

FY 1992 FMFIA PROCESS - OBSERVATIONS AND COMMENTS

The purpose of this paper is to describe the FY 1992 FMFIA process, summarize the response of AID organizational units and offer several observations and comments.

The Federal Managers' Financial Integrity Act (FMFIA) requires A.I.D. to prepare a yearly report on management controls. The report, based on the analysis of information obtained from field and AID/W organizational units and submitted to Congress and the President, contains the Administrator's statement of assurance that: (A) obligations and costs are in compliance with applicable law; (B) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, misappropriation; (C) Agency revenues and expenditures are properly recorded and accounted for to facilitate preparation of reliable financial and statistical reports and maintain accountability over assets.

The report also includes a description of high risk areas, material weaknesses, and attendant management activities. The information on unsatisfactory management controls solicited from organizational units is not included in the report.

This year's process is an abbreviated version of previous internal control assessments designed to accommodate the transition year from the old Management Control Plan to the Plan for 1992-1996.

Memoranda with accompanying documents to be completed for the annual certification process were sent to each mission and AID/W regional, central and independent bureaus/offices. The

documents included definitions of management control terms, forms for completing the certification as prescribed by the Office of Management and Budget (OMB), instructions for identifying material weaknesses, and summarizing techniques for performing risk assessments. The MCS held meetings with the AID/W central and independent bureaus/offices to discuss the 1992 FMFIA process, as well as the regional bureaus. In addition to the bureau's Washington responsibilities, responsibilities for aggregating and synthesizing missions' responses and including missions' certifications in the bureau's certification were also addressed.

As of November 27, 1992, ICA assessments have been received and recorded as follows:

	UNITS	RECEIVED	NOT-RECEIVED	RECEIVED AS A % OF TOTAL
•Field Posts				
AFR	31	24	7 ¹	77%
ASIA	10	10	0	100%
LAC	21	20	1 ²	95%
NE	8	8	0	100%
SUB-TOTAL	70	62	8	89%
•AID/W				
OPS	9	4	5 ³	44%
F&A	9	9	0	100%
Other	4	4	0	100%
SUB-TOTAL	22	17	5	77%
TOTAL	92	79	13	86%

These submissions identified 6 existing and new high risk areas, 86 instances of existing and new material weaknesses and 470 instances of unsatisfactory management controls as follows:

- High Risk Areas
 1. Financial management systems and operations (FM)
 2. Inadequate program monitoring and oversight (FA/B)

¹ Cameroon, Cape Verde, Guinea, Lesotho, Nigeria, Swaziland, Zambia

² Uruguay

³ AFR, ASIA, EUR/EE, R&D, FHA

3. Management of sensitive information (FA/IRM)
4. Program agenda vs. management capability (LAC)
5. Host country contributions (LAC)
6. Funds advanced to host governments and other institutions (LAC)

• Material Weaknesses

CATEGORY	FIELD POSTS	AID/W	TOTAL
1. Program/Project Management			
--monitoring & evaluation	9	6	15
--guidance & procedures	6	9	15
--Host Country contributions & local currency accountability	4	-	4
2. Personnel Management			
--workforce configuration	4	2	6
--recruitment	3	-	3
--assignments	3	-	3
--training	1	-	1
--performance evaluation	-	-	-
3. Procurement/Contract Mgt.			
--AID procurement practice	2	-	2
--monitor contractor performance	2	-	2
--audit coverage	4	-	4
--AID assessment Host Country ability, performance	2	-	2
4. Financial Management			
--unliquidated obligation review	1	2	3
--integrated financial systems	1	-	1
--primary accounting system	3	1	4
--AID/W payments	-	1	1
5. Information Resources Mgt.			
--mgmt. of sensitive information	1	-	1
6. Sundry			
--participant training	-	-	-
--other	5	13	18

CATEGORY	FIELD POSTS	AID/W	TOTAL
TOTAL	51	35	86

• Unsatisfactory Management Controls⁴

CATEGORY	FIELD POST REPORTING	NUMBER OF CONTROLS
Budget	1	1
Project Development	23	37
Program Implementation	40	95
Contract Implementation	19	29
Grants/Cooperative Agreements	23	33
Participant Training	13	26
Nonproject Assistance	15	30
Food Aid	20	31
Funds Control	19	24
Travel Advances/Reimbursements	25	38
Payments	19	31
Nonexpendable Property	18	27
General Mission Management	16	33
Audit	15	35
TOTAL.....	266	470

When considering the foregoing data, bear in mind that there is a certain hierarchy to the FMFIA process and, thus, the figures in the FMFIA Report are not identical to the aggregates above. For example, what constitutes a high risk for a single USAID does not necessarily mean it is a high risk for the Agency, or even a geographic bureau. On the other hand, if the same high risk (or material weakness) showed up in a very large number of USAIDs, it could easily be a high risk for a bureau or the

⁴ Unsatisfactory management controls information was only solicited from field posts. The list of categories used conforms to the FY 1991 full ICA required only of field posts and for which this reporting represents an update.

