 6-263-90-06, June 20, 1990)

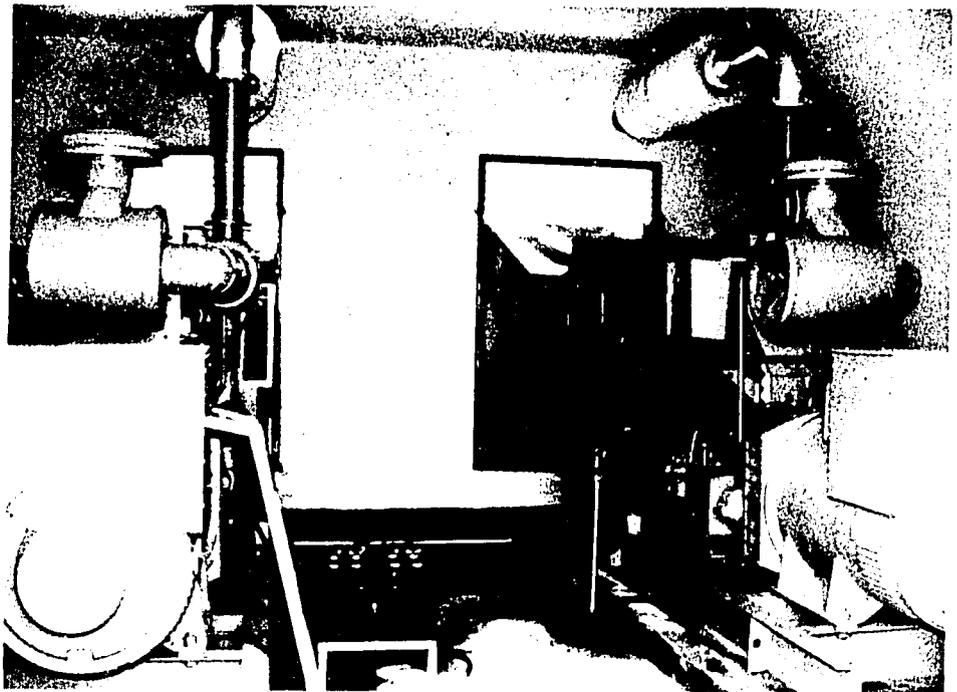
—APPLIED AGRICULTURAL RESEARCH PROJECT IN INDONESIA—

In September 1980, A.I.D. began the Applied Agricultural Research Project to improve the Government of Indonesia's agricultural research system by expanding and strengthening a network of agricultural research facilities. Specifically, the project objectives are to (1) strengthen research planning and evaluation, (2) upgrade facilities and support services, (3) prioritize research on selected commodities and farming systems, and (4) strengthen research linkages between the Government, universities, and the private sector. The total cost of the project is approximately \$55.8 million with A.I.D. providing \$33 million and Indonesia providing \$22.8 million.

IMPROVED
OVERSIGHT NEEDED
OVER FACILITIES,
COMMODITIES, AND
HOST GOVERNMENT
CONTRIBUTIONS

The project has made limited progress and is unlikely to achieve its objectives by project's end. Research facility construction and commodity delivery were about three years behind schedule. The Government was not able to support the project as originally planned—budgetary support was less than expected and the assignment of researchers at constructed facilities has been delayed. Yet, the project implementation plan was not revised to reflect these problems. In a related matter, USAID/Indonesia's project monitorship was ineffective because an adequate monitoring and reporting system had not been established. USAID did not know the extent of problems such as the lack of research personnel and reduced amounts of research. The audit recommended that USAID develop a project implementation plan and a project tracking system to assist in the monitorship of project progress.

Project facilities and commodities were either under-utilized, not utilized, or needed repair. Of the facilities visited during the audit, several were under-utilized because trained researchers were not available and some were in need of repairs due to insufficient Government of Indonesia funding. Commodities valued at \$827,000, which represented 75 percent of the audit sample, were not being utilized because they were either not installed, no longer needed, or inappropriate. Commodity utilization was not monitored as required by A.I.D. guidance. The audit recommended that USAID develop plans to staff and utilize the constructed facilities, determine if under-utilized commodities should be transferred to other USAID projects, and develop a commodity utilization reporting and monitoring system.



This unused and incomplete generator set, valued at \$60,336, was received in October 1987.

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The **Government of Indonesia was not providing sufficient funds** to keep the project operating at agreed levels. A.I.D. had not established a system for monitoring the Government's \$22.8 million contribution to the project. A.I.D. should verify the Government's contributions, identify the shortfall, and take action to ensure the Government provides adequate funding. This recommendation is unresolved because A.I.D. and the IG had not reached agreement on a planned course of action. Management had initiated corrective actions responsive to the other five report recommendations. (Audit Report No. 2-497-90-07, July 30, 1990)

AUDITS 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.

A.I.D. NONPROJECT
ASSISTANCE FOSTERS
POLICY REFORM

—BASIC EDUCATION AND SKILLS TRAINING PROGRAM IN ZIMBABWE—

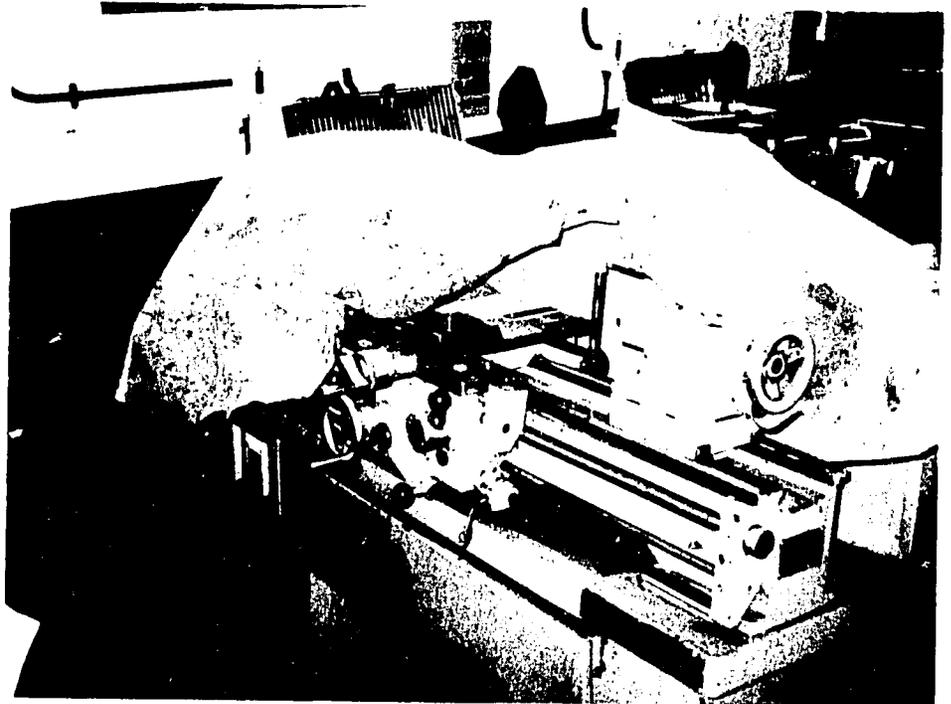
The goal of the Basic Education and Skills Training Program is to help the Government of Zimbabwe expand its education and skills training system. As of September 30, 1989, about \$45 million had been obligated—\$29 million for a Commodity Import Program and about \$16 million for a technical assistance component. Local currency generated under the Commodity Import Program was used to construct educational facilities and purchase locally available equipment. Under a technical assistance component, personnel were brought to Zimbabwe to teach and work in technical colleges, universities and in education ministries; Zimbabweans were sent to study in the U.S. and other countries; and equipment was purchased from the U.S. for use in schools and education ministries.

\$6 MILLION IN
EQUIPMENT AND
FACILITIES NOT
EFFECTIVELY USED
AND THE BENEFITS
FROM \$2.7 MILLION IN
TECHNICAL ASSISTANCE
WAS REDUCED

The program was helping the Government expand its education and skills training system. However, **facilities and equipment valued at \$6 million were either under-utilized or not used at all.** Similar ordered equipment, amounting to \$1.55 million, would likely also be under-utilized. This occurred because there were no detailed plans established by the Mission and the Government of Zimbabwe to fully use facilities as intended. Furthermore, equipment was not used due to a lack of trained staff and spare parts.



This lecture hall at a technical college was being used for trash instead of as a classroom as intended.



This metal lathe was not being used because of a lack of spare parts.

Nineteen technical assistance personnel were brought to Zimbabwe to teach in colleges and provide on-the-job training to Zimbabweans who returned from overseas training. However, only 11 Zimbabweans were trained abroad to replace these 19 technical assistance personnel and none returned to Zimbabwe in time to work with the technical assistance personnel. The Mission brought the personnel into Zimbabwe before the Government had identified, cleared and scheduled the Zimbabweans for training. As a result, the **Government did not benefit as intended from the \$2.7 million investment in technical assistance.** Furthermore, \$73,454 earmarked for long-term training would not be used before the program was completed.

In response to the audit report recommendations, the Mission issued a notice requiring counterparts to be identified, cleared and scheduled for training before technical assistance personnel are contracted for. Also, they reprogrammed \$186,000 from the training element to the commodity element. The Mission intends to implement the other recommendation by issuing a project implementation letter to the Government of Zimbabwe requesting an implementation plan and a time schedule for fully utilizing A.I.D.-funded facilities and equipment which the audit identified as under-used. (Audit Report No. 3-613-90-08, April 6, 1990)

—AGRICULTURE SECTOR DEVELOPMENT GRANT IN NIGER—

The Agriculture Sector Development Grant is a \$52.9 million assistance program, consisting of \$44.8 million in cash transfers and \$8.1 million in technical assistance. A total of \$39.8 million in cash transfer funds were released to the Government of Niger in five increments as certain agriculture policy reforms were made. A sixth and final increment was scheduled to be released sometime in fiscal year 1990. The host government was required to establish a Special Local Currency Account and deposit local currency in amounts equal to the dollar disbursements. A.I.D. and the host government were to jointly program these funds for agriculture projects. In addition, \$1.3 million in local currencies were used to fund an Executive Secretariat to manage and account for local currencies.

**\$5 MILLION IN GRANT
FUNDS WERE WITHHELD
BECAUSE OF WEAK
ADMINISTRATIVE AND
FINANCIAL CONTROLS**

The Government of Niger successfully carried out the policy changes required for the release of the cash transfers, but USAID/Niger did not require the Executive Secretariat to systematically monitor the agriculture projects. As a result, local currencies spent for these projects were poorly utilized and neither USAID nor the Executive Secretariat were certain that projects were achieving their objectives or that funds were not being abused.

In the Executive Secretariat office, funds were spent on items inappropriate for office operations, items were purchased at inflated costs, lax controls resulted in multiple thefts, funds meant to train Executive Secretariat personnel were used to train outside individuals, and gasoline and

project vehicles were used for non-program purposes. In response to an audit report recommendation, **USAID “decertified” the Secretariat under Section 121(d) of the Foreign Assistance Act and withheld \$5 million of grant funds** until Secretariat procedures are finalized and administrative and financial management controls are instituted.

The Government of Niger did not follow the program agreements. As a result, **a \$300,000 exchange rate loss was incurred and another \$403,000 in additional interest was lost.** Also, USAID was improperly using program trust funds, a contractor had not developed an institution building strategy, and a methodology for measuring the impact of the program had not been established.

USAID implemented audit report recommendations by ensuring that the contractor prepared an institution building strategy and requiring that local currencies not be used to train non-Secretariat personnel. The audit report also recommended that A.I.D. (1) take measures to improve certain financial aspects of the program, (2) discontinue the use of program trust funds for operating expenses, and (3) not proceed with financing the \$25 million Phase II Agriculture Sector Development Grant until a methodology for measuring impact is firmly established. Management is implementing the recommendations. (Audit Report No. 7-683-90-07, May 4, 1990)

—EGYPT CASH TRANSFER—

THE GOVERNMENT OF EGYPT AND USAID MET CASH TRANSFER REQUIREMENTS

In 1989, A.I.D. and the Government of Egypt signed the 1988 cash transfer agreement for \$115 million to provide foreign exchange to Egypt. A.I.D. delayed making this grant for about a year pending implementation by the Government of Egypt of sufficient economic reforms to justify the cash transfer. After depositing the cash transfer proceeds into a special bank account, the Government completely used the \$115 million grant plus \$1.03 million in interest earned from the account on December 28, 1989.

The audit found that the **Government of Egypt managed and USAID/ Egypt monitored the cash transfer in accordance with the applicable agreement and A.I.D. regulations.** The Government properly controlled and used the dollar proceeds of the \$116 million cash transfer and interest thereon and deposited the required amount of local currency in an appropriate separate account. Of the \$116 million total, the Government used \$74.5 million to buy wheat and \$41.5 million to pay official and commercial creditors in the United States. Based on this positive action by the Government and USAID, the **audit made no recommendations.** (Audit Report No. 6-263-90-07, July 9, 1990)

AUDITS OF PUBLIC LAW 480 FOOD FOR PEACE PROGRAM

In administering the Public Law 480 Food for Peace Program, the Agency's primary objective is to ensure that food aid is provided to those countries and people that are truly in need. In order to increase the development impact of this program, A.I.D. has established a goal of linking food aid to long-term economic growth in developing countries. Funding for this program is estimated at \$1.5 billion for fiscal year 1990. Highlights of a PL 480 Program audit follows:

AGENCY'S GOAL
LINKS FOOD AID
TO LONG-TERM
ECONOMIC GROWTH
IN DEVELOPING
COUNTRIES

—MANAGEMENT OF THE FOOD PROGRAM IN INDIA—

The PL 480 Title II program in India is mainly conducted through two voluntary organizations—the Cooperative for American Relief Everywhere (CARE) and the Catholic Relief Services (CRS). The voluntary organizations distributed 283,000 metric tons of commodities (valued at \$76 million) to 9.3 million beneficiaries in 1988 and 295,000 metric tons (valued at \$85 million) to 10.2 million beneficiaries in 1989. USAID/India is responsible for program oversight to ensure effective operations and compliance with various requirements.

A.I.D. OVERSIGHT
OF THE PL 480
PROGRAM IN
INDIA NEEDS
IMPROVEMENT

Though USAID was managing many aspects of the food program effectively, their oversight of the voluntary organizations' programs needed improvement. For example, field monitoring of the voluntary organizations was minimal due to staff reductions and fund restrictions. Consequently, the voluntary organizations' operations were not being systematically reviewed to help ensure correction of known problems, compliance with requirements, and effectiveness of operations. Reliable information on commodity losses was not being reported by the voluntary organizations because USAID did not ensure the organizations were following established loss reporting procedures. Therefore, USAID was unaware of the actual amount of losses and could not gauge the need for corrective action.



Bags of bulgur wheat were broken at this Catholic Relief Services recipient organization but no losses were reported.

While various attempts were made over the years, USAID was not successful in getting voluntary organizations to place adequate emphasis on important A.I.D requirements such as ensuring the availability of adequate storage facilities for the commodities in India. Also, USAID did not require voluntary organizations to correct known problems concerning beneficiary selection procedures, loss reporting, and inadequate warehousing. This occurred because, until recently, USAID had primarily limited its efforts to working jointly with the voluntary organizations, and did not use stringent enforcement measures. Such measures included limiting the program when systemic problems were not corrected, reviewing warehousing activities adequately before certifying that adequate storage facilities existed, and making claims against the voluntary organizations for negligence.



Various problems in warehousing activities such as no dunnage, commingled stock, broken bulgur wheat bags, leaking oil containers, and improperly stored stock.

The report recommended that USAID use more stringent enforcement measures, increase field oversight, and obtain more accurate information on losses. USAID generally disagreed with the findings and recommendations. They believed the report lacked objectivity and was distorted by the problems at one voluntary organization. Since there was no agreement, the recommendations were considered unresolved at the time the audit report was issued. Subsequently, USAID provided comments which indicated agreement with most of the recommended actions. (Audit Report No. 5-386-90-12, July 31, 1990)

MANDATED AND MISCELLANEOUS AUDITS

The A.I.D. Inspector General has been mandated by Congress to provide specialized audit coverage. These mandated audits, as well as audits of such programs as the Housing Investment Guaranty and American Schools and Hospitals Abroad, are conducted 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
SOME AUDITS

—HUMANITARIAN ASSISTANCE TO THE NICARAGUAN RESISTANCE—

EXTENSIVE AUDIT OF NICARAGUAN HUMANITARIAN ASSISTANCE

The Nicaraguan Resistance against the Sandinista regime is composed of the Nicaraguan Resistance Army and the Yatama Indians in Honduras and the Southern Opposition in Costa Rica. Public Law 101-14 authorized \$49.7 million for humanitarian assistance to the Resistance to be administered by A.I.D. (Phase III). These funds continued humanitarian assistance previously authorized under Phase I (\$17.7 million) and Phase II (\$27.1 million). These authorizations provided funding for food, clothing, shelter, medical supplies, and medical services.

The A.I.D. Administrator, recognizing the inherent vulnerability of this program, requested the assistance of the A.I.D. Office of the Inspector General to better ensure that assistance to the Resistance was used as intended. The Inspector General recommended that A.I.D. contract the audit services of a private accounting firm to assist in auditing the financial transactions and delivery of humanitarian assistance. The Inspector General suggested this approach to ensure timely identification and correction of possible problems. The Inspector General wrote the scope of work for the private accounting firm and monitored the quality of the firm's work.

In June 1990, the Inspector General issued audit reports on the activities of the five entities that implemented Phase III of the Humanitarian Assistance Program. The audits covered the period from May 1, 1989 through April 30, 1990.