Agency. The rule of thumb is whether a problem *inter alia*, could impair the fulfillment of the Agency's mission and merits the attention of the Administrator, the Executive Office of the President or Congressional oversight committees.

High risk areas and material weaknesses are covered in the FMFIA Report. Unsatisfactory management controls are not, and, in some respects, they engender as much or more concern than the more visible high risk areas and material weaknesses. The reasons are several:

- They are identified largely through self assessments, and, therefore, suggest a candid judgement of a real or potential problem area.
- The number of unsatisfactory management controls (UMC) is not only large (470), but, for a number of categories, reflect a concern in more than a few missions. For example, 33% of the missions reported UMCs in project development; 57% in project development, 36% in travel advances/reimbursements, etc.
- In reviewing UMCs reported by missions and recommendations specifying or implying material weaknesses from audits performed during the FMFIA reporting period compared to material weaknesses reported by missions, one is struck by the disparity in numbers. For example, for the 22 missions in this sample, the audit recommendations cited 135 material weaknesses, missions cited 40 material weaknesses and missions cited 130 UMCs. Based on a review of the audit reports and mission FMFIA submissions, there is a reasonable presumption that many mission cited UMCs and audit cited material weaknesses and, to the extent this

is true, that some UMCs represent more serious problems than the term implies.

- There is no systematic procedure in place to monitor the status of UMCs in a manner which highlights mission concerns and encourages geographic bureaus to assist mission initiatives through the allocation of resources and adjustment of priorities.

In addition to the FMFIA submissions, we also considered the work of the President's Commission, the A.I.D.-OMB SWAT team, the GAO Management Review, the Management Improvement Plan-Phase II and OIG and GAO audit reports. Taken together, at least three fundamental and overarching problems are apparent which are borne out by the high risk, material weakness and unsatisfactory management control incidents reported by organizational units. They are:

- **Supply and demand management.**
Numerous studies cite problems in A.I.D.'s programs and operations. However, most studies wind up examining service and support activities because they are visible and measurable: invoices paid/lost; contracts not audited; personnel shortages; computer system problems; overseas mission administration/NXP issues, etc. What seldom gets serious assessment is the decision to originally get involved in an activity, in that way, with those implementation steps and risks, etc. People can point to a shortage of personnel to oversee the work, but does anyone bother to question why a mission or bureau approaches or undertakes work in ways that aren't defensible or sustainable with available staffs and resources.

Are there logical, diminimus obligation or contracting levels? What about activities that unnecessarily

"peak" during a fiscal year, forcing an office to staff for the surge instead of a sensible workflow? Who should "pay" for such overloading of administrative support services? Do avoidable crises unnecessarily divert resources away from needed long term investments in capital goods, people or management systems? Under what circumstances might a program's administrative and oversight costs be allowed to exceed the value of an activity's expected inputs and/or outputs?

- **The incentive system.**

The right incentive system is critical to sustained improvement in supply and demand management and performance. The recent "incentives" initiative is a good start, but has yet to reverse a system which, to borrow from the In-Country Presence Assessment, "... encourages the expansion and proliferation of freestanding, relatively self-sufficient field posts, as opposed to conservation of personnel and operating expenses and, for example, making optimum use of subregional or regional collective or shared support services. The incentive system seems to award program size and volume and field post size as a positive performance factor. Performance, in and of itself, with a minimum staff making the most efficient use of human and financial resources is not necessarily seen as a negative factor, but neither is it perceived as a contribution to one's career. What is needed, of course, are changes that identify and reward cost-efficient performance, or, in other words, personal incentives for managers to strive for a tight, efficient operation."

- **Management balance**

Much has been written about centralization,

decentralization and fragmentation of the the Agency. The issue is usually cast in an "either or" context and misses the point that the trught is in the middle - in other words, a better balance between centralization and decentralization of management. Decentralization is essential to the diverse circumstances in which A.I.D. operates. But, equally important, are corporate standards and consistency to ensure accountability and achievement of overall objectives.