In the opinion of the non-Federal audit firm engaged by A.I.D. and supervised by the Office of the Inspector General, all the entities complied with Public Law 101-14, and other applicable agreements, contracts, laws, and regulations for all the items tested. The auditors expressed unqualified opinions on the fund accountability statements of all the implementing entities except the Task Force on Humanitarian Assistance for which it expressed a qualified opinion. The qualifications pertained to the expenditures amounting to \$1,052,224 that could not be audited because of delayed billings to A.I.D. and the auditor's inability to observe the delivery of the humanitarian assistance to the end users due to security reasons. **The audit reports contained no recommendations.** In March and September 1989, the Office of the Inspector General reported a similar situation for Phases I and II of the Humanitarian Assistance Program. (Audit Report Nos. 1-522-90-32-N through 1-522-90-35-N, June 14, 1990)

—HURRICANE RECONSTRUCTION PROJECT IN JAMAICA—

Hurricane Gilbert hit Jamaica September 12, 1988, and was the island's worst disaster in this century. According to Jamaica news reports, 46 persons were killed, 40,000 to 60,000 were left homeless, and 100,000 persons' homes were severely damaged. Winds up to 140 miles per hour cut telephone and electric service, destroyed roofs and damaged the international airports. Water supplies were severely disrupted and heavy rains led to damaging flash flooding and mudslides. A.I.D. responded to the disaster by immediately sending necessities valued at \$1.5 million.

\$30 MILLION
OBLIGATED AND
\$11 MILLION
DISBURSED FOR
THE HURRICANE
RECONSTRUCTION
PROJECT

To assist with hurricane recovery and reconstruction activities, A.I.D. also granted \$30 million to the Government of Jamaica for the Hurricane Reconstruction Project. The project provides (1) commodities and technical assistance for the rehabilitation of infrastructure, (2) large grants to Jamaican organizations to assist with agriculture and business recovery, and (3) assistance in disaster preparedness and relief for the poor.

The 1989 Foreign Assistance Appropriations Act required that the A.I.D. Inspector General closely monitor Jamaica disaster assistance and provide an accounting for the use of the funds. To meet this requirement, the Inspector General recommended that A.I.D. **use the services of a private accounting firm to audit the disaster assistance financial transactions as the assistance was being delivered.** The Office of the Inspector General determined the scope of work for the private accounting firm and supervised the audit.

The Office of the Inspector General issued an interim non-Federal audit report covering the period February 15, 1989 to February 28, 1990. Since the audit was still underway, the non-Federal audit firm could not give a positive assurance on the use of the funds. However, **nothing came to the attention of the auditors to indicate that the \$30 million obligated and \$11,675,218 disbursed as of February 28, 1990 had been used in any material way other than for purposes intended under the terms of the agreements.** The auditors identified several deficiencies affecting proper accountability for funds, internal controls, and compliance with agreement terms and applicable laws and regulations. Although some of these deficiencies were relatively minor, the audit noted that they had gone unresolved for several months. A.I.D. implemented the report recommendation by establishing procedures for promptly resolving deficiencies identified during the audit. (Audit Report No. 1-532-90-27-N, May 18, 1990)

—HOUSING GUARANTY PROGRAM IN JAMAICA—

A.I.D. primarily uses the Housing Guaranty Program to provide low-income housing assistance in developing countries. Under this program, a U.S. private-sector financial institution provides long-term financing at

PROGRAM'S VIABILITY
COULD BE THREATENED
BY FINANCIAL AND
COMPLIANCE PROBLEMS

commercial interest rates to a corresponding institution in a developing country to undertake housing and housing-related projects. The U.S. Government provides a guaranty of repayment of principal and interest to the U.S. lender if the developing country borrower defaults. In turn, the developing country government agrees to repay the United States should the borrower default. In Jamaica, A.I.D. issued guarantees of \$40 million to finance shelters and the Government of Jamaica contributed \$35 million.

The audit found that program losses could decapitalize the Jamaican financial institution implementing the program. These substantial losses were occurring because of mortgage delinquencies, poor administration, and exchange rate losses. Even with these losses, the U.S. Government has not made any payments to the U.S. investors as agreed in the guaranty provisions because the Government of Jamaica has made the required payments to the U.S. lenders on behalf of the Jamaican borrowers.

Even though A.I.D.'s regional housing office in the Caribbean substantially revised the program in 1985, the audit found significant problems. To illustrate, the viability of the program could be threatened because a Jamaican borrower did not press the Government of Jamaica for reimbursement of losses even though it was approaching the point of default on the loan. **Accounting systems to control the \$40 million in program funds were inadequate and required independent audits were not being performed.** A large number of housing units were awarded to ineligible beneficiaries with incomes above the median level for Jamaica. By doing this, the auditors believed the program was not benefitting low-income families, as much as possible, as intended by Housing Guaranty Program legislation. The A.I.D. General Counsel did not agree with the auditors' interpretation.

Other serious problems were harming the program because implementing parties had not complied with terms of the program agreements. For example, the **program lost about \$6.7 million in funds because the Government of Jamaica Ministry improperly retained the proceeds from the sale of housing units.** In another case, the Ministry used \$8 million in funds budgeted for program loan repayments for other purposes. In total, the report made 15 recommendations to improve program implementation and accountability over program funds. Two of the recommendations have been closed while the others remain open. (Audit Report No. 1-532-90-15, July 3, 1990)

FINANCIAL AND FINANCIAL-RELATED AUDITS

EXTENSIVE PROGRAM
OF FINANCIAL AND
FINANCIAL-RELATED
AUDITS

The Office of the Inspector General either performs or monitors several types of financial audits. These include cost incurred audits of A.I.D. contracts/grants to determine compliance with contract/grant provisions

and Federal Acquisition Regulations. Audits of contract termination claims are made based on requests from A.I.D.'s Office of Procurement or overseas missions. These reviews are required by the Federal Acquisition Regulations when the termination settlement proposal is \$25,000 or more. In addition, preaward reviews of contracts/grants are performed to determine the validity of estimated costs and identify potential problem areas before the contracts/grants are awarded. Office of Inspector General financial and financial-related audits are performed primarily by other Federal agencies or non-Federal auditors.

Highlights of a financial-related audit performed internally by the Inspector General's own staff follows:

—UNIVERSITY CONTRACT—

In January 1986, USAID/Gambia entered into a \$13.4 million contract with a University to provide technical assistance to the Government of The Gambia for the implementation phase of the Gambian Agricultural Research and Diversification Project. The Inspector General's Financial Audit office made a financial-related audit of costs claimed by the University for the period August 15, 1985 through September 30, 1989. As of September 30, 1989, contractual obligations totaled \$9.9 million with disbursements totaling \$8.3 million.

AUDIT QUESTIONS
\$6,458 IN SALARY COSTS

The audit was made to (1) assess the University's internal control structure to determine the levels of control risk and levels of substantive tests, (2) examine supporting documentation for selected transactions in each cost category within the Statement of Costs Incurred, and (3) evaluate whether the costs complied with the Cost Principles for Educational Institutions (OMB Circular A-21), the A.I.D. Acquisition Regulations and the specific terms of the contract.

The audit found that, except for \$6,458 in questioned salary, related indirect and fringe benefits costs, and \$136,395 which was questioned in a performance audit conducted by the Regional Inspector General for Audit in Dakar, the **University had maintained sufficient documentation** that ensured, in all material respects, the Statement of Costs Incurred and billed to A.I.D. for the audited period was in compliance with applicable laws, regulations, and contractual terms. The audit recommended that A.I.D. resolve the \$6,458 in questioned costs. The University's management generally agreed with the finding. (Audit Report No. 0-000-90-01, June 30, 1990)

NON-FEDERAL AUDITS

NON-FEDERAL AUDITS RECOMMEND RESOLUTION OF \$10.1 MILLION IN QUESTIONED COSTS

The Office of Audit continues to **expand a worldwide program for using non-Federal auditors to conduct financial and financial-related audits of A.I.D. projects, contracts, and grants.** The objectives of the non-Federal audits are to express opinions on the fairness of the auditee's financial statements and report on the adequacy of the auditee's internal controls and their compliance with A.I.D. agreements. During this reporting period, 60 non-Federal audit reports, of which 18 were preaward reviews, were issued through the IG's Regional Inspectors General for Audit located overseas and the Financial Audit office in Washington. These reports included **recommendations for the resolution of questioned costs totaling over \$10.1 million,** as well as numerous procedural recommendations to improve A.I.D. projects, contracts and grants.

Only 15 of the 60 reports that gave an opinion on the financial statements expressed a favorable opinion (25 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 table below provides an analysis by type of financial statement opinion.

Summary of Financial Statement Opinions In Non-Federal Audit Reports

Unqualified (Favorable)	15
Adverse	1
Disclaimer	9
Qualified	<u>18</u>
Subtotal	43
Opinion not applicable	<u>17</u>
Total Audits and Preawards	<u>60</u>

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, and qualified opinions are given whenever material exceptions are noted. 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 management demonstrates the continued need for financial audits of foreign aid expenditures. Highlights of non-Federal audit reports follow:

**—EDUCATION SYSTEM REVITALIZATION
PROJECT IN EL SALVADOR—**

A.I.D. funded the Education System Revitalization Project in El Salvador to assist the Ministry of Education restore the effectiveness and accessibility of primary education services in El Salvador to near pre-conflict levels. The project grant budget through September 30, 1988 amounted to \$37 million with a Government of El Salvador counterpart contribution in both cash and in-kind amounting to \$13 million. The project is managed by the Agency for Education System Revitalization Project of the Ministry of Education (APRE).

REPORT QUESTIONS
\$5.8 MILLION
PRIMARILY DUE TO
THE CONDITION OF
THE ACCOUNTING
RECORDS

A non-Federal financial audit was made of \$5.8 million in A.I.D. funds and \$2.8 million in Government of El Salvador counterpart funds provided to APRE. The purpose of the audit was to report on (1) the fairness of the project's fund accountability statement for the period April 18, 1985 through September 30, 1988, (2) APRE's internal control structure for project operations, and (3) APRE's compliance with agreement terms and applicable laws and regulations.

The auditors **did not express an opinion on the fund accountability statement because of inadequate accounting records** and because the statement did not include both counterpart contributions estimated at \$2,985,504 and direct A.I.D. disbursements of \$11,744,750. They **questioned \$269,670** because these costs did not meet project eligibility, applicability, and/or reasonableness requirements. **Due to the poor accounting records, they also questioned disbursements funded by A.I.D. amounting to \$5,528,394.** The audit disclosed material weaknesses in APRE's system of internal controls and in its compliance with agreement terms and applicable laws and regulations.

The audit report recommended that A.I.D. (1) either obtain documentation to substantiate or negotiate a settlement with the Government of El Salvador on the \$5.8 million in questioned costs, and (2) conduct an IG supervised non-Federal close-out audit of the project which was completed on June 30, 1990. If A.I.D. intends to provide further assistance to APRE, it should ensure that APRE has established a proper internal control structure and an adequate accounting system to provide accountability for A.I.D. funds. (Audit Report No. 1-519-90-43-N, June 22, 1990)

**—DEVELOPMENT ASSISTANCE PROGRAM FOR
NON-GOVERNMENTAL ORGANIZATIONS IN THE
PHILIPPINES—**

A.I.D. granted almost \$450,000 to a private voluntary organization (PVO) to support and manage the Development Assistance Program for Non-Governmental Organizations in The Philippines. The purpose of the program is to improve the socioeconomic status of the poor in selected areas of The Philippines. This program is implemented by local non-

AUDIT QUESTIONS
\$153,106 OF \$332,889
IN EXPENDITURES

governmental organizations through activities to increase agricultural productivity and income from micro-enterprises.

The purpose of the audit was to determine whether (1) the \$332,889 in expenditures made under the grant were allocable, allowable, and reasonable; (2) internal controls were adequate to segregate and account for A.I.D. funds; and (3) the grant agreement and applicable laws and regulations were complied with. The audit covered the period from May 29, 1987 through February 28, 1990.

The auditors **questioned \$153,106 of the \$332,889** because the costs were either unallowable under the grant agreement or not supported by proper documentation. To illustrate, \$105,000 was disallowed because it covered the reimbursed expenditures of subgrantees who were not geographically located in the areas specified in the grant agreement. The PVO's system of internal controls was generally adequate except for control procedures relating to travel expenses. The auditors found several instances where the PVO had not complied with the grant agreement or with applicable laws and regulations. For example, grant and non-grant funds were commingled, counterpart contributions were not verifiable, and sound procurement practices were not followed.

The report recommended that A.I.D. resolve the \$153,106 in questioned costs with the PVO and require the PVO to establish procedures to address the internal control and compliance deficiencies. (Audit Report No. 2-492-90-11-N, June 15, 1990)

—NATIONAL OFFICE OF POPULATION IN RWANDA—

NON-FEDERAL
AUDITORS QUESTION
COSTS AMOUNTING
TO \$2,038,306

Rwanda's National Office of Population (ONAPO) was established in January 1981 to inform Rwandese of family planning issues. In September 1981, A.I.D. and ONAPO entered into a grant agreement to improve ONAPO's capacity to deliver maternal and child health and family planning information and services to the general population.

A non-Federal financial audit was made of the approximately \$4.4 million that had been expended for the period from September 26, 1981 to December 31, 1989. The audit objectives were to determine the validity and propriety of project expenditures, the adequacy of ONAPO's internal control structure, and ONAPO's compliance with laws, regulations and grant provisions.

The non-Federal audit firm issued an **adverse opinion** on the financial statement because it was unable to establish the allowability of significant amounts of claimed project expenditures. The auditors questioned costs of \$2,038,306 which included ineligible costs of \$682,180 and unsupported costs of \$1,356,126.

The auditors noted various **material weaknesses in ONAPO's internal control structure**. These weaknesses included failure to segregate and account for grant funds in accordance with grant provisions, and the absence of periodic reconciliations of accounts. They also noted material noncompliance with laws, regulations, and the grant agreement. The most significant instances of noncompliance concerned **failure to liquidate advances within the allowed time period, unauthorized disposal of project assets, and failure to properly account for all project funds**.

The report recommended that A.I.D. (1) determine the allowability and recover, as appropriate questioned costs of \$2,038,306, (2) ensure that ONAPO establish an acceptable accounting system that will provide adequate internal controls and compliance with provisions of the grant agreement, and (3) require ONAPO to account for the status of all outstanding advanced funds. The Mission generally agreed with the report's findings and recommendations. (Audit Report No. 3-696-90-09-N, September 17, 1990)

—CONSTRUCTION CONTRACT IN PAKISTAN—

In August 1989, USAID/Pakistan entered into a \$16.4 million contract with a Pakistani firm to assist the Government of Pakistan provide construction services for roads, bridges, and drainage structures under the Baluchistan Area Development Project. Due to performance problems, a notice for partial termination was issued and construction work was reduced. The contract was fully terminated for convenience in May 1990 and the contractor submitted a termination claim for \$4,003,661.

**TERMINATION CLAIM
AUDIT CONCLUDES
THAT \$3,074,067 IN
SETTLEMENT COSTS
WERE UNALLOWABLE
OR UNSUPPORTED**

A non-Federal financial audit was made to (1) review the contractor's Statement of Termination Claim including the costs for the terminated and unterminated portions of the contract, (2) evaluate the system of internal accounting controls used for producing the figures incorporated in the claim, and (3) determine compliance with applicable laws, regulations, and agreement terms in arriving at the claim.

The non-Federal audit firm concluded that **\$3,074,067 of the \$4,003,661 in settlement costs claimed by the contractor were either not allowable or not supported by adequate records**. The questioned items included \$985,207 for loss of profits and \$947,867 for loss of reputation. Both of these items were not allowed by the Federal Acquisition Regulations. In examining the \$2 million advanced to the contractor for mobilization costs, the auditors found that **\$898,000 of the advance was still outstanding**. This advance should be recovered in reaching a settlement of the termination claim.

The audit disclosed material weaknesses in the contractor's system of internal controls relating to fixed assets and the cancellation of supporting documentation. The audit report recommended that A.I.D. negotiate a

settlement with the contractor on the questioned costs in the termination claim amounting to \$3,074,067 and offset the settlement of the termination claim by the \$898,000 in outstanding mobilization advances. USAID concurred in the findings and recommendations. (Audit Report No. 5-391-90-02-N, July 23, 1990)

AUDITS OF FEDERAL AWARDS TO NONPROFIT ORGANIZATIONS

IG REVIEWS INDEPENDENT AUDITS OF NONPROFIT ORGANIZATIONS

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. This is done 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 begin on or after January 1, 1990.

During this reporting period 60 A-110 audit reports were desk reviewed by the Inspector General. Of those, 56 were issued without change and two were issued with major changes. Also, two A-110 audit reports were rejected. One of the reports was rejected because the audit scope did not meet generally accepted auditing standards while the other audit report did not comply with Government Auditing Standards. The A-110 reports resulted in recommendations to resolve \$10,155 in questioned costs. The reports identified 158 internal control and compliance deficiencies classified as follows:

● Material Internal Control Weaknesses	4
● Other Internal Control Weaknesses	75
● Noncompliance resulting in questioned costs	5
● Noncompliance without questioned costs	<u>74</u>
	<u>158</u>

Highlights of significant A-110 audits follow:

The Office of the Inspector General **identified common procedural problems** contained in the A-110 audit reports issued during this period. For example, seven of the reports contained incorrect calculations of the grantees' indirect cost rates. They did not comply with A.I.D. regulations pertaining to indirect cost rates as defined by OMB Circular A-122 and/or the Negotiated Indirect Cost Rate Agreements (NICRA). For example, \$51,082 was improperly included twice in the direct cost distribution base (Audit Report LTR No. 90-63 dated June 26, 1990); \$370,379 of direct costs associated with the United States Information Agency were excluded from the direct cost base, an exclusion not authorized by the NICRA (Audit Report LTR No. 90-71 dated July 9, 1990); fundraising costs were improperly included in the indirect cost pool in one report and excluded from the direct cost base in two reports (Audit Report LTR Nos. 90-77 dated July 27, 1990 and 90-96 dated September 7, 1990). As a result of these findings, the Office of the Inspector General recalculated the indirect cost rate for some reports, while in other cases the reports were rejected and the grantees were requested to issue revised reports.

IG IDENTIFIED COMMON
PROBLEMS IN A-110
AUDIT REPORTS

OTHER FEDERAL AUDITS

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 and/or grantees.

OTHER FEDERAL
AUDITS QUESTION \$1.6
MILLION IN COSTS
INCURRED OR
PROPOSED

During this reporting period, the Office of the Inspector General received and processed 58 audit reports completed by other Federal Auditors. Generally, the audits were financial and compliance, preaward, contract or grant close-out, or grant termination audits.

The 58 audit reports issued this period resulted in 54 recommendations to A.I.D. Management to (1) require improved contractor/grantee accounting and/or internal controls, (2) finalize indirect cost rates, and (3) **resolve \$1.6 million** of costs incurred or proposed by contractors/grantees. For example:

- Audit Report TR No. 90-74 recommended that A.I.D. Management resolve (1) a \$25,000 cost overrun incurred by the contractor, (2) \$130,000 of ineligible or unsupported costs, and (3) \$112,000 of unexpended cash advances being held by the contractor.

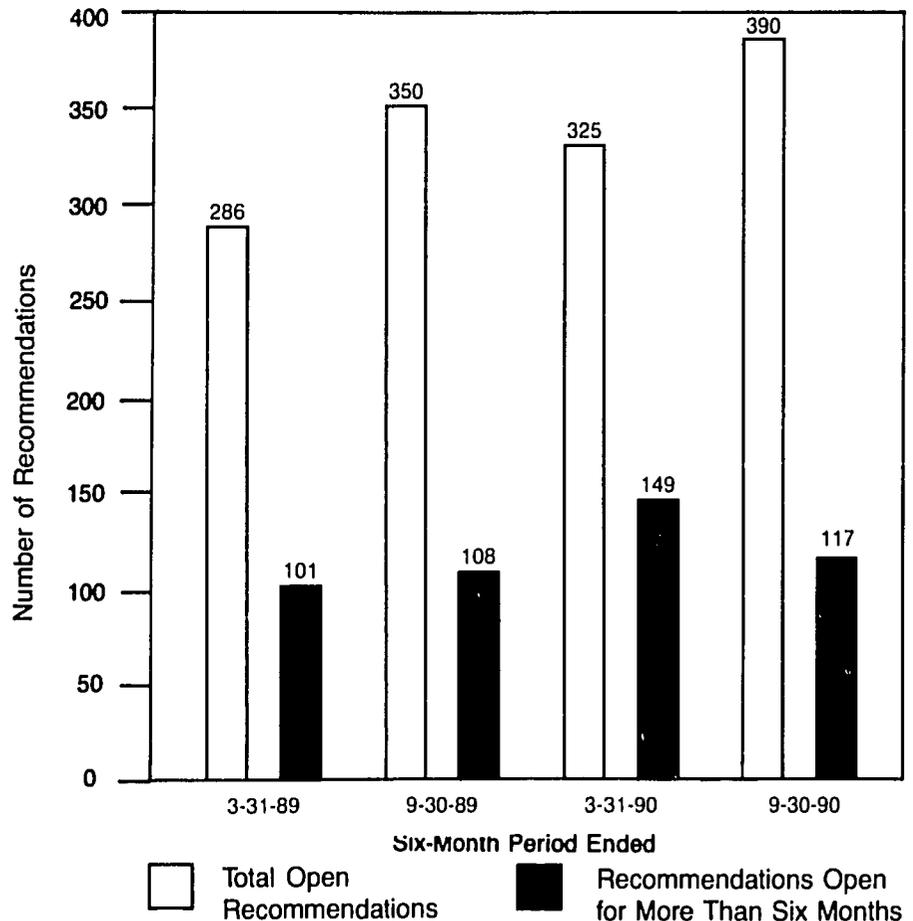
- Audit Report TR No. 90-77 recommended that A.I.D. Management resolve ineligible or unsupported costs of \$814,000 claimed by a recipient.
- Audit Report TR No. 90-79 questioned \$73,000 proposed by a contractor in a project termination claim.

AUDIT RECOMMENDATIONS, FOLLOW-UP AND RESOLUTION

—COMPARISON OF STATUS OF OPEN RECOMMENDATIONS—

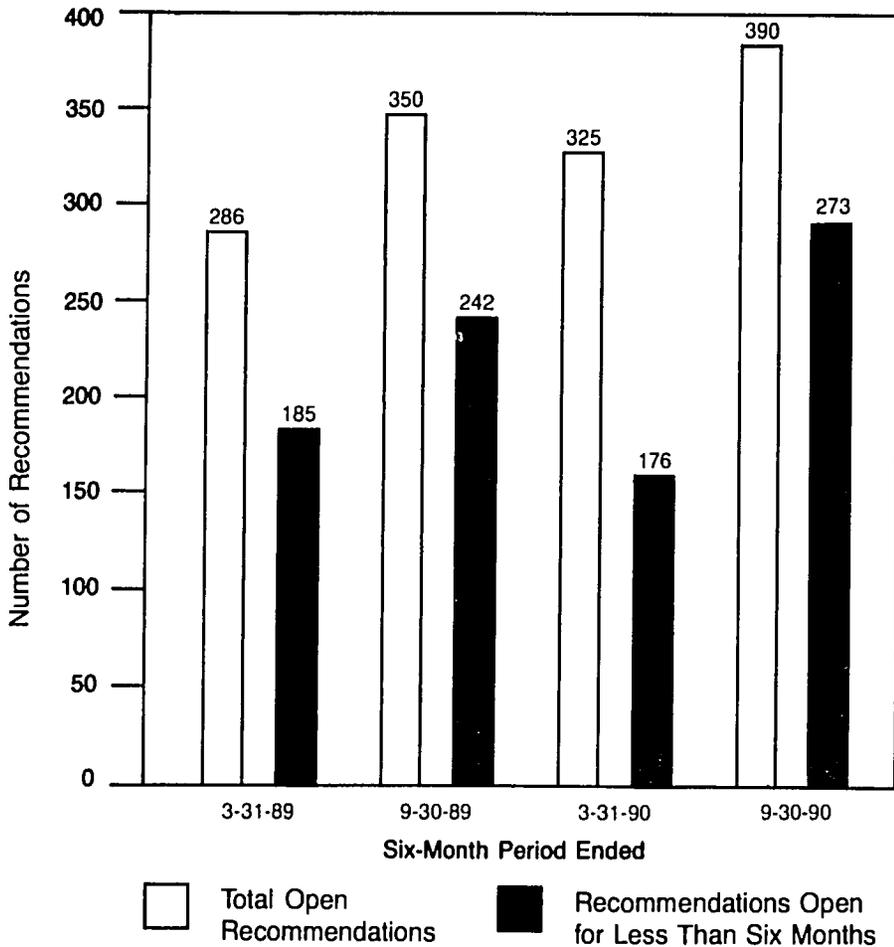
The total number of open recommendations at the end of the reporting period increased by 20 percent (325 to 390) from the prior period. The number of recommendations open in excess of six months decreased by 21.5 percent (149 to 117) from the prior period.

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



26

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



—COMPARISON OF STATUS OF OPEN
RECOMMENDATIONS OVER SIX MONTHS OLD—

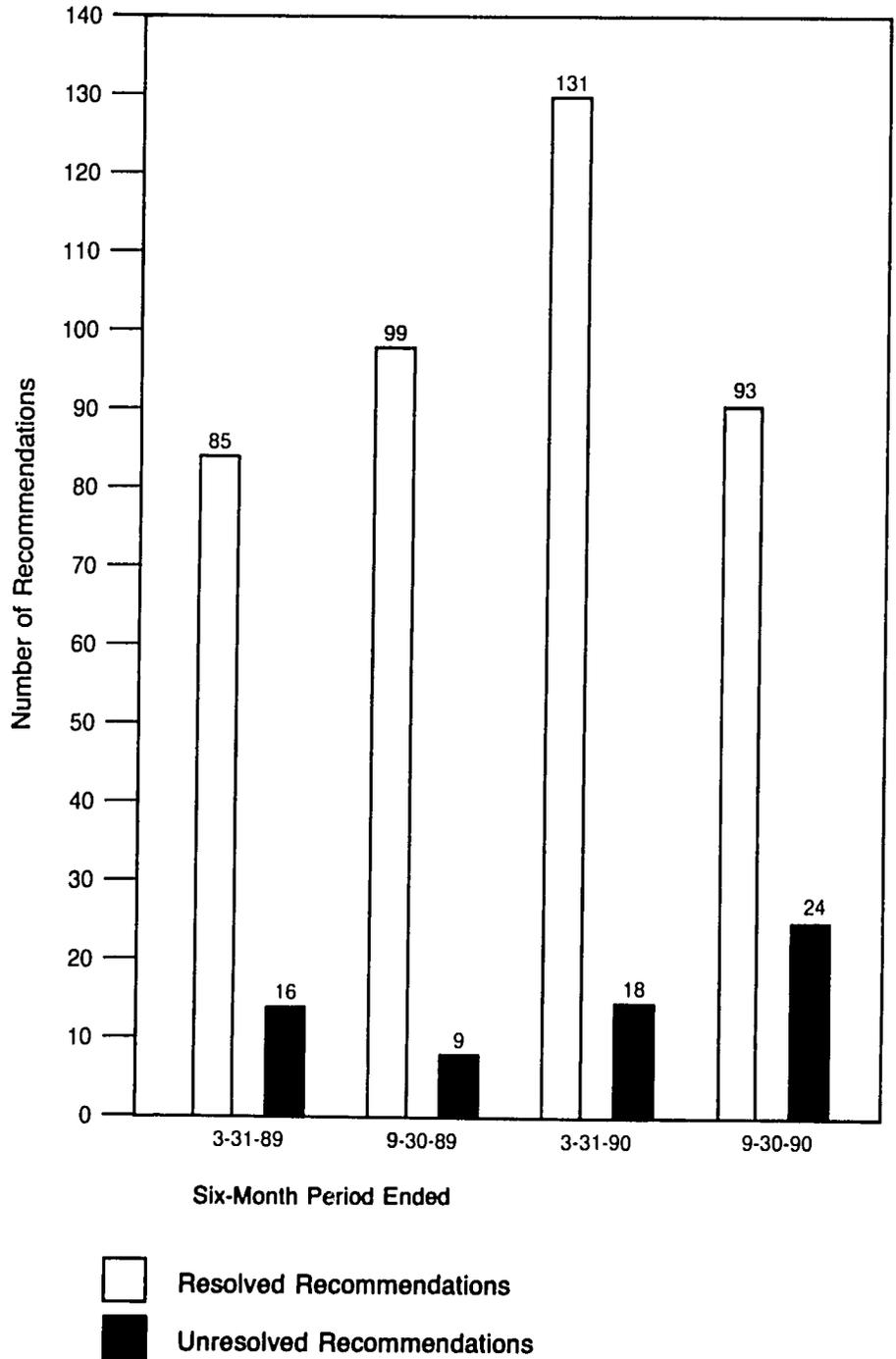
Office of Management and Budget Circular A-50 requires that recommendations be resolved within six months of issuance. In this context, resolution and closure are not synonymous terms. Audit recommendations are resolved when Management and the IG's Office reach agreement on firm plans of action to correct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

A.I.D. COMPLIANCE
WITH OMB CIRCULAR
A-50

The number of IG recommendations open over six months decreased by 32 (from 149 to 117) between April 1, 1990 and September 30, 1990. Noncompliance with A-50 requirements for resolution increased during this period from 18 to 24. **The increase is due in part to the changed definitional requirements of the Inspector General Amendments Act of 1988**, which required that final management decisions be made on recommendations before they are considered resolved. For recommendations which include questioned costs, it may take more time for the contract negotiation process to successfully reach a resolution.

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**STATUS OF OPEN
RECOMMENDATIONS
OVER SIX MONTHS OLD**



**—SUMMARY OF AUDIT REPORTS CONTAINING
UNRESOLVED RECOMMENDATIONS OVER SIX
MONTHS OLD—**

The Inspector General Act Amendments of 1988 require that a summary be provided for each audit issued before the beginning of the reporting period for which no management decision has been made by the end of

the reporting period. As of September 30, 1990, 19 reports¹ issued before this reporting period contained 24 recommendations for which no management decision had been made. The following summarizes the reports, discusses the status of the unresolved recommendations and states the desired timetable for achieving a management decision. In one case, the Agency revised its position on a previously agreed-to recommendation. At this time, the recommendation (Recommendation No. 3 of Audit Report No. 1-528-89-26) is considered unresolved and is discussed on page 39.

● **ECONOMIC SUPPORT FUND PROGRAM IN BOLIVIA**

A.I.D. provided the Government of Bolivia Economic Support Fund grants of \$7.2 million in 1986 and 1987. The grants were to assist Bolivia's economic recovery by providing dollars to finance needed imports.

**DOLLAR ACCOUNTING
PROCEDURES SHOULD
BE IMPROVED**

A.I.D. guidance requires the Government of Bolivia to obtain prior A.I.D. approval before financing imports. However, in July 1988, the Mission approved transactions which had already taken place. The report recommended that the Mission modify its dollar accounting procedures to make them consistent with applicable guidance. USAID/Bolivia stated in June 1989 that it believed the procedures currently used are already in compliance with A.I.D. guidance. The IG disagrees with this position. The Latin America Bureau is reviewing this recommendation and working with USAID/Bolivia to resolve it. (Audit Report No. 1-511-89-07, January 20, 1989)

● **SOYBEAN OIL SHIPMENT TO UGANDA**

The audit recommended that USAID/Uganda require a consignee to deposit the equivalent of \$699,271 in an interest bearing account to cover the loss of soybean oil. For various reasons, USAID questioned whether the consignee should in fact be held responsible for the loss, and further stated that the entire issue should be referred to A.I.D./Washington for resolution. (Audit Report No. 3-617-89-15, June 29, 1989)

**REPORT IDENTIFIES
SOYBEAN OIL LOSSES
AMOUNTING TO \$699,271**

● **SCIENCE AND TECHNOLOGY ORGANIZATION**

A for-profit organization provided assistance to A.I.D through the application of technical and managerial expertise in economic development and science and technology. The Office of the Inspector General audited the costs claimed by the organization for the period July 1, 1985 through June 30, 1988. The audit covered \$23.6 million in costs under 59 A.I.D.-funded agreements.

**NONCOMPLIANCE WITH
CONTRACT TERMS
RESULTS IN INELIGIBLE
CLAIMED COSTS**

¹There were an additional 5 reports over six months old which contained monetary findings that A.I.D. officials had not agreed with the dollar value of the savings or recoveries. However, A.I.D. officials did agree with the intent of and corrective action required by the report's recommendations.

The auditors questioned \$796,427 of costs claimed under four Indefinite Quantity Contracts because of inaccurate information and violation of contract terms. The audit report recommended that A.I.D. resolve the questioned costs, negotiate final indirect cost rates applicable to all U.S. Government Agreements for fiscal years 1987 and 1988, and require the organization to improve its administrative and accounting internal controls. These recommendations are expected to be resolved by October 1990. (Audit Report No. AM-90-02, December 18, 1989)

- FAMILY PLANNING SERVICES IN GUATEMALA

POLICY GUIDANCE
NEEDED

The report recommends that the USAID/Guatemala family planning project reimburse the population account for \$82,000 obligated to finance Acquired Immunodeficiency Syndrome prevention and testing activities. The Mission is seeking policy guidance on this issue as they understood that A.I.D./Washington had encouraged such an action. (Audit Report No. 1-520-90-05, January 24, 1990)

- AGRICULTURAL ASSISTANCE TO THE CENTRAL AFRICAN REPUBLIC AND EQUATORIAL GUINEA

A.I.D. NEEDS TO
BETTER MONITOR
PROGRAMS IN
AFRICA

The Central African Republic and the Republic of Equatorial Guinea are classified among the poorest countries in Africa. The A.I.D. assistance program in both countries emphasizes agriculture. Since 1981, A.I.D. has authorized and obligated approximately \$16.8 million for these two countries of which about \$13.4 million has been expended. In view of the limited size of the assistance, A.I.D. does not maintain a permanent presence in either country. The two programs are managed by the A.I.D. Mission in Cameroon.

There were weaknesses in the Mission's general oversight and management of projects in each country. The audit report recommended that the Mission determine the total amount of personal purchases made under one project, and issue a Bill for Collection for that amount. The Mission said it will act on this recommendation once a non-Federal audit of the contractor involved is completed. Resolution of this recommendation is expected by March 1991. (Audit Report No. 7-631-90-04, March 6, 1990)

- COMMODITY MANAGEMENT PROJECT IN ZAIRE

OVERHEAD EXPENSES
IMPROPERLY CHARGED
TO THE PROJECT

Unresolved recommendations in this report relate to \$670,000 in overhead expenses improperly charged to the project. The Mission is to identify and report such expenses and discontinue the use of project funds to support overhead-type activities. Mission Management, which has recently changed, is taking a fresh look at the recommendations and they are expected to resolve it by November 1990. (Audit Report No. 7-660-90-05, March 12, 1990)

- ENERGY PROJECTS IN CENTRAL AMERICA

A non-Federal audit was performed on the overhead rates used by the Central American Institute for Industrial Research and Technology on two energy projects during the 30-month period ended June 30, 1988. The auditors questioned \$498,908 in excess overhead charges. The audit report recommended that A.I.D. negotiate and finalize overhead rates and negotiate a settlement with the Institute on the excess overhead charges.