The foregoing overarching problems are being addressed by MIP II, as well as MCP for 1992-1996, CFO's Five Year Plan, Information Systems Program and other efforts. They are not yet resolved, however, and warrant the continuing attention of the MCRC.

Insofar as Unsatisfactory Management Controls are concerned, the MCRC may wish to consider the issue a matter of importance to management, and request geographic bureaus to devleop systems to monitor UMCs and provide assistance to missions to undertake corrective measures.

1992 MATERIAL WEAKNESSES

Title of Material Weakness: *Strategic Planning and Direction*

Name of Responsible Program Manager: *A-A/Policy L. T. ... Ms. Kathryn*

Responsible Bureau/Office: *See Morgan*

Pace of Corrective Action

Year Identified:

Original Targeted Correction Date:

Correction Date in Last Year's Report:

Current Correction Date:

Reason for Change in Dates:

Source of Discovery:

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

- A. Completed Actions/Events:
- B. Planned Actions/Events (short term - next 12 months):
- C. Planned Actions/Events (longer term):

6/1/92 / 10/1/92 / 12/1/92

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Responsible Bureau/Office:

Pace of Corrective Action

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REFERENCES FOR ASSESSING RISKS AND MANAGEMENT CONTROLS

The sources below should be considered during preparation of materials for the Agency's FY 1992 report under the Federal Managers' Financial Integrity Act. For further information, please contact FA/MCS, attn: William E. Alli; tel. 703-516-1850.

FY 1991 FMFIA Report

High Risk Areas

- Financial management systems and operation;
- Audit coverage of A.I.D. programs and administrative operations;
- Management of sensitive information;
- Agency staffing levels

Material Weaknesses

- Primary accounting system
- AID/W payments operation
- Use of non-Federal auditors
- Agency staffing levels
- Management of sensitive information
- Local currency accountability
- Evaluation of Host Country contracting
- Accountability for food aid program resources
- Monitoring and evaluation of projects

FY 1990 Assessments by AID/W Offices

Risk Areas:

- Purpose/policy
- Characteristics of organizations functions
- Budget Level
- Age and life expectancy
- Degree of centralization
- Prior reviews

General Control Environment:

- Organizational structure
- Policies/procedures
- Budgeting. Personnel practices
- Communication/information
- ADP considerations
- Reporting
- Checks and balances

Management Controls

- Organization and management
- Project design
- Project implementation & monitoring
- Project evaluation
- Contract monitoring

OMB-SWATeam Recommendations

1. Written letters of guidance to new mission directors.
2. Revise work requirements (FS, CS, SES).
3. Make review panels responsible for quality of work requirements.
4. Rewrite performance and pay guidelines to require fulfillment of work agreements.
5. Synchronize rating periods for performance pay.
6. Implement employee certification.
7. Issue policy statement on ethics.
8. Expand ethics training.
9. Define program monitoring responsibilities.
10. Develop and implement Agency-wide program reporting standards.
11. Specify information required for portfolio management.
12. Review information systems requirements with goal of consolidating and integrating.
13. Campaign to identify project issues and develop watch list.
14. Policy directive on direct and host country contracting.
15. Clarify lines of contracting authority.
16. Evaluate contractor performance and reduce level of effort contracting.

17. Revise delegation of contracting authority.
18. Develop capacity to conduct pre-award audits.
19. Set-up competency-based training for project personnel.
20. Revise audit policy guidance.
21. Review audit management by IG.
22. Revise internal control process.
23. Transfer IG audit functions.
24. Complete and maintain inventory of contracts and grants requiring audit.
25. Expand use of non-Federal audits.
26. Produce report on project and program performance.
27. Develop new evaluation guidance and expand training.
28. Make evaluation results accessible.
29. Include evaluation responsibilities in performance appraisals.
30. Allocate additional funds for evaluation (depending on timing of appropriation/allotment).

President's Commission on the Management of A.I.D. Programs

1. Designate Chief Operating Officer.
2. Organize by country assistance categories.
3. Reduce number/simplify country programs.
4. Adopt uniform program and project management system.
5. Emphasize results-oriented evaluations.