COSTS OF \$498,908 WILL
BE RETROACTIVELY
APPROVED

A.I.D. had proposed that the grants be retroactively amended to change the guidance for calculating the overhead rates so that the costs would be allowed. Originally, the IG opposed this proposal. However, a final management decision has been made based on advice from the A.I.D. Legal Counsel. Therefore, this recommendation will be resolved and closed when management takes the actions necessary to retroactively approve the costs. (Audit Report No. 1-595-89-36-N, July 14, 1989)

- INSTITUTE OF AGRICULTURAL SCIENCE AND TECHNOLOGY IN GUATEMALA

The open recommendation concerns USAID/Guatemala's negotiation of a settlement with the Institute of Agricultural Science and Technology on the disposition of \$48,815 in questionable costs. The IG disagrees with USAID's position to offset costs in a future project rather than the current one. Assuming USAID will agree with our position, this recommendation should be resolved by November 1990. (Audit Report No. 1-520-89-51-N, September 18, 1989)

RESOLUTION OF
QUESTIONED COSTS
AMOUNTING TO
\$48,815 NEEDED

- \$173,590 OF QUESTIONED COSTS IN GUATEMALA

Unresolved recommendations in five audits of programs in Guatemala have resulted in questioned costs of \$173,590. USAID/Guatemala is negotiating the disposition of the costs and taking steps to resolve the recommendations to strengthen internal controls. (Audit Report Nos. 1-520-90-01-N, October 17, 1989; 1-520-90-05-N, November 6, 1989; 1-520-90-08-N, December 29, 1990; TR-89-128, September 21, 1989; and TR-90-54, February 28, 1990)

AUDITS QUESTION
\$173,590 IN COSTS IN
GUATEMALA

- RURAL POTABLE WATER AND SANITATION II PROJECT IN GUATEMALA

On January 1, 1985, A.I.D. and the Water for the People Association (the Association) signed a grant agreement for the Association to manage the Rural Potable Water and Sanitation II Project. A non-Federal audit was conducted of the \$644,848 (equivalent local currency) in grant funds expended under the project during the period January 1, 1985 through March 31, 1988.

INELIGIBLE COSTS
AMOUNTING TO \$644,848

The auditors **questioned the entire \$644,848** because the expenditures were not supported by source documentation. The audit report

recommended that A.I.D. negotiate a settlement with the Association on the questioned costs. The report also recommended that A.I.D. determine if the lack of documentation to support project expenditures existed from the end of the audit period on March 31, 1988 through the end of the project on June 30, 1989. If so, A.I.D. should negotiate a settlement for the additional unsupported project expenditures which could amount to \$355,152.

The recommendations to recover these amounts remain unresolved pending an independent engineering study which will help determine an estimate of construction costs on the project. On the basis of the study, a final determination will be made on the questioned amounts. The recommendations will be resolved when a Bill for Collection is issued. (Audit Report No. 1-520-90-07-N, November 17, 1989)

NO ACCOUNTING
RECORDS TO
SUPPORT COSTS

- HEALTH SYSTEMS SUPPORT PROJECT IN EL SALVADOR

The unresolved recommendation concerns over \$2 million of costs which were questioned because of inadequate accounting records. The Mission has required the Ministry of Health to retroactively prepare accounting records to support costs. The task is expected to be completed by the end of the year. (Audit Report No. 1-519-90-18-N, March 22, 1990)

AUDIT QUESTIONS
COSTS AMOUNTING
TO \$801,927

- TECHNICAL SERVICES CONTRACT IN ECUADOR

A.I.D. entered into a contract with the University of Houston in 1986 to provide technical assistance to an Ecuadoran foundation in establishing a graduate management program. A.I.D. terminated the contract effective August 31, 1989.

A non-Federal audit was made of the approximately \$3.15 million of costs claimed by the University for the period September 1, 1986 to August 31, 1989. The audit report recommended that A.I.D. resolve **ineligible contract costs totaling \$801,927**. The other recommendation is resolved and will be closed when actions are completed. (Audit Report No. 0-000-90-02-N, March 30, 1990)

A-110 AUDITORS
QUESTION \$196,000

- AUDITS OF FEDERAL AWARDS TO NONPROFIT ORGANIZATIONS

The Office of the Inspector General reviewed an audit report of a grantee for the year ending September 30, 1989, that covered \$554,500 of A.I.D. funds. Because of inadequate grantee internal controls to ensure compliance with laws and regulations, the auditors questioned over \$196,000 of these costs. For example, unsupported salaries and related expenses of \$161,000 were questioned because the grantee had not established a timekeeping system, as required by OMB Circular A-122, to accumulate actual time charged to Federal awards. The Office of the Inspector General recommended that A.I.D. resolve the

questioned costs and have the related internal control deficiencies corrected. (Audit Report No. LTR-90-42, March 23, 1990)

- \$4,258 OF INELIGIBLE COSTS IN TERMINATION SETTLEMENT

The unresolved recommendation requested that USAID/Thailand negotiate and resolve \$4,258 in ineligible costs which are included in the termination settlement proposal. (Audit Report No. TR-90-56, March 19, 1990)

\$4,258 IN
INELIGIBLE COSTS

—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 revised their position on one report. The following summarizes this reversal.

- ECONOMIC SUPPORT FUND PROGRAM IN URUGUAY

The audit recommended that A.I.D./Uruguay provide evidence that it established monitoring procedures commensurate with the level of local currency programming for Uruguay and called for by A.I.D. local currency policy guidance. The IG resolved the recommendation based on A.I.D.'s assurance that their review of the activities composing the sector program confirmed that the implementing institutions generally had the technical and administrative capabilities to satisfactorily carry out the program. Closure was dependent on documentation supporting A.I.D.'s reviews of each implementing institution.

RECOMMENDATION IS
UNRESOLVED BASED
ON CHANGE IN
MANAGEMENT POSITION

In later correspondence, management indicated that **no reviews had been performed** but that the assurance on the institution's capabilities was based on the totality of A.I.D.'s experience and knowledge gained over several years, rather than a specific systematic institution-by-institution review and certification process. Such assurance has been found unacceptable and therefore, the **recommendation is considered unresolved**. (Audit Report No. 1-528-89-26, July 28, 1989)

—RESOLUTION OF REPORTS WITH MONETARY RECOMMENDATIONS—

The Inspector General Act Amendments of 1988 require that statistical information be presented on the numbers of reports and dollar value of recommended questioned costs and efficiencies contained in the reports issued during the period. The following tables provide the required statistical information.

TABLE I
 REPORTS ISSUED WITH DISALLOWED COSTS
 April 1, 1990 through September 30, 1990

	<u>No.</u>	<u>Questioned Costs (000's)</u>	<u>Unsupported Costs¹ (000's)</u>
Reports for which no management decision has been made as of April 1, 1990	48 ²	\$ 58,561 ²	\$ [1,045 ³]
Add: Reports issued April 1990 through September 1990	<u>48</u>	<u>\$ 13,634</u>	<u>\$ [9,555]</u>
Subtotal	96	\$ 72,195	\$ [10,600]
Less: Reports with a management decision made April through September 1990	<u>39⁴</u>	<u>\$ 52,689</u>	<u>\$ [315]</u>
Reports for which no management decision has been made as of September 30, 1990	<u>57</u>	<u>\$ 19,506</u>	<u>\$ [10,285]</u>
Reports for which no management decision was made within 6 months of issuance	18 ⁵	\$ 7,110 ⁵	\$ [760]

¹ Unsupported costs are included in Questioned Costs, but are provided as additional information as required by the Inspector General Act Amendments of 1988 (PL 100-504).

² The ending balance at March 31, 1990, was reduced by \$54,300,000 to reflect a reclassification adjustment for Audit Report No. 3-650-90-07.

³ The ending balance at March 31, 1990, was reduced by \$3,361,400 to reflect classification adjustment for Audit Report No. TR 90-049.

⁴ In 34 reports, containing \$47.1 million in Questioned Costs (\$77,485 Unsupported Costs), Agency officials disallowed the costs cited in the reports. In 24 cases, containing \$5.6 million (\$237,868 Unsupported Costs), Agency officials did not disallow the costs cited in the reports.

⁵ In 4 of the reports representing \$1.1 million, A.I.D. Management have agreed with the intent of and corrective action required by our recommendations; and they are considered resolved. However, final agreement on monetary amounts to be recovered have not been reached. In the remaining 14 reports, representing \$6 million, A.I.D. Management did not agree with either the procedural recommendation or the amount of the monetary recommendations.

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TABLE II
 REPORTS ISSUED WITH RECOMMENDATIONS THAT
 FUNDS BE PUT TO BETTER USE
 April 1, 1990 through September 30, 1990

	<u>Number</u>	<u>Dollar Values (000's)</u>
Reports for which no management decision has been made as of April 1, 1990	15 ¹	\$ 62,106 ¹
Add: Reports issued April 1990 through September 1990	<u>24</u>	<u>\$ 65,407</u>
Subtotal	39	\$127,513
Less: Reports with a management decision made April 1990 through September 1990	<u>20</u> ²	<u>\$ 85,826</u>
Reports for which no management action has been made as of September 30, 1990	<u>19</u>	<u>\$ 41,687</u>
Reports for which no management decision was made within six months of issuance	4 ³	\$ 880

¹ The ending balance at March 31, 1990 was increased by \$54,300,000 to reflect a reclassification adjustment for Audit Report No. 3-650-90-07.

² In 18 reports, containing \$83.6 million, Agency officials agreed with the actions cited in the reports. In 8 reports, containing \$2.2 million, Agency officials did not agree with the actions cited in the reports.

³ In one report representing \$94,889, A.I.D. Management agreed with the intent of and corrective action required by our recommendations, and they are considered resolved. However, final agreement on the value of the savings potential has not been reached. In the remaining three reports representing \$785,647, A.I.D. Management did not agree with either the recommendations or the amount of the estimated savings.

4/5

The Supplementary Budget and Rescission Act of 1980 requires that all monetary audit recommendations be resolved within six months of issuance. The number of audit recommendations in noncompliance with this statute increased from 10 in the previous period to 16 in this period. Again, the increase in the number of unresolved monetary recommendations over six months old is caused primarily by the changed definitional requirements of the Inspector General Act Amendments of 1988.

—OTHER INSPECTOR GENERAL REPORTING REQUIREMENTS—

FOLLOW-UP ON CLOSED RECOMMENDATIONS

OMB Circular A-50 mandates that each agency regularly evaluate its performance in complying with the scope and intent of audit recommendations. Consequently, follow-up on closed audit recommendations has been integrated into the audit effort of each IG audit office as one means of evaluating A.I.D. compliance with audit recommendations. In addition, for all recommendations, the Office of 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 Inspector General did not reopen any closed recommendations.

REFERRALS TO THE DEPUTY ADMINISTRATOR

OMB Circular A-50 also requires that the head of each agency or his 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. **One recommendation was referred to the Deputy Administrator for resolution** during the past six months. Based on his ruling in favor of management, the recommendation was closed.

REVIEW OF LEGISLATION AND REGULATIONS

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 amendments to the Foreign Assistance Act and proposals set forth by the President's Council on Integrity and Efficiency. Appropriate comments were provided in each instance.

STATUS OF PREVIOUSLY HIGHLIGHTED REPORTS

As of September 30, 1990, 18 reports that were previously highlighted in our semiannual reports contained 37 open recommendations. The following section discusses those previously highlighted reports except for 6 which are discussed in earlier sections on unresolved audit recommendations or significant reversals of previous management decisions.

(Audit Report Nos. 0-000-90-02-N, 1-528 89-26, 1-520-90-07-N, 7-631-90-04, AM-90-02, and LTR-90-42). Also, this section discusses USAID/Egypt's positive action to close the recommendation in the Audit of A.I.D. Advances to the Government of Egypt (Audit Report No. 6-263-90-02) which was highlighted in our last Semiannual Report.

- CASH ADVANCES TO EGYPT

The Special Account in Egypt was established for the deposit of local currency (Egyptian pounds) generated from the A.I.D. cash transfer program and/or commodity import program. While owned by the Government of Egypt, monies disbursed from the Special Account are programmed and used for purposes mutually agreed to between A.I.D. and Egypt.

USE OF LOCAL
CURRENCY FOR CASH
ADVANCES SAVES THE
U.S. TREASURY
SUBSTANTIAL
INTEREST COSTS

USAID/Egypt used large amounts of appropriated dollars to buy local currency—at a cost of almost \$1 million in annual interest to the U.S. Treasury—in order to make cash advances to the Government of Egypt for A.I.D.-financed projects. The audit questioned whether USAID should continue to use appropriated dollars for local currency advances when substantial amounts of local currency remained idle in the Special Account. In response to an audit report recommendation, **USAID discontinued using dollars for such advances by obtaining the Government of Egypt's agreement to use and manage the Special Account local currency.** The Office of the Inspector General closed the recommendation based on USAID's positive and timely action and believes **use of Special Account local currencies in this manner should be considered by other USAIDs.** (Audit Report No. 6-263-90-02, December 28, 1989)

- PRIMARY EDUCATION PROJECT IN CAMEROON

The purpose of this project was to increase the quantity and quality of primary school teachers in northern Cameroon. Major obstacles to improving primary education have been teacher shortages, weak school management, and the poor physical condition of the teacher training colleges. The project began in March 1984 and was terminated in January 1989. One recommendation will be closed when actions are taken to deobligate all funds not needed for final settlement costs or other commitments. The other recommendation can be closed upon determination of final contractor settlement costs and the reasonableness of amounts requested for salaries, fringe benefits and related costs for the month of June 1989. (Audit Report No. 7-631-89-07, April 27, 1989)

PROJECT NEEDS TO
DEOBLIGATE FUNDS

- LOCAL CURRENCY IN EL SALVADOR

A.I.D. provides economic assistance to the Government of El Salvador through cash transfer programs and commodities under Public Law 480. The Government of El Salvador is required to provide an amount

LOCAL CURRENCY
FUNDS WERE NOT
ADEQUATELY MANAGED

of local currency equivalent to the resources provided by the United States. In 1985, 1986, and 1987 the Government of El Salvador provided \$661.7 million in local currency which it jointly programmed with the U.S. Government for various budgetary support and developmental project activities.

The Government of El Salvador had not adequately accounted for or reported the status of extraordinary budget funds, had approved funds to implementing agencies without adequate action plans or assessments of management capabilities, and had not adequately monitored local currency-financed activities. The report recommended measures to improve the Government's accounting and reporting performance. It also recommended that program guidance be modified to better ensure that implementing agencies adequately account for and effectively manage local currency funds before funds are disbursed to them. Finally, the report recommended ways for strengthening monitoring activities. A.I.D. Management has initiated action on these recommendations which are resolved. (Audit Report No. 1-519-89-23, June 16, 1989)

**ACTIONS NEEDED TO
BETTER CONTROL
TRAVEL ADVANCES**

● **TRAVEL ADVANCE CONTROL SYSTEM**

Controls over cash advances have been a continuing problem in A.I.D. The Office of the Inspector General issued 40 audit reports dealing with cash advance problems between 1981 and 1989. This audit addressed A.I.D./Washington's control system for \$1.1 million in outstanding travel advances. A.I.D. provides travel advances to employees, personal services contractors and individuals on invitational travel orders in amounts estimated to meet necessary and allowable travel expenses.

The audit recommended that A.I.D. require employees to liquidate advances at locations where received and implement a follow-up system complete with collection notices. Management has taken action to implement this and the other recommendations. (Audit Report No. 9-000-89-08, July 10, 1989)

● **PUBLIC LAW 480 PROGRAM IN LIBERIA**

**LOCAL CURRENCIES
IMPROPERLY USED**

Between 1980 and 1986, the U.S. and Liberian Governments entered into seven PL 480 Title I Loan Agreements under which the Government of Liberia purchased rice valued at \$85 million at low interest rates from U.S. suppliers. For 1987, A.I.D. and the Liberian Government entered into a Title I agreement for rice valued at \$10 million. For 1988, because of Liberia's mounting external debt service problems, A.I.D. switched from a loan program to a \$10 million grant program under Title II. Under both the Title I and Title II programs, the Liberian Government was to sell the rice and use local currency proceeds to support agreed-upon development activities.

The Government of Liberia did not promptly deposit Title I 1987 sales proceeds into special accounts as required, and proceeds from 1987

and prior agreements were not disbursed in a timely manner. In addition, there were indications that some 1987 local currency funds were inappropriately used.

The audit recommended the **prompt deposit of at least \$1.9 million** in outstanding 1987 proceeds, the **timely disbursement of \$2.5 million** in proceeds to approved activities, and the **reprogramming and disbursement for new purposes of \$1.8 million** in prior year funds. Based upon A.I.D. actions, these recommendations are considered resolved. Due to the evacuation of USAID personnel from Liberia, further action on these recommendations will be delayed until the A.I.D. program in Liberia resumes. (Audit Report No. 7-669-89-12, September 28, 1989)

- **CONTRACEPTIVE PROCUREMENT PROJECT**

A.I.D. provides over 80 percent of the world's donated contraceptives. The cost of these contraceptives are expected to rise dramatically—fueled by greater awareness of family planning methods, the introduction of new technologies, and the widening problems of Acquired Immunodeficiency Syndrome. A.I.D. initiated the Contraceptive Procurement Project in 1981 to consolidate the procurement of contraceptives. Between 1982 and 1988, A.I.D. spent about \$244 million on contraceptives and several million dollars for technical assistance.

MANAGEMENT HAS
INITIATED ACTIONS TO
CORRECT PROBLEMS

The audit recommended that A.I.D. **establish performance standards and criteria** for storing, warehousing and shipping commodities, **implement procedures** for recording contraceptive disposals and losses, and **develop plans** for transferring responsibility for estimating contraceptive requirements to recipient countries. A.I.D. has initiated action on these recommendations. (Audit Report No. 9-000-89-10, September 29, 1989)

- **FAMILY HEALTH SERVICES PROJECT IN NIGERIA**

Nigeria is the fastest growing nation in Africa with 105 million inhabitants and an annual population growth rate of 3.3 percent. This rate of growth will double the population in just 23 years. In July 1987, A.I.D. authorized a five-year family health services project to increase the acceptability and availability of integrated family planning services throughout Nigeria. A.I.D. was to provide \$67 million in grants and the Nigerian government \$33 million in-kind.

PVOS NEED TO
DELEGATE AUTHORITY
TO FIELD STAFF

The audit report recommended measures to ensure the Private Voluntary Organizations (PVO) administering the project are adequately delegating authority and providing the necessary staff to effectively manage the project. Management initiated action on this recommendation. (Audit Report No. 7-620-90-01, October 16, 1989)

REPORT RECOMMENDS
BETTER USE OF
WAREHOUSES COSTING
\$65 MILLION

- FERTILIZER DISTRIBUTION IMPROVEMENT PROJECTS IN BANGLADESH

The two Fertilizer Distribution Improvement Projects were designed to help develop private sector involvement in the Bangladesh fertilizer distribution system. These two projects increased the availability of fertilizer in Bangladesh with the construction of warehouses, the creation of credit programs for financing the purchase of fertilizer, and the establishment of a nationwide system of private wholesalers and retail dealers. As of June 30, 1989, A.I.D. expended \$228.6 million of the obligated \$259.6 million.

The audit found that **61 A.I.D.-funded warehouses—costing \$65 million—were not being effectively used, maintained or disposed of.** The audit recommended USAID/Bangladesh take stronger actions to ensure the Government of Bangladesh adequately maintains or properly disposes of the warehouses. In response to these findings, USAID/Bangladesh is working with the Government to find alternative uses for the warehouses and to assure that the warehouses are adequately maintained. (Audit Report No. 5-388-90-02, October 16, 1989)

- COMMODITY IMPORT PROGRAMS IN PAKISTAN

PROGRESS MADE IN
RECOVERING LOCAL
CURRENCIES

The Commodity Import Programs in Pakistan primarily provide balance of payment support to the Government of Pakistan through imports of commodities from the United States. As of May 31, 1989, total obligations and expenditures were \$752 million and \$597 million, respectively.

The audit found that USAID/Pakistan did not ensure that the local currency equivalent to about \$184 million was deposited in special accounts and was used for authorized purposes. The audit also found that \$4.8 million of equipment was not effectively used and \$8.3 million in program funds were not liquidated or decommitted in a timely manner.

In response to these findings, **USAID/Pakistan recovered \$130 million in local currency and deposited the funds into special accounts—including approximately \$82 million which had been spent for unauthorized purposes.** Its actions also resulted in the effective utilization of the equipment. Eight of the 12 recommendations in the audit report have been closed. The remaining four recommendations are resolved and will be closed when USAID/Pakistan provides evidence that the remaining local currency (equivalent to about \$54 million) is deposited in the special accounts and used for authorized purposes, and actions are completed to decommit excess funds. (Audit Report No. 5-391-90-03, October 26, 1989)

- COMMODITY IMPORT PROGRAM IN JORDAN

The Jordan Commodity Import Program was authorized in August 1985 to assist the Government of Jordan in meeting foreign exchange needs, achieving development objectives and improving standards of living. Obligations totaled \$165.5 million for public and private sector imports during 1985, 1986 and 1987. Local currency sales proceeds were used for various projects which were providing schools, clinics, sewers and agricultural stations to the Jordanian people.

DEPOSITS TO SPECIAL
ACCOUNTS STILL NEED
TO BE MADE

The program was successfully achieving its major goals and objectives and was generally being managed well. However, local currency funds were not generated to the maximum extent possible. In this regard, the audit identified several ways to generate \$27.8 million in equivalent future local currency proceeds. These include depositing local currency to interest-bearing accounts as stipulated by A.I.D. policy and limiting incentives given to the private sector which may no longer be needed.

Only one recommendation remains open but resolved. The audit recommended that over \$1 million of local currencies be deposited in the special accounts and that procedures for monthly bank reconciliations be instituted. The recommendation will be closed when actions are completed and evidence of the deposits are received. (Audit Report No. 3-278-90-01, October 31, 1989)

- PUBLIC LAW 480 TITLE II PROGRAM IN MOROCCO

A.I.D has administered PL 480 Title II programs in Morocco since 1957. The current program was initiated in 1987 to distribute food to indigent Moroccans, improve their earning potential and strengthen the Government of Morocco's institutional capabilities to manage food distribution projects. The U.S. Government agreed to donate approximately \$55 million of food commodities, a portion of which was to be monetized to finance project expenditures. Three Moroccan government agencies were responsible for implementing the program under the overall guidance and monitoring of a U.S. Private Voluntary Organization (PVO).

COMMODITY LOSSES
OF \$1.7 MILLION

Efforts made by the PVO to recover claims from the Government of Morocco on Title II commodity losses have produced absolutely no results during the last 25 years of program activity. The audit showed that between June 1981 and May 1989, the PVO submitted 260 claims for **commodity losses totaling approximately \$1.7 million to the Government. Nothing was recovered on those claims,** a significant portion of which resulted from thefts and diversions of commodities.

The audit report **recommended settlement of claims totaling \$985,589** with the Moroccan Government or suspension of further

shipment of PL 480 Title II commodities. The recommendations are resolved and will be closed when claims have been paid and other actions agreed to are completed. (Audit Report No. 7-608-90-03, November 28, 1989)

- AUDITS OF FEDERAL AWARDS TO NONPROFIT ORGANIZATIONS

A-110 AUDIT IDENTIFIES
INELIGIBLE COSTS

In an A-110 audit, the grantee owed A.I.D. about \$22,000 due to ineligible costs claimed. This recommendation is resolved and will be closed when payment is received. (Audit Report No. LTR-90-38, March 6, 1990)

- PUBLIC LAW 480 TITLE II PROGRAM IN INDIA

AUDIT RESULTS
PROVIDE THE BASIS
FOR SIGNIFICANT
MANAGEMENT ACTIONS

Since 1951, the U.S. has donated food commodities to India under the PL 480 Title II Program to combat malnutrition, promote economic and community development, and provide food for the poor and needy. In India, the Catholic Relief Services (CRS), a worldwide voluntary agency, provides the organization and the administrative staff to distribute the commodities to the beneficiaries. During fiscal years 1987 and 1988, CRS reported that 93,415 metric tons of food, valued at \$21.8 million was distributed by its operating partners to about one million beneficiaries in the Madras and Bombay zones.

A non-Federal audit firm concluded that food was being distributed to the needy, but that **commodity statements were not reliable, internal controls were not adequate, compliance with requirements was poor, and known problems were not corrected.** They found that beneficiaries received less food than recorded, and commodity losses were substantial but rarely reported. Oversight reviews were superficial, incomplete, or not performed. As a result, significant problems were not being disclosed or corrected.

The report recommended that A.I.D. require CRS to prepare an Action Plan that will help ensure that the Program is managed and operated in accordance with agreements. The Action Plan, which has been completed, outlines measures to correct the problems identified in the audit report including target dates to complete the corrective actions. The report also recommended that within one year, based upon on-site testing and in conjunction with CRS, A.I.D. prepare a report that will show the extent the Action Plan was implemented. If operations are not satisfactorily improved, the report on the Action Plan should contain recommendations for limiting the Program in future periods. When these actions have been accomplished, the recommendation will be closed. (Audit Report No. 5-386-90-01-N, March 29, 1990)



OFFICE OF INVESTIGATIONS

The Office of the Assistant Inspector General for Investigations has investigative responsibility for A.I.D. programs in more than 70 countries receiving U.S. foreign assistance funds. The Office has a personnel ceiling of 32 American and 11 foreign national inspectors and maintains one domestic and six overseas regional offices. Investigations of criminal activity and serious administrative violations involve all facets of A.I.D.'s worldwide operations. The investigative universe includes over 2,300 active development assistance projects, approximately 3,500 U.S. direct hire employees, 7,800 foreign national employees, 1,700 non-direct hire U.S. national employees, and several thousand contractors and grantees.

RESPONSIBILITY

International investigations require extensive foreign travel and the ability to cope with language and cultural differences, handle varied administrative and judicial requirements, and maintain awareness of complex political and security issues. Within this context, we have continued to achieve meaningful investigative results, especially in investigations involving fraud and employee misconduct.

The Office of Investigations depends primarily upon the Department of Justice to prosecute criminal offenders and upon various offices within A.I.D. to take appropriate administrative action concerning employees and contractors.

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

STATISTICAL SUMMARY

Convictions/Confinements	9
Suspensions	1
Disciplinary/Administrative Sanctions	22
Recoveries	\$140,713
Savings/Avoidance of Unnecessary Expenditures	\$219,891

SIGNIFICANT INVESTIGATIONS

The sample of significant investigations below reflects the diversity of our efforts during this reporting period.

HONDURAS—EMPLOYEE
SENTENCED TO ONE
YEAR IN PRISON

As previously reported, the Deputy Director of the USAID Task Force for Humanitarian Assistance to the Contras pled guilty in federal court to two counts of bribery. The plea culminated an 18-month undercover operation conducted by the Office of Investigations in El Salvador, Guatemala, Honduras, and New York. The employee has now been **sentenced to one year in prison on each count and fined \$6,040.**

GUATEMALA—A.I.D.
CONTRACTOR PLEADS
GUILTY TO BRIBERY

The president of a New York firm doing business with USAID in El Salvador, Guatemala, and Honduras pled guilty in U.S. Federal Court to **bribing a USAID official** in Guatemala. The bribe was paid for inside contract information solicited from a USAID employee cooperating with the IG investigation. The contractor received an eight-month prison sentence and was fined \$6,000.

GUATEMALA—A.I.D.
HEALTH OFFICIAL
PLEADS GUILTY TO
CONSPIRACY

In a related case, a retired USAID Health Officer pled guilty in U.S. Federal Court to conspiring with the New York firm, and others, to **rig the USAID contracting process** in Guatemala to favor the firm. He was sentenced to nine months in prison and two years' probation, fined \$2,000, and ordered to perform 100 hours of community service.

UNITED STATES—
TIMEKEEPER
CONVICTED FOR
FALSIFYING TIME CARDS

A secretary/timekeeper in the A.I.D. Bureau for Science and Technology pled guilty to one misdemeanor count in U.S. District Court in the Eastern District of Virginia. She falsified her time and attendance cards to **fraudulently obtain overtime payments.** She was sentenced to two years of supervised probation and ordered to make restitution and to pay a \$50 special assessment. Upon receiving notice of the agency's intention to dismiss her, she resigned.

PAKISTAN—FSN
EMPLOYEE AND UTILITY
COMPANY EMPLOYEE
ARRESTED FOR FRAUD

A Foreign Service National employee assigned to pay USAID/Pakistan's utility bills has been arrested and charged, along with a utility company employee, with **embezzling nearly \$43,000.** The USAID employee was to have made monthly cash payments to cover the bills. However, he and the utility company employee actually kept the money, and the utility employee manipulated the company's computer system to make it seem that the bills had been paid. The two remain imprisoned while awaiting trial.

PAKISTAN—\$75,579
SAVED IN COMMODITY
IMPORT VIOLATION

An American company was found to have supplied commodities of non-U.S. origin to a Government of Pakistan agency under the USAID Commodity Import Program. After this was discovered, USAID refused to pay for the commodities. The company then resubmitted the claim, certifying that the equipment was of U.S. origin. Examination of the shipment revealed that several major items had actually been manufactured in West Germany and Japan. The company donated \$72,385 worth of equipment to the project along with other items valued at \$1,805. It was also discov-

ered that a non-U.S. flag carrier had been used to transport the equipment. Consequently, an additional \$1,389 freight charge was disallowed. **The total savings was \$75,579.**

A U.S.-based trading company was issued an amended Bill for Collection in the amount of \$170,731 for overcharges on a shipment of 400 tons of cold rolled steel financed under the USAID/Mozambique Commodity Import Program. This bill added \$28,334 in interest charges to the original bill for \$142,397 issued in February 1989. In a related matter, a freight forwarding company owned by an officer of the trading company repaid \$6,384 to A.I.D. for excess port authority charges on a shipment of project commodities financed by USAID/Sri Lanka.

MOZAMBIQUE—
COMMODITY SUPPLIER
CITED FOR
OVERCHARGES

A citizen of Madagascar, employed as a bookkeeper by USAID-funded CARE Comoros Islands, **embezzled \$13,000** by manipulating CARE's payroll system. When confronted, she admitted guilt but then fled the country for Madagascar. Despite problems of establishing venue, she was tried and convicted in Madagascar, sentenced to 30 months imprisonment (suspended), and fined \$12,665.

COMOROS—
BOOKKEEPER
CONVICTED,
SENTENCED AND
FINED

A Foreign Service National Assistant Cashier at USAID/Somalia was dismissed for **embezzling \$7,500** from the Mission's operating expense fund. He had prepared a payment voucher for a fictitious company that he and others created for the purpose of embezzling the funds, and a co-conspirator cashed the payment check. Arrest warrants have been issued and the two men are currently fugitives sought by Somali authorities.

SOMALIA—CASHIER
DISMISSED FOR
EMBEZZLEMENT

A Kenyan citizen was arrested and jailed in March 1990 on charges of **obtaining money under false pretenses**. He was then indicted on charges of impersonating a USAID representative and bilking a women's group of over \$3,000 by claiming to be able to authorize loans under a co-financing project. Because he was found to have jumped bail on two similar charges, the court has kept him in custody without bail, pending trial.

KENYA—CON MAN
JAILED FOR OBTAINING
MONEY UNDER
FALSE PRETENSES

A Foreign Service National auditor, employed at the Inspector General's Nairobi regional office, was dismissed for failing to disclose an arrest record on his employment application. The day after being dismissed, he **made a telephoned bomb threat** to USAID and then sent a telegram restating his intention to bomb the USAID office. After an investigation, he was indicted and pled guilty. His attorney offered mitigating medical testimony showing that he was suffering from a variety of debilitating diseases and asked the mercy of the court. The judge accepted the request for leniency and fined the former employee \$500.

KENYA—IG AUDITOR
CONVICTED AND
SENTENCED FOR
BOMB THREATS

The credit officer in a rural lending project collected loan repayments from villagers and, rather than returning the money to the project, used it for her personal benefit. A Senegalese court convicted her of **fraudulent misuse of funds**. She was ordered to make restitution and paid back \$2,430.

SENEGAL—CREDIT
OFFICER CONVICTED OF
MISUSE OF FUNDS

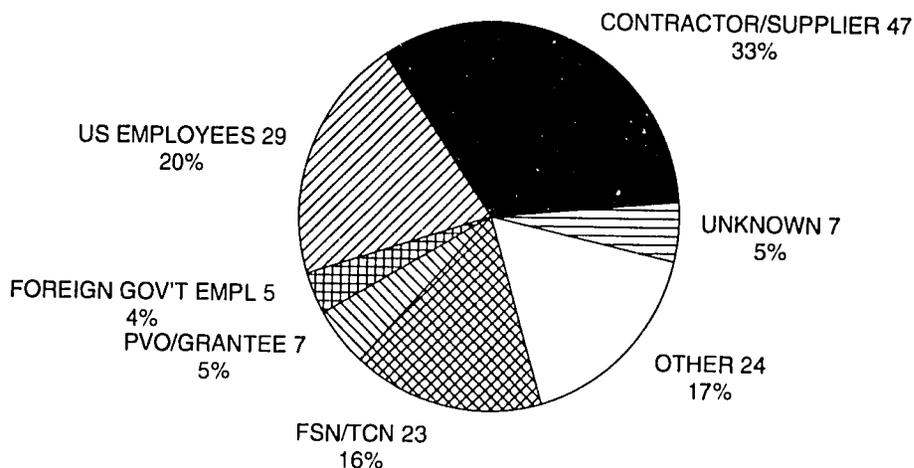
MOROCCO—FORMER
CONTRACTOR
SUSPENDED

An American Personal Services Contractor at USAID/Morocco claimed and received nine days per diem for work days on which he received meals and lodging as a guest of the Government of Morocco. USAID issued him a Bill for Collection for the per diem payment, but he failed to repay the money. He has been **suspended from eligibility for future contracting** with the U.S. Government and A.I.D. proposed to debar him from Government employment for three years.

STATISTICAL SUMMARY

During the six-month period, 142 complaints were received and processed and four proactive inspections initiated. Over 33 percent of the allegations involved A.I.D. contractors and suppliers, while 20 percent involved A.I.D. U.S. Direct Hire employees, and 16 percent involved foreign national employees.

Subject of Allegations



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

Of the total complaints received, 107 concerned allegations of fraud or procurement violations. These included procurement-related bribery, embezzlement, conflict of interest and false claims. Twenty-one complaints pertained to allegations of criminal violations, such as theft of property, blackmarketing, and customs violations, not directly related to procurement. Twelve complaints involved administrative irregularities.