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Illustrative Components in Proposed Management Control Plan

7. Set recruitment r
8. Upgrade assignm ent system.
9. Revitalize training.
10. Reorganize career development system.
11. Define limits for personal service contractors within new policy.
12. Install performance management system.
13. Improve communication and cooperation between Administrator and IG.
14. Strengthen internal control review process.
15. Develop plan for financial management system.
16. Audit non-U.S. and U.S. contractors and grantees.
17. Emphasize fewer and larger efforts with PVOs and universities.
18. Implement Contract Information Management System worldwide.
19. Limit use of host country contracting.
20. Use creative contracting methods.
21. Make Development Assistance account a 2-year appropriation. (for Congress)
22. Improve management of undisbursed funds.
23. Omit country-specific levels from Congressional Presentation. (with Congress)
24. Monitor field administration of local currency.
25. Allocate sufficient travel funds. (with OMB)

Project/Program Strategies & Designs

- Assistance modes
- Overseas missions
- Centrally-funded projects
- Regionally-funded projects

Project/Program Implementation and Management

- Relevant designs, CPs
- Focus on Outputs/Results
- Local currency/Cash Transfer accountability
- PVO-NGO grants
- Portfolio Reporting
- Termination of projects

Project/Program Evaluation and Feedback

- Bilateral projects/programs
- Development Information
- Central/regional programs
- Feedback/Lessons Learned

Audit Management

- Audit Objectives/Coverage
- Overseas audit management
- AID/W audit management

Private Enterprise

- Housing Guaranty
- Private Sector Revolving Fund

Technical Management

- Technical/Quality content
- Collaborative Research Support
- International Research Centers
- Participant Training

Food and Humanitarian Assistance

- American Schools and Hospitals
- Food Assistance
- Disaster Assistance
- Local Currency activities

Financial Management

- AID/W operations
- Financial data/systems
- Overseas operations

Human Resources Development & Management

- Workforce Policy/Planning
- Recruitment/EOP
- Training/assignments
- Position Management
- Performance Mgmt. & Evaluation

- Systems development
- ADP security
- Overseas operations
- AID/W operations

Contract/Commodity Management

- AID/W operations, including OSDBU
- Overseas operations
- Host country contracting

Legislative/External Relations

- Congressional dialog
- Client relations

AID/W Administrative Services

- Operating Supplies
- Support Services
- Non-expendable property

Overseas Management

- Exp/Non-Expendable Property
- Real Property
- Mission services

Resources Allocation

- Work Force
- Operating Expense
- Cost Management
- Program Budget

Policy/Strategic Planning Process

Inspector General

- Audit
- Investigations
- Security

CERTIFICATION PROCESS DUE DATES

October 30 - all missions to submit management control assessments to AID/W.

November 6 - all central, independent and regional certifications to be submitted to MCS for review, compilation, and transmission to AA/FA.

November 30 - MCS to submit FMFIA report to ~~AA/FA~~ ^{MCSAC} for clearance/approval.

December 31 - Deadline for FMFIA report to be sent to President, Congress, and OMB.

Material Weaknesses in Problem Areas

[Note: regional abbreviations use all caps to indicate bureau level and initial caps to indicate one or more missions in the region.]

<u>Area</u>	<u>Subject/Organization</u>
1. Program/Project Mgt.	
- monitoring & evaluatn	Transportation mgt. & storage; master disbursing acct; NXP inventory; NXP accounting; security (Lebanon); commodities; PVOs
- guidance & procedures	Housing; PSIP; IRM; work requirements & agreements; performance & pay; employee certification; NXP mgt.; NIS missions
- HC contributions & LC accountability	LAC; Afr; Asia
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2. Personnel Mgt.	
- workforce configuration	FA/OP (technical assistance); HRID; work requirements agreements; too many missions(?); insufficient support services (LAC); program agenda vs. mgt. capability (LAC)
- recruitment	Afr
- assignments	Ne
- training	Lac; employee certification
- performance evaluation	
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3. Procurement/Contract Mgt.	
- AID procurement practice	Afr; Asia
- monitor contractor performance	Lac; Ne
- audit coverage	Asia; mission-funded PVOs
- AID assess. HC abilities/performance	Asia; Ne

Material Weaknesses in Problem Areas (continued)

4. Financial Mgt.

- unliquidated obligatn review Lac; Ne; FA/B; FA/FM

- integrated financial systems Ne (security); HIG; PSIP; master disbursing account

- primary accounting system

- AID/W payments;
 /HC payments Ne; FA/FM

5. Information Resources Mgt.

- mgt. of sensitive info. Ne; IRM; HRDM (backup duplicate FS evaluation files); OSDBU (obsolete database for private sector use); EOP (lack secure file area)