Of the allegations received, 89 resulted in formal criminal investigations; 10 were referred to Agency Management for resolution and action after

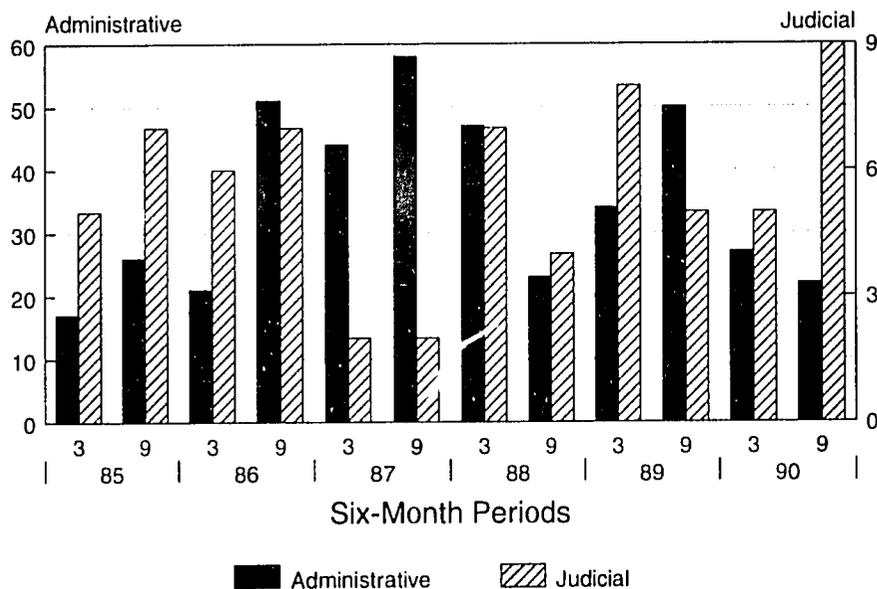
initial evaluation; 38 were referred or closed after a preliminary inquiry, and one was declined.

We are continuously refining our approach to what we do and how we do it. Through 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 seven years since we published our first Semiannual Report to Congress, over 79 individuals have been convicted and/or confined as a result of our investigations.

FIVE YEAR SUMMARY

The graph below summarizes both the judicial and administrative actions taken since 1985, by semiannual reporting period.

JUDICIAL & ADMINISTRATIVE ACTIONS



Administrative Actions Include
Suspensions and Debarments

OFFICE OF SECURITY

SECURITY RESPONSIBILITY

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.

SUMMARY OF ACHIEVEMENTS

The A.I.D. overseas security posture was improved with the completion of 14 physical security projects and the installation of 10 security communications systems. With all overseas security projects nearing completion, the Office of Security focused some of its resources on A.I.D./Washington area facilities. This effort resulted in the development of a new physical security policy which established new procedures, standards, and responsibilities to protect employees, classified information, and facilities against criminal and hostile intelligence activities. A new computer security policy for A.I.D. activities worldwide was also developed.

PHYSICAL SECURITY PROGRAM

12 OF 74 CITIES WHERE A.I.D. IS LOCATED ARE HIGH THREAT POSTS

A.I.D. is represented in 74 cities throughout the world. The threat from terrorism, war, insurgency, civil disturbance, and narco-terrorism in 12 of the 74 posts is considered critical or high by the Bureau of Diplomatic Security. Four of the Agency's posts, Bogota, Lima, Manila, and San Salvador, are designated critical threat posts where A.I.D. employees receive danger pay.

INSURRECTION IN LIBERIA CAUSES EVACUATION OF USAID PERSONNEL

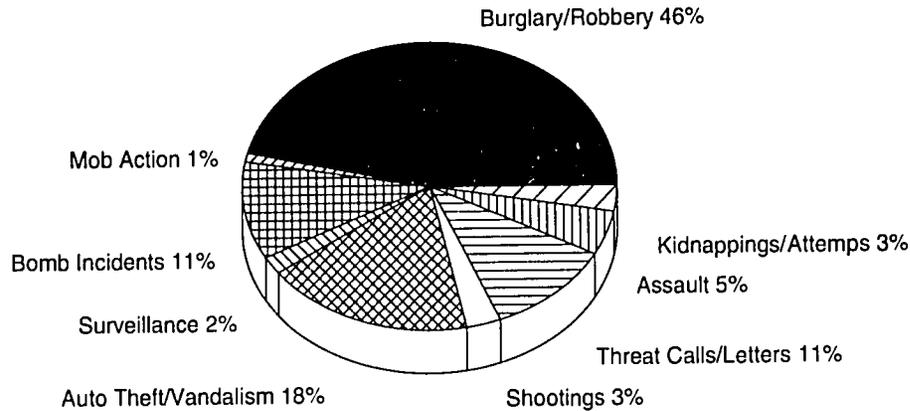
Two groups of rebel forces fought their way into the capital city of Monrovia in attempts to overthrow the government during this report period. At one point, approximately 500 civilians took refuge in the USAID compound after a reported massacre.

All USAID personnel were evacuated safely in the early stages of the uprising without incident. Other evacuees took an overland route to Freetown, Sierra Leone. Later, other U.S. personnel were evacuated by a U.S. Amphibious Task Force. The Office of Security anticipates it will be required to evaluate the extent of reported damage to the USAID security systems and provide assistance if the A.I.D. program resumes.

TERRORIST AND CRIMINAL ACTS AFFECTING A.I.D.

In an effort to determine the extent of the terrorist and criminal threat to A.I.D. employees, the Office of Security compiled information on incidents involving A.I.D. personnel for the years 1987—1990. As depicted in the following graph, approximately 70 percent of the incidents were criminal in nature.

Terrorist and Criminal Incidents Affecting A.I.D.



January 1987 through June 1990

Physical security projects were completed for new office facilities in Accra, Conakry, Dar es Salaam, and Panama. These projects involve the hardening of office facilities to deter terrorist activities or mob action. The hardening process includes the installation of ballistic resistant materials, public access controls, walk-through metal detectors, secure rooms, and perimeter barriers. **Ten security rehabilitation projects were completed** in Cairo, Islamabad, Kampala, La Paz, Lilongwe, Muscat, Manila, Pretoria, San Salvador, and Suva.

**14 SECURITY PROJECTS
COMPLETED AT
OVERSEAS LOCATIONS**

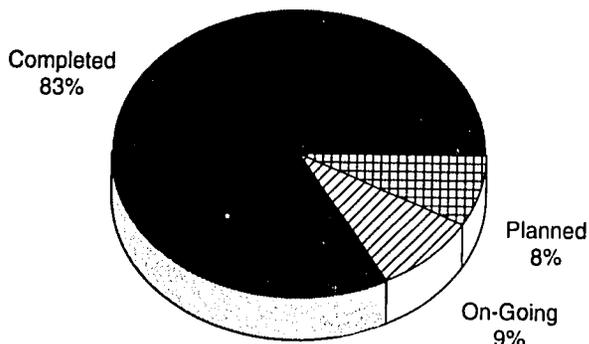
Security projects are currently underway in Abidjan, Bamako, Bridgetown, Colombo, Kathmandu, Managua, Rabat, and Santo Domingo. Seven other security projects are planned for completion by the end of FY-91 in Bangkok, Belize City, Dakar, Guatemala, Jakarta, Ouagadougou, and Panama. Planning efforts are also underway to assist A.I.D. acquire more secure office space in Dakar, Guatemala, Guinea-Bissau, Lusaka, Khartoum, Bamako, and Maputo.

**ONGOING SECURITY
PROJECTS**

By the end of FY 1991, the majority of existing and planned security projects will be completed. While fluctuations in threat categories may occur in the future, **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 92 percent of A.I.D. facilities.

**MOST A.I.D. SECURITY
PROJECTS FINISHED OR
UNDERWAY**

Physical Security Projects A.I.D. Overseas



13 A.I.D. VEHICLES ARMORED

The vehicle armoring program is designed to protect vehicle occupants through an application of opaque and transparent armoring. These materials, combined with the mobility of the vehicle, afford protection against ballistic attack from handguns or high powered rifles. **The Office of Security funded the application of light armor to 13 vehicles** during the past 12 months. This included seven vehicles in Manila where the threat increased dramatically during the past year.

DEVELOPMENT OF NEW OVERSEAS SECURITY STANDARDS CONTINUES

The Office of Security continued its participation with the Overseas Security Policy Group to **develop new security standards for overseas security programs**. Most of the new standards, which establish basic guidelines for all physical, personnel and information security programs overseas, will be published in FY 1991.

17 SECURITY INSPECTIONS CONDUCTED OVERSEAS

The Office of Security conducts inspections of A.I.D. overseas activities to determine the adequacy of protection provided A.I.D. employees from acts of violence and terrorism, and to evaluate USAID compliance with national security information protection requirements and implementation of measures to detect and preclude espionage.

During this reporting period, **Office of Security personnel conducted 17 visits to A.I.D. overseas facilities**. In general, the inspections revealed that security programs in A.I.D. missions are adequate. Areas found in need of improvement included building security such as proper usage and maintenance of installed systems and equipment, marking and

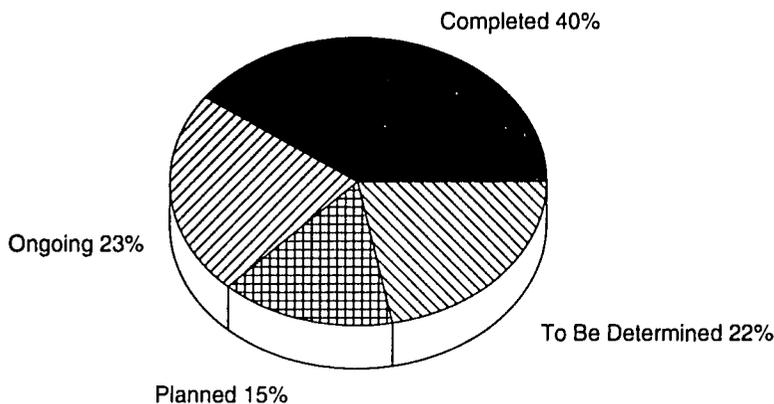
handling of national security information, and personal security awareness. The building security deficiencies were either subsequently corrected on the spot, or if they involved requirements for replacement or revision of security systems, were programmed for completion in FY 1991. Discrepancies in the handling of classified information and personal security awareness were resolved during the inspection visits by personnel briefings and procedural changes.

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

SECURITY
COMMUNICATION
ENHANCEMENT EFFORT
CONTINUES

During 1989 the Office of Security initiated a long-range plan to replace obsolete equipment—which is no longer cost-effective to repair—with less expensive, state-of-the-art equipment. The following graph depicts the current status of the security communication enhancement effort.

A.I.D. Security Communications Enhancement Projects Overseas



As of September 1990

Office of Security communications specialists **completed 10 communications projects** in Banjul, Dakar, Gaborone, Harare, La Paz, Lusaka, Managua, Panama, San Salvador, and Tunis. Inspection visits to seven other posts, Belize, Bridgetown, Mbabane, Managua, Pretoria, and Rabat resulted in the identification of communication equipment which needs replacement.

10 COMMUNICATIONS
SYSTEMS INSTALLED

The new communication system installed in La Paz, reported in the previous report, is functioning as designed. It is providing the USAID Mission with a means of clear and secure communications that both enhances personnel security while facilitating program development objectives. The new system provides radio coverage throughout the country, an area the combined size of California and Texas. The system is also available to other U.S. agencies operating in remote areas of Bolivia.

NEW A.I.D. WASHINGTON
PHYSICAL SECURITY
PROGRAM

The Office of Security drafted a new Physical Security Program policy for A.I.D. personnel and facilities in the Washington, D.C. area. The new policy establishes procedures, security standards, and assigns responsibility to protect personnel, national security information, and facilities against criminal or hostile intelligence activities.

Following approval of the new policy during FY 1991, the Office of Security will conduct a series of inspections and comprehensive surveys to evaluate the current security posture of A.I.D. in the Washington area.

PERSONNEL SECURITY PROGRAM

COUNTER-
INTELLIGENCE NEEDS
EVALUATED

The Office of Security evaluated its new counterintelligence (CI) initiatives recently and concluded that **a need exists for a dedicated staff of CI professionals to conduct defensive briefings and investigations.** This need is especially important in view of the events occurring in Eastern Europe where A.I.D. is evaluating new program requirements. The Office of Security also emphasized defensive briefings for travelers to critical and high human intelligence threat areas.

POSITION SENSITIVITY
ROLE ASSUMED BY OIG

The Office of Security assumed responsibility for establishing the sensitivity of A.I.D. employee positions. All Agency positions must be designated at a sensitivity level commensurate with the responsibilities and attributes of the position as they relate to the efficiency of the foreign/civil service. Starting in FY 1991, the Office of Security, in concert with other A.I.D. offices, will reevaluate all positions according to standards established by the U.S. Office of Personnel Management.

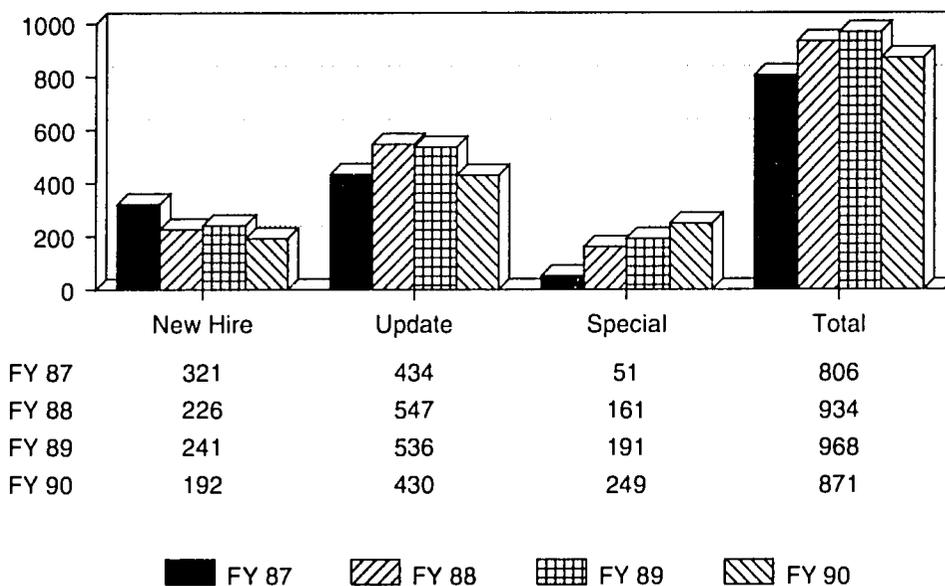
NEW CONTRACTS
AWARDED TO
INVESTIGATORS

New contracts were awarded recently to 50 former Federal investigators to conduct background and security investigative functions for the Agency. The successful candidates are graduates of Federal investigative schools and possess a minimum of ten years Federal investigative experience. The selectees represent a cross section of agencies including the Federal Bureau of Investigation, the Department of State's Bureau of Diplomatic Security, counterintelligence elements of the military services, and representatives of several Offices of Inspectors General. With one of the most highly experienced investigative cadre within the Federal Government, A.I.D. has been the beneficiary of cost-effective and efficient investigative services.

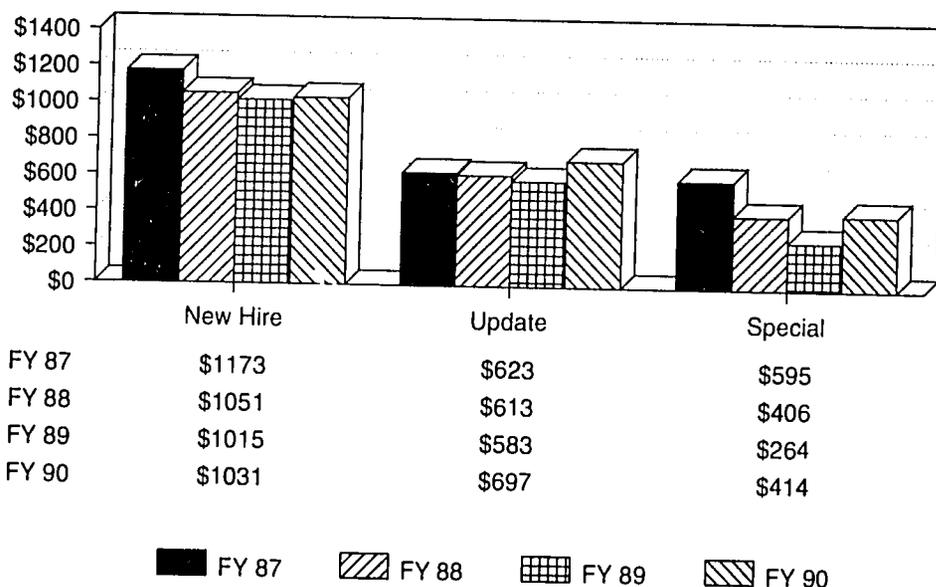
The Office of Security exercised its security clearance suspension authority on several occasions in matters of national security. One employee's security clearance was revoked for making false statements on Standard Form 86 and Financial Disclosure Forms. Another employee's security clearance was suspended, and the employee is facing criminal prosecution for making false statements under oath and violation of U.S. policy involving association with foreign nationals of criteria countries. Another A.I.D. employee, whose security clearance was suspended pending completion of an investigation regarding unreported association with foreign nationals of criteria countries, was cleared of suspicion of wrongdoing. That individual's clearance was reinstated without prejudice.

The number of security background investigations dropped slightly during the reporting period, but continues to reflect the overall upswing in investigations completed. Since 1986, overall investigative activity has increased three-fold. The decrease in new-hire investigations is attributed to an A.I.D. modified hiring freeze and the FY 1990 Continuing Resolution which delayed the receipt of program funding by several months. The number of update investigations was intentionally reduced this fiscal year to allow for more consistent caseloads during the five-year update cycle. The increased number of special investigations is the result of more suitability and security issues developed during initial investigation. The small increase in investigative costs is attributed to expanded investigations. The following graphs depict the numbers and costs of A.I.D. investigations.

Numbers of Investigations
FY 87 through 90



Cost of Investigations FY 87 through 90



NATIONAL SECURITY INFORMATION PROGRAM

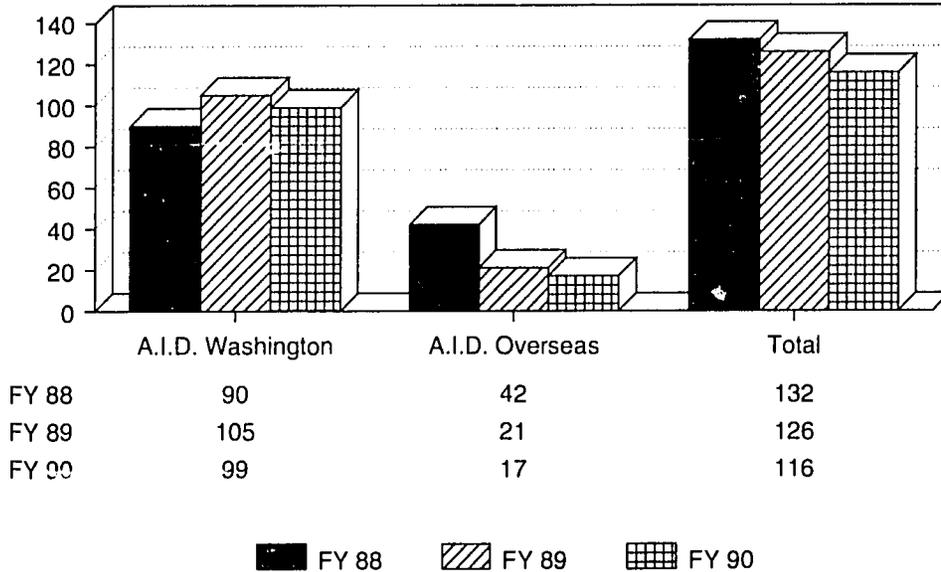
PREPARATION OF
CLASSIFIED
INFORMATION
IMPROVED

The Office of Security's continued emphasis on the proper handling and preparation of classified information throughout A.I.D. contributed to a 20 percent improvement in classification management over FY 1989. This significant improvement was revealed during an Information Security Oversight Office inspection conducted during this reporting period.

PROTECTION OF
CLASSIFIED MATERIALS
NEEDS EMPHASIS

The protection of classified material throughout A.I.D. continues to be a matter of concern to the Office of Security. As shown in the graph below, the number of security violations reported in FY 1990 was 116. Most security violations involved improper storage of classified documents; for instance, failure to secure offices or security containers storing classified documents. The FY 1990 figure shows some improvement over FYs 1988 and 1989 totals of 132 and 126, respectively. Most security violations occurred in A.I.D./Washington despite increased education efforts by the Office of Security to reverse that trend. The favorable decline in the number of security violations overseas during the past three years is misleading because new security standards eliminated the storage of classified material at most USAID Missions. In order to reduce the number of security violations, A.I.D. Management must place greater emphasis in this area.

Security Violations Through FY 88, 89, 90



Security awareness briefings were provided to 900 A.I.D. employees during this reporting period. The one-hour briefings addressed the correct procedures for handling, preparation, storage, and transmission of classified information. A.I.D. employees also attended briefings during Security Awareness Day where they heard representatives from the FBI, CIA, and Department of State address the impact of changes in Eastern Europe vis-a-vis the counterintelligence threat, technology transfer and terrorism in the 1990s.

SECURITY AWARENESS
BRIEFINGS CONTINUE

The Office of Security **drafted a comprehensive computer security policy for A.I.D. activities worldwide** during this reporting period. This policy will serve as the foundation for future security inspections. To enhance the computer security capability of the Office of Security, it is anticipated that two computer security positions will be added to the security staff.

COMPUTER SECURITY
INITIATIVE

OFFICE OF RESOURCE MANAGEMENT

OFFICE RESPONSIBILITY

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.

SUMMARY OF ACHEVEMENTS

Our accelerated recruitment efforts to attain a workforce level of 240 employees, as mandated by the Congress, has been achieved; improvements in the various financial aspects of our activities continue to be realized; progress continues in the upgrading and modernization of our ADP capabilities; newly established internal contracting capability has proven successful; and, a non-expendable property inventory, reconciliation and accountability program is operational.

PERSONNEL AND FINANCIAL MANAGEMENT DIVISION

SEQUESTER AND FURLOUGH

Planning for a sequester in FY 1991 under provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (PL 99-177), as amended, consumed a considerable amount of staff time the past two months. The high proportion of personnel costs in the OIG budget and the extremely limited funds that would be available under a sequester could result in a 50-75 percent reduction of audit and investigative oversight operations. Plans were therefore developed covering a sequester for the full year, the first quarter and the first two weeks of FY 1991. As a result, on August 23, 1990, letters proposing a furlough were sent to all employees of the OIG. Based on OMB provided sequester levels, it was estimated that all employees would be furloughed at least one day per pay period not to exceed 22 days.

FINANCIAL MANAGEMENT

The effort to provide the OIG with a broad and self-contained financial management system continues. An Accounting Technician has been selected and is in the process of pre-employment clearance. New table formats used to track obligations and expenditures have been established.

Negotiations with the Agency's Office of Financial Management to transfer responsibility to the OIG to reserve funds, prior to obligation, by accessing directly into the Agency's financial system have been initiated. Progress indicates that this capability should be implemented early next fiscal year.

The OIG was able to **reduce the reimbursement amount paid to the Agency in FY 1990 for support services by \$250,000.** The reduction occurred because OIG performed its own ADP and contract services which were previously provided by the Agency. Additionally, telephone charges were reduced by having costs billed directly to OIG rather than having them included in the reimbursement account.

REIMBURSEMENT TO
THE AGENCY

A total of **22 new Foreign Service Auditors and Inspectors were appointed in FY 1990.** Including new GS/PMRS appointments, the total OIG workforce as of September 30, 1990 is 237 employees on-board. Consequently, our foreign service recruitment efforts will be substantially reduced except to meet normal attrition requirements. The following chart shows the Office of the Inspector General authorized staffing level at September 30, 1990.

FOREIGN SERVICE
RECRUITMENTS

INSPECTOR GENERAL AUTHORIZED STAFFING
September 30, 1990

<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	18
Office of Audit:	
U.S.	125
Foreign Nationals	<u>15</u>
Total Professional Staff	214
<u>Support Staff</u>	
U.S.	37
Foreign Nationals	<u>1</u>
Total Support Staff	38
Total Staff	<u><u>252</u></u> ¹

¹Includes seven part-time positions.

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 foreign service officers. As a result of Board deliberations, 13 officers were recommended and approved for promotion and 6 officers received meritorious step increases.

FOREIGN SERVICE
PROMOTIONS

GENERAL SUPPORT DIVISION

ADP SUPPORT

A review of ADP support capabilities for both Washington and Regional Offices abroad has revealed the need to establish local area networks to facilitate communications and data sharing between OIG Offices. Operational strategy and priorities to implement these findings have been established and recent and future ADP procurements will be directed to achieve this goal.

CONTRACTING

The presence of an OIG Contract Specialist with authority to enter into contracts up to \$100 thousand per transaction has proven successful. With this new in-house capability, the number of purchase orders issued by IG/RM the past four months has more than quadrupled. Likewise, a significant achievement was the issuance of Blanket Purchase Agreements to 47 Security Investigators to provide background investigations on Agency employees. This exercise required an announcement in the Commerce Business Daily, preparing evaluation packages, screening over 200 responses for compliance, technical panel reviews, interviews and awards of contract.

INVENTORY

The annual physical inventory of IG-owned non-expendable property in Washington has been completed. Staff are currently reconciling inventory findings with the composite record. Any discrepancies discovered will be adjudicated for physical and fiscal accountability.

AUDIT REPORTS ISSUED

April 1, 1990 through September 30, 1990

Internal Audit Reports

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
AUDITS OF MAJOR MANAGEMENT SYSTEMS/PROGRAMS				
1-517-90-8	04/06/90	Audit of Verification of Accountability for Dollars and Local Currency Associated with USAID/Dominican Republic Programs	—	—
1-500-90-9	04/30/90	Audit of Verification of Accountability for Dollars and Local Currency in Selected Missions in the Latin America and Caribbean Region	—	—
2-497-90-8	03/23/90	Audit of USAID/Indonesia's Management of Personal Property	—	—
5-388-90-7	05/31/90	Audit of USAID/Bangladesh's Close-out Procedures for Expired Contracts	3,598	BU
5-388-90-8	05/31/90	Audit of USAID/Bangladesh's Controls over Host-Country Contracts for Technical Assistance	—	—
5-386-90-13	09/10/90	Audit of USAID/India's Management of Residential and Office Real Property	—	—
5-367-90-14	09/14/90	Audit of USAID/Nepal's Participant Training Program	84	BU
7-660-90-17	09/13/90	Audit of Management of O.E. Funded Non-expendable Property in Zaire	—	—
9-000-90-3	05/23/90	Audit of Personal Services Contracting at Overseas Missions	—	—
9-000-90-5	06/26/90	Audit of A.I.D. Headquarters' Direct Payment Procedures	19	QC
AUDITS OF PROJECT ASSISTANCE				
1-505-90-10	05/31/90	Audit of A.I.D./Belize's Commercialization of Alternative Crops Project No. 505-0008	6 39	QC BU
1-518-90-11	06/08/90	Audit of USAID/Ecuador's Population and Family Planning Project No. 518-0026	—	—
1-515-90-13	06/25/90	Audit of Regional Administration of Justice Project—USAID/ Costa Rica	—	—
1-525-90-14	07/02/90	Interim Audit Report on the USAID/Panama Emergency Restoration of Small Businesses Project No. 525-0301	—	—
1-525-90-17	07/17/90	Interim Audit Report on the Housing Component of USAID/ Panama Immediate Recovery Project 525-0302	—	—
1-515-90-18	08/29/90	Audit of Agricultural and Industrial Reactivation Project—USAID/ Costa Rica	1,450	BU
2-498-90-6	04/27/90	Audit of the ASEAN Energy Conservation and Management Project No. 498-0285	11	QC
2-497-90-7	07/30/90	Audit of Indonesia's Applied Agricultural Research Project No. 497-0302	—	—
2-492-90-9	08/24/90	Audit of USAID/Philippines' Technology Transfer for Energy Management Project No. 492-0381	—	—

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

Internal Audit Reports (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
3-615-90-9	06/22/90	Audit of Kenya Family Planning Services and Support Project No. 615-0232	668 664	QC UN
3-278-90-10	06/26/90	Audit of Jordan National Agricultural Development Project No. 278-0264	4,200 2,100	BU BU
3-272-90-11	07/30/90	Audit of Omani-American Joint Commission on Economic and Technical Cooperation Project No. 272-0101	13,100	BU
3-603-90-12	09/14/90	Audit of USAID/Djibouti Housing and Urban Development Project No. 603-0200	—	—
5-386-90-11	07/18/90	Audit of the National Social Forestry Project in India—Project No. 386-0495	12,000	BU
6-263-90-5	06/14/90	Audit of USAID/Egypt's Agricultural Production and Credit Project No. 263-0202	—	—
6-263-90-6	06/20/90	Audit of USAID/Egypt's Child Survival Project No. 263-0203	8,850	BU
6-263-90-9	09/12/90	Audit of Environmental Activities under USAID/Egypt's Industrial Production Project No. 263-0101	4,300	BU
7-635-90-8	05/23/90	Audit of the Gambia Agricultural Research and Diversification Project	190 126	QC UN
7-664-90-10	07/11/90	Audit of USAID/Tunisia's Rural Potable Water Institutions Project	—	—
7-688-90-13	07/31/90	Audit of USAID/Mali's Semi-Arid Tropics Crops Research Project—Phase II—Project No. 688-0226	—	—
7-608-90-14	08/15/90	Audit of the Population and Family Planning Support Project (Phase III) in Morocco Project No. 608-0171	28	BU
7-669-90-15	08/31/90	Audit of Liberia Agricultural Research and Extension II Project—Project No. 669-0188	—	—
7-660-90-16	08/31/90	Audit of USAID/Zaire's Agricultural Marketing Development Project III	245	BU
9-090-90-4	06/06/90	Audit of Strategies for Improving Service Delivery Project No. 936-3030	107	QC
AUDITS OF NONPROJECT ASSISTANCE				
3-613-90-8	04/06/90	Audit of Zimbabwe Basic Education and Skills Training Program No. 613-K-606	—	—
5-306-90-9	07/13/90	Audit of the Commodity Export Program for Afghanistan Project No. 306-0205	—	—
6-263-90-7	07/09/90	Audit of USAID/Egypt's Fiscal Year 1988 Cash Transfer Grant No. 263-K-617	—	—
6-263-90-8	07/30/90	Audit of Airport Equipment Procured under USAID/Egypt's Commodity Import Program	38	QC
7-683-90-7	05/04/90	Audit of the Agriculture Sector Development Grant in Niger—Project No. 683-0246	8 59	QC BU
AUDITS OF P.L. 480 TITLE I, II, AND III AGREEMENTS				
5-386-90-12	07/31/90	Audit of Management of the Food Program in India	—	—

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

Internal Audit Reports (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
MANDATED AND MISCELLANEOUS AUDITS				
1-532-90-15	07/03/90	Audit of Jamaica Housing Guaranty Program Project No. 532-HG-012	6,983	BU
2-492-90-10	09/05/90	Audit of Disaster Assistance to the Philippines	—	—
2-492-90-11	09/07/90	Audit of Disaster Assistance to the Philippines	—	—
5-442-90-10	07/16/90	Audit of the Office of the A.I.D./Representative for Khmer Affairs' Control of Pharmaceutical Supplies Provided to the Non-Communist Resistance Groups Project No. 442-0100	142	BU
6-263-90-3	05/07/90	Audit of Cost-Sharing by Egyptian Private Voluntary Organizations Participating in the Local Development II Project No. 263-0182	—	—
6-263-90-4	05/24/90	Audit of Cost-Sharing by American Private Voluntary Organizations Receiving Assistance from USAID/Egypt	—	—
7-669-90-11	07/27/90	The Audit of the Conversion of Foreign Exchange in Liberia Case Number One: Primary Education Project— Project No. 669-0166	400	BU
7-669-90-12	07/27/90	The Audit of the Conversion of Foreign Exchange in Liberia Case Number Two: Commodity Import Program— Project No. 669-0214	—	—
FINANCIAL AND FINANCIAL RELATED AUDITS				
0-000-90-1	06/30/90	Audit of Costs Incurred under the University of Wisconsin-Madison Contract No. 635-0219-C-00-6011	6	QC
0-000-90-2	09/21/90	Audit of the Agency's Entertainment Fund Account	—	—
1-519-90-12	06/15/90	Audit of Servicios Tecnicos del Caribe Contract Costs	626	QC
			15	UN
1-500-90-16	07/05/90	Audit of A.I.D. Cooperative Agreement No. LAC-0133-A-00-5058-00 Florida International University Miami, Florida	242	QC
7-685-90-9	06/15/90	The American Embassy Community Welfare and Recreation Association of Dakar—Audit of Financial Statements as of December 31, 1988 and 1989	70	UN
			—	—

BU - Better use of funds

QC - Questioned costs

UN - Unsupported costs

EXTERNAL AUDIT REPORTS

Non-Federal Audits

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
1-525-90-19-N	04/30/90	Limited Award Survey of the Emergency Restoration of Small Businesses Program Managed by the Foundation for Economic and Social Development—USAID/Panama Project No. 525-0301	—	—
1-525-90-20-N	04/30/90	Limited Award Survey of Ingenieria Caribe, S.A. for a Proposed Contract under the Emergency Rehabilitation of Chorrillo Apartment Buildings Project—USAID/Panama Project No. 525-0300	—	—
1-525-90-21-N	04/30/90	Limited Award Survey of Constructora Disconsa, S.A. for a Proposed Contract under the Emergency Rehabilitation of Chorrillo Apartment Buildings Project—USAID/Panama Project No. 525-0300	—	—
1-525-90-22-N	04/30/90	Limited Award Survey of Proyectos y Edificaciones, S.A. for a Contract under the Emergency Rehabilitation of Chorrillo Apartment Buildings Project—USAID/Panama Project No. 525-0300	—	—
1-525-90-23-N	04/30/90	Limited Award Survey of the Republic of Panama Ministry of Housing for Award and Administration of Contracts under the Emergency Rehabilitation of Chorrillo Apartment Buildings Project—USAID/Panama Project No. 525-0300	—	—
1-519-90-24-N	05/14/90	Audit of the Credit Activities of the Earthquake Reconstruction Project for the Year Ended September 30, 1989	14	BU
1-519-90-25-N	05/14/90	Audit of the Restoration of Public Services Component of the Earthquake Reconstruction Project for the Year Ended September 30, 1989	—	—
1-519-90-26-N	05/16/90	Audit of El Salvador's National Plan for Area Restoration Managed by the National Commission for Area Restoration for the Period October 1, 1988 to September 30, 1989	96	QC
1-532-90-27-N	05/18/90	Interim Audit of the Jamaica Hurricane Reconstruction Project No. 532-0158	—	—
1-521-90-28-N	05/31/90	The Audit of the Urban Health and Community Development Project Managed by the Socio-Medical Complex of Cite Soleil (CMSCS) in Haiti	118 24	QC UN
1-525-90-29-N	05/31/90	Limited Award Survey of Caja de Ahorros the Implementing Institution for the Housing for Displaced Families from Chorrillo Component under the Immediate Recovery Project—USAID/Panama Project No. 525-0302	—	—
1-525-90-30-N	05/31/90	Limited Award Survey of the Emergency Employment Component of the Immediate Recovery Project Managed by the Government of the Republic of Panama—USAID/Panama Project No. 525-0302	—	—