6. Sundry

- participant training Ne

- independent agency involvement NIS

- policy Role & objectives of DA; program agenda vs mgt capability (LAC); uncoordinated & diffused policy-making

Mission Reports of Unsatisfactory Management Controls

Section Title	No. of Missions	No. of Controls
Budget	1	1
Project Development	23	37
Program Implementation	40	95
Contract. Implementation	19	29
Grants/Cooperative Agreements	23	33
Participant Training	13	26
Nonproject Assistance	15	30
Food Aid	20	31
Funds Control	19	24
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General Mission Management	16	33
Audit	15	35
T O T A L.....	266	470

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To: Barry Goldberg@IRM.OD@AIDW
SSWGATE@BASA14001@SERVERS[USN003AE:GATEWAY1]
Cc: Mike Rogal@FA.MCS@AIDW,William Alli@FA.MCS@AIDW
Bcc:
From: John Koehring@FA.MCS@AIDW
Subject: MCP - Avoiding Murphy's Law
Date: Monday, November 23, 1992 14:29:02 EST
Attach:
Certify: N
Forwarded by:

Barry and Mike,

We continue to want to get the initial functional comites in place ASAP.

Thus, an update:

- o The Oct 30 memo to Mark with ccs to all MCRC reps served to record the Oct 8 MCRC mtg agreement and inform MCRC reps how we intend to proceed.
- o The memo designating the two of you chairpersons is with JFO and RAA for clearance before going to Spangler. Ccs will go to all MCRC reps.
- o We have rec'd a training proposal from USDA's Govt Audit Training Institute that looks OK. We (Barry/Mike/JWK et al) now need to review curriculum content -- we'll set up a time convenient for you folks.
- o We have sked an MCRC mtg for Dec 8. The main agenda item will be the FMFIA report, but we will include others, among which will be implementation status of the MCP.

Having said that, we now need to do the following (as well as anything else you can think of):

- o You need to share with us your Jruthers for comite participation (name, position and organization unit).
- o We will, after agreeing on the foregoing, need to decide on a tactic for "creating" the comites.

- o We need to agree on training and timing.
- o You should, I think, begin to consider what comite work programs might look like. I suspect we might get questions at the MCRC mtg and I will need to defer to you.

anges, suggestions, etc to the above are welcome. We'll follow up on the aining item and would appreciate it you could do so on the comite items.

JWK

Agency for International Development
Washington, D.C. 20523

*Office of
the Administrator*

December 20, 1991

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We are pleased to report that as of September 30, 1991, the Agency for International Development's (A.I.D.) management control and financial systems provided reasonable assurance that the objectives of the Federal Manager's Financial Integrity Act (FMFIA) have been achieved.

Since enactment of the FMFIA in 1982, A.I.D. has continued to implement initiatives which improve the management and operation of this Agency. During the past year, A.I.D. has accomplished the following:

- Appointed a Chief Financial Officer in accordance with the CFO Act.
- Developed a three year comprehensive evaluation agenda which provides broad coverage in major program and policy areas as well as in studies of the effectiveness of A.I.D.'s operational and management systems in achieving development results.
- Required our missions to provide increased flexibility in local currency generation and usage, but stricter accountability of the currency that is generated.
- Approved a plan which institutes a comprehensive audit management program requiring A.I.D. managers to become more actively involved in audit planning, implementation, and follow-up.

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-- Initiated plans to restructure country programs to focus on fewer priority sectors/objectives, assuming Congressional earmarks can be reduced.

-- Increased the emphasis on results and accountability of programs rather than just the level of effort.

-- Initiated studies of in-country presence which will recommend alternatives for more efficient and cost-effective configurations of our overseas staff.

-- Revised performance appraisals for managers to emphasize their effectiveness in identifying, tracking, and correcting management control weaknesses, and in tracking, resolving, and closing audit recommendations.

-- Implemented a system to provide the public with early information on upcoming A.I.D. procurement activities through the use of a Department of Commerce bulletin board.

-- Conducted 27 internal control reviews as a result of internal control assessments performed by our overseas missions.

Additional details are provided in the enclosures to this letter.

-- Enclosure A provides a statistical summary of the FMFIA program. Of the twenty-two material management control weaknesses found, thirteen have been corrected.

-- Enclosure B gives a description of the Agency's management control review process and its system for tracking corrective actions.

-- Enclosure C provides a progress report on the Agency's four high risk areas.

-- Enclosure D lists the nine pending material weaknesses in order of priority. It separately describes each management control weakness and the corrective action planned, including tentative completion dates.