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

Non-Federal Audits (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
1-525-90-31-N	05/31/90	Limited Award Survey of the Ingelmee, S.A. for a Proposed Contract under the immediate Recovery Project—Emergency Employment Component USAID/Panama Project No. 525-0302	—	—
1-522-90-32-N	06/14/90	Audit of the Humanitarian Assistance Program for the Nicaraguan Resistance Managed by the Task Force on Humanitarian Assistance	—	—
1-522-90-33-N	06/14/90	Audit of the Nicaraguan Resistance Medical Program Supported by the International Medical Corps	—	—
1-522-90-34-N	06/14/90	Audit of the Human Rights Training Program of the Nicaraguan Resistance Managed by the Nicaraguan Resistance	—	—
1-522-90-35-N	06/14/90	Audit of the Human Rights Training Program Managed by the Nicaraguan Association for Human Rights	—	—
1-522-90-36-N	06/14/90	Audit of the Training for Distribution Systems Program Managed by Creative Associates International, Inc.	6 4	QC UN
1-525-90-37-N	06/20/90	Limited Award Survey of Grupo Diez, S.A. for a Proposed Contract under the Immediate Recovery Project—Emergency Employment Component—USAID/Panama Project No. 525-0302	—	—
1-525-90-38-N	06/20/90	Limited Award Survey of Alfa Panama, S.A. for a Proposed Contract under the Immediate Recovery Project—Emergency Employment Component—USAID/Panama Project No. 525-0302	—	—
1-525-90-39-N	06/20/90	Limited Award Survey of Construcciones Castro, S.A. for a Proposed Contract under the Immediate Recovery Project—Emergency Employment Component—USAID/Panama Project No. 525-0302	—	—
1-525-90-40-N	06/20/90	Limited Award Survey of Constructora Rio Grande, S.A. for a Proposed Contract under the Immediate Recovery Project—Emergency Employment Component—USAID/Panama Project No. 525-0302	—	—
1-525-90-41-N	06/20/90	Limited Award Survey of Constructora Urbana, S.A. for a Proposed Contract under the Immediate Recovery Project—Emergency Employment Component—USAID/Panama Project No. 525-0302	—	—
1-525-90-42-N	06/20/90	Limited Award Survey of Consultores Profesionales de Ingenieria, S.A. for a Proposed Contract under the immediate Recovery Project—Emergency Employment Component USAID/Panama Project No. 525-0302	—	—
1-519-90-43-N	06/22/90	Audit of the Education System Revitalization Project Managed by the Agency for Education System Revitalization Project of the Ministry of Education of El Salvador (APRE)	5,798 5,558	QC UN
1-517-90-44-N	06/26/90	Audit of the Small Industry Development Project, Managed by the Central Bank of the Dominican Republic through the Investment Fund for Economic Development (FIDE)	34	QC

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

Non-Federal Audits (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
1-511-90-45-N	06/26/90	Audit of the Fiscal Year 1987 PL 480 Title II Monetization Program Activities Managed by Adventist Development and Relief Agency International in Bolivia	12 12	QC UN
1-511-90-46-N	06/26/90	Audit of the Fiscal Year 1987 PL 480 Title II Monetization Program Activities Managed by Food for the Hungry International in Bolivia	8 6	QC UN
1-511-90-47-N	06/26/90	Audit of the Fiscal Year 1987 PL 480 Title II Monetization Program Activities Managed by Catholic Relief Services and Caritas Boliviana	5 2	QC UN
1-525-90-48-N	07/06/90	Limited Award Survey of Commodities Sub-Component of the Technical Assistance and Commodities Component of the Immediate Recovery Project—Supreme Court—USAID/Panama Project No. 525-0302	—	—
1-525-90-49-N	07/06/90	Limited Award Survey of Commodities Sub-Component of the Technical Assistance and Commodities Component of the Immediate Recover Project—Ministry of Health—USAID/Panama Project No. 525-0302	—	—
1-538-90-50-N	07/30/90	Audit of the Hurricane Hugo Disaster Rehabilitation Project Components Managed by the Ministry of Agriculture of the Commonwealth of Dominica	10	QC
1-538-90-51-N	07/30/90	Audit of the Hurricane Hugo Disaster Rehabilitation Project Component Managed by the Dominica Banana Marketing Corporation	—	—
1-538-90-52-N	07/30/90	Audit of the Hurricane Hugo Disaster Rehabilitation Project Component Managed by the Ministry of Communications, Works and Housing of the Commonwealth of Dominica	—	—
1-538-90-53-N	07/30/90	Audit of the Hurricane Hugo Disaster Rehabilitation Project Components Managed by the Accountant General of the Commonwealth of Dominica	19	QC
1-518-90-54-N	07/30/90	Award Survey of the Non-Traditional Agricultural Exports Project, Phase II Activities Managed by the National Association of Businessmen in Ecuador	—	—
1-518-90-55-N	07/30/90	Award Survey of the Non-Traditional Agricultural Exports Project, Phase II Components Managed by the Ecuadorian Federation of Exporters	—	—
1-520-90-56-N	05/31/90	Audit of the Immunization and Oral Rehydration Therapy Services for Child Survival Project in Guatemala	—	—
2-492-90-10-N	05/31/90	Audit of the Development Assistance Program—Philippines	1	QC
2-492-90-11-N	06/15/90	Audit of the Development Assistance Program for Non-Governmental Organizations Grant—Philippines	153	QC
2-493-90-12-N	06/28/90	Audit of the Joint Public/Private Sector Consultative Committee Grant under the Rural Industries and Employment Project—Thailand	2 —	UN —
2-493-90-13-N	08/10/90	Audit of the Thai Chamber of Commerce Rural Industries and Employment Project NO. 493-0343	—	—

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

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Non-Federal Audits (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
3-645-90-4-N	04/30/90	Audit of the Swaziland Manpower Development Project— Contract No. 645-0218-C-00-5009	—	—
3-489-90-5-N	04/30/90	Audit of Indirect Costs for the International Center for Agricultural Research in the Dry Areas (ICARDA)—Contract No. 391-0489-C-00-5042-00	121	QC
3-612-90-6-N	04/30/90	Audit of the Government of Malawi Ministry of Agriculture Claims under the Malawi Agricultural Research Project and the Agricultural Research and Extension Project—Grant Nos. 79-612-10 and 85-612-G-04	379 241	QC UN
3-649-90-7-N	07/31/90	Audit of Settlement Proposals of Partial Termination and Equitable Adjustment of Juba Enterprises, Beder and Sons Limited Construction Contract No. 649-0109-C-000-9009-00	2,128	BU
3-632-90-8-N	09/14/90	Non-Federal Audit of American Agricultural International Inc. Contract No. 632-0221-C-00-6017-00 for Lesotho Agricultural Production and Institutional Support Project	83 33	QC UN
3-696-90-9-N	09/17/90	Non-Federal Audit of Grant Agreement No. 696-0113-G-SS-9006-07 to the Rwandan National Office of Population	2,038 1,356	QC UN
5-391-90-2-N	07/23/90	Non-Federal Audit Report on the Statement of Termination Claim of NASA Constructors (PVT) Limited under USAID/Pakistan Balochistan Area Development Project	898 3,074	QC BU
5-386-90-3-N	07/31/90	Non-Federal Audit Report Catholic Relief Services PL-480 Title II Program in India Calcutta and Cochin Zones	—	—
5-388-90-4-N	08/14/90	Non-Federal Audit Report of the Family Planning Association of Bangladesh under the Family Planning Service Project	2	QC
5-388-90-5-N	09/10/90	Non-Federal Audit Report of the Asia Foundation under the Family Planning and Health Services Project	7	QC
5-388-90-6-N	09/10/90	Non-Federal Audit Report of the Family Planning Services and Training Center under the Family Planning and Health Services Project	—	—
6-263-90-4-N	04/30/90	Audit of Local Expenditures by Overseas Bechtel, Incorporated under USAID/Egypt Project No. 263-0030 (Shoubra El Kheima Power Plant)	19	QC
6-263-90-5-N	05/31/90	Audit of Local Expenditures by META Systems, Inc. under USAID/ Egypt Project No. 263-0123 (Energy Policy and Renewable Energy Filed Testing)	—	—
6-263-90-6-N	08/13/90	Audit of Local Expenditures by Harza Engineering Company under USAID/Egypt Project No. 263-0132 (Irrigation Management Systems)	—	—
6-263-90-7-N	08/15/90	Audit of Local Expenditures by Educational Innovation Systems International, Inc. (EduSystems) USAID/Egypt Project No. 263- 0182 (Local Development II Program)	—	—
7-688-90-4-N	05/10/90	Non-Federal Audit of the Mali Farming Systems Research and Extension, Project No. 688-0232	52 1	QC UN
7-635-90-5-N	05/10/90	Non-Federal Audit of the Gambia Self-Help Program	—	—
7-683-90-6-N	09/14/90	Non-Federal Audit of the Niger Sector Support Program	268	QC
			260	UN

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

OMB Circular A-110 Audits

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
LTR-90-44	04/10/90	African-American Institute	—	—
LTR-90-45	04/13/90	OEF International	—	—
LTR-90-46	04/13/90	Pan American Development Foundation	—	—
LTR-90-47	04/16/90	Mercy Corps International	—	—
LTR-90-48	04/19/90	Planned Parenthood Federation of America, Inc.	—	—
LTR-90-49	04/24/90	Lutheran World Relief, Incorporated	—	—
LTR-90-50	04/26/90	New Transcentury Foundation	—	—
LTR-90-51	05/04/90	Inter-American Bar Foundation	—	—
LTR-90-52	05/04/90	The American Public Health Association	—	—
LTR-90-53	05/24/90	The Pathfinder Fund	—	—
LTR-90-54	05/31/90	National Council of Young Men's Christian Association of the United States of America (YMCA)	—	—
LTR-90-55	06/05/90	National Council of Negro Women, Inc.	—	—
LTR-90-56	06/12/90	American Institute for Free Labor Development	—	—
LTR-90-57	06/12/90	Bangladesh-United States Business Council	—	—
LTR-90-58	06/14/90	Sequoia Institute	—	—
LTR-90-59	06/14/90	World Resources Institute	—	—
LTR-90-60	06/20/90	World Relief Corporation	—	—
LTR-90-61	06/22/90	Human Rights Internet	—	—
LTR-90-62	06/22/90	Population Services International	—	—
LTR-90-63	06/26/90	Opportunity International, Inc.	—	—
LTR-90-64	06/29/90	Private Agencies Collaborating Together	—	—
LTR-90-65	06/29/90	Lutheran World Relief, Inc.	—	—
LTR-90-66	06/29/90	International Center for Research on Women	—	—
LTR-90-67	06/29/90	MidAmerica International Agricultural Consortium	—	—
LTR-90-68	06/29/90	Freedom from Hunger Foundation	—	—
LTR-90-69	07/05/90	Consortium for International Development	—	—
LTR-90-70	07/09/90	PATH/PIACT	—	—
LTR-90-71	07/10/90	Asian American Free Labor Institute	—	—
LTR-90-72	07/12/90	International Eye Foundation	—	—
LTR-90-73	07/16/90	Minnesota International Health Volunteers	—	—
LTR-90-74	07/18/90	Latin America Scholarship Program of American University, Inc.	—	—
LTR-90-75	07/23/90	America-Mideast Educational and Training Services, Inc.	—	—
LTR-90-76	07/24/90	Opportunities Industrialization Centers International, Inc.	—	—
LTR-90-77	07/27/90	International Federation for Family Life Promotion	—	—
LTR-90-78	07/27/90	Heifer Project International	—	—
LTR-90-79	07/27/90	African-American Institute	—	—
LTR-90-80	07/27/90	International Voluntary Services, Inc.	—	—
LTR-90-81	07/27/90	International Voluntary Services, Inc.	—	—
LTR-90-82	07/27/90	International Fund for Agricultural Research	—	—
LTR-90-83	07/31/90	U.S. ASEAM Council for Business and Technology, Inc.	—	—
LTR-90-84	07/31/90	AFRICARE	—	—
LTR-90-85	08/09/90	CRISTA Ministries	4	QC
LTR-90-86	08/09/90	Coordination in Development, Inc.	—	—
LTR-90-87	08/13/90	The Oceanic Institute	—	—
LTR-90-88	08/13/90	Academy for Educational Development	—	—

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

OMB Circular A-110 Audits (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
LTR-90-89	08/13/90	International Institute for Environment and Development— North American Office	—	—
LTR-90-90	08/13/90	International Voluntary Services, Inc.	—	—
LTR-90-91	08/31/90	South-East Consortium for International Development	6	QC
			3	UN
LTR-90-92	08/31/90	The Salvation Army World Service Office	—	—
LTR-90-93	08/31/90	National Cooperative Business Association	—	—
LTR-90-94	08/31/90	ACCION International	—	—
LTR-90-95	09/07/90	Interaction	—	—
LTR-90-96	09/07/90	Institute for Practical Idealism	—	—
LTR-90-97	09/14/90	National Rural Electric Cooperative Association	—	—
LTR-90-98	09/14/90	The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the U.S.A.	—	—
LTR-90-99	09/21/90	Centre for Development and Population Activities	—	—
LTR-90-100	09/21/90	Pan American Development Foundation, Inc.	—	—
LTR-90-101	09/25/90	Planned Parenthood Federation of America, Inc.	—	—

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-90-64	04/06/90	Development Alternatives, Inc., Timekeeping Practices	—	—
TR-90-65	04/06/90	Price Waterhouse and Company	—	—
TR-90-66	04/10/90	Resource Management Associates	—	—
TR-90-67	04/10/90	International Business Services, Inc.	—	—
TR-90-68	04/16/90	State of Oregon	—	—
TR-90-69	04/25/90	Comprehensive Marketing System	—	—
TR-90-70	04/27/90	The American Association of Collegiate Registrars and Admissions Officers	—	—
TR-90-71	04/30/90	Cambridge Consulting Corporation	—	—
TR-90-72	05/14/90	Roy F. Weston, Inc.	—	—
TR-90-73	05/23/90	PRC Harris, Inc.	—	—
TR-90-74	05/29/90	Meridian House International	268	QC
			70	UN
TR-90-75	06/06/90	Meals for Millions	—	—
TR-90-76	06/06/90	Robert R. Nathan Associates, Inc.	—	—
TR-90-77	06/06/90	Heifer Projects International	817	QC
			794	UN
TR-90-78	06/06/90	BCI Geonetics International	61	QC
TR-90-79	06/13/90	Midwest Universities Consortium for International Activities, Inc.	73	BU
TR-90-80	06/13/90	International Human Resources Development Corporation	—	—
TR-90-81	06/20/90	University of California at San Francisco	—	—
TR-90-82	06/20/90	University of Maryland	—	—
TR-90-83	06/20/90	University of California at Riverside	—	—
TR-90-84	06/21/90	University of California at Davis	—	—
TR-90-85	06/22/90	Thunder and Associates, Inc.	3	QC
TR-90-86	06/22/90	Development Alternatives, Inc.	—	—
TR-90-87	06/27/90	Sheladia Associates, Inc.	179	QC
			179	UN
TR-90-88	06/27/90	University of California at Santa Cruz	—	—
TR-90-89	06/27/90	University of California at San Diego	—	—
TR-90-90	06/29/90	Booz, Allen and Hamilton, Inc.	—	—
TR-90-91	06/29/90	Winrock International	19	BU
TR-90-92	06/28/90	Purdue University (Indiana)	—	—
TR-90-93	06/29/90	Price Waterhouse and Company	—	—
TR-90-94	06/29/90	Indiana University	—	—
TR-90-95	06/29/90	Center for Human Services, Inc.	—	—
TR-90-96	06/29/90	Davy McKee Company	—	—
TR-90-97	06/29/90	Institute for International Research	—	—
TR-90-98	06/29/90	Case Western Reserve University	64	QC
TR-90-99	06/29/90	Deloitte Haskins and Sells	—	—
TR-90-100	07/13/90	University of Southern California	—	—
TR-90-101	07/16/90	Louis Berger International, Inc.	2,206	BU
TR-90-102	07/17/90	Transcentury Corporation	—	—
TR-90-103	07/17/90	Creative Associates	—	—
TR-90-104	07/23/90	Southern Illinois University	—	—
TR-90-105	07/24/90	American Foundation for Biological Research	—	—
TR-90-106	07/23/90	University of Missouri-Kansas City	—	—

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

Other Government Audit Agency Audits (Cont'd)

Report Number	Date of Report	Report Title	Amount of Savings (000's)	Type of Savings
TR-90-107	07/24/90	Ohio State University Research Foundation	—	—
TR-90-108	07/24/90	Louis Berger International, Inc.	—	—
TR-90-109	07/27/90	State of Kansas-OMB Circular A-128	—	—
TR-90-110	07/26/90	Tropical Research and Development, Inc.	—	—
TR-90-111	07/31/90	Arizona State University	—	—
TR-90-112	08/02/90	Camp Dresser and McKee, Inc.	8	QC
			1	UN
TR-90-113	08/09/90	University of Maryland's Baltimore Campus	12	QC
TR-90-114	08/09/90	Black and Veatch International	—	—
TR-90-115	08/22/90	DAC International, Inc.	—	—
TR-90-116	08/23/90	Development Alternatives, Inc.	36	QC
			31	UN
TR-90-117	08/24/90	Aguirre International	—	—
TR-90-118	09/20/90	United States Energy Association	42	BU
TR-90-119	09/21/90	Agouron Institute	25	QC
TR-90-120	09/21/90	Development Procurement International	—	—
TR-90-121	09/21/90	American Institute of Biological Sciences, Inc.	102	QC
			102	UN

BU - Better use of funds
 QC - Questioned costs
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