Agency for International Development
Washington, D.C. 20523

*Office of
the Administrator*

December 20, 1991

The Honorable J. Danforth Quayle
President of the Senate
Washington, D.C. 20510

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A.I.D. is committed to strengthening its management controls and improving its financial management systems. Actions, both accomplished and planned, are indicative of the Agency's commitment to the principles contained in the FMFIA.

Sincerely,

Mark L. Edelman

Mark L. Edelman
Acting Administrator

Enclosures:

- A. Statistical Summary of Performance
- B. Review Process
- C. High Risk Areas
- D. Material Weaknesses

Agency for International Development
Washington, D.C. 20523

*Office of
the Administrator*

December 20, 1991

The Honorable Thomas S. Foley
Speaker of the House of Representatives
Washington, D.C. 20515

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Sincerely,

Mark L. Edelman

Mark L. Edelman
Acting Administrator

Enclosures:

- A. Statistical Summary of Performance
- B. Review Process
- C. High Risk Areas
- D. Material Weaknesses

Enclosure A

Agency for International Development Statistical Summary of Performance

Section 2, Internal Control Systems

Overall compliance: X Yes; No; Year achieved: 1983

Number of Material Weaknesses

Period Reported	<u>Reported</u>	<u>Corrected</u>	<u>Pending</u>
Prior years	16	11	5
1989 Report	1	0	1
1990 Report	3	2	1
1991 Report	<u>2</u>	<u>0</u>	<u>2</u>
Total	22	13	9

Pending Material Weaknesses

<u>Category</u>	<u>Number</u>	<u>First Reported</u>	<u>Scheduled Correction</u>
Program Management:			
Program execution	4	1983 1987 1991 1991	1992 1992 1992 1993
Functional Management:			
Personnel and Organizational Management	1	1984	NA
ADP Security	1	1989	1992
Payment Systems and Cash Management	2	1988 1990	1995 1995
Other - Audit	1	1990	1992
Total	<u>9</u>		

Section 4, Financial Management Systems

Compliance Assurance

Overall compliance:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
-- Compliance with financial information standards	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
-- Compliance with systems functional standards	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Pending Non-conformances

<u>Name of System</u>	<u>Type of Non-conformance</u>	<u>Title of Non-conformance</u>
Financial Accounting and Control System	SGL; Agency-wide primary financial system; Documentation/audit trails (see Material Weaknesses)	Long-term difficulties in system implementation

Number of Material Non-conformances

<u>Period Reported</u>	<u>Reported</u>	<u>Corrected</u>	<u>Pending</u>
Prior years	1	1	0
1989 Report	0	0	0
1990 Report	1	0	1
1991 Report	<u>0</u>	<u>0</u>	<u>0</u>
Total	2	1	1

Note: The listed 1990 Material Non-conformance is the FACS primary accounting system which is listed as an Agency Material Weakness.

Number of Section 4 Systems in Operation

<u>Type of System</u>	<u>1985</u>	<u>1991</u>
Primary Accounting System	1	1
Subsidiary Systems:		
Budget Formulation	0	0
Payroll/Personnel	2	2
Purchasing/Grants	1	1
Receivables/Collections	0	0
Payables/Payments	0	0
Property	0	0
Travel/Small Purchases	0	0
Cost Accounting	0	0
Other	1	1
Program Systems	1	1
Total	<u>6</u>	<u>6</u> ^{1/}

¹In the 1990 FMFIA report, 6 financial management systems were identified; however, in response to OMB Memorandum 91-09 dated April 15, 1991, 25 supplemental accounting systems were listed. The 25 sub-systems or supplemental systems feed into the basic 6 financial management systems operated by A.I.D.

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Enclosure B

Agency for International Development Review Process

1. Description of the Organization and Structure of the Section 2 Review Process

The Management Control Review Committee (MCRC) of A.I.D., senior managers responsible for the oversight of management controls and audit follow-up, has implemented new initiatives which improve the Agency's internal control systems. The MCRC strengthened its management controls by requiring better accountability from top management officials, monitoring the management control processes, and analyzing reports on the status of material weaknesses and audit follow-up.

The re-assignment of management control responsibilities and closer analysis of management reports has enabled the MCRC to better direct the Agency and comply with the requirements set forth in Office of Management and Budget (OMB) Circular A-123 and the Federal Manager's Financial Integrity Act of 1982 (FMFIA). The MCRC has been able to determine audit trends and material weaknesses which require increased attention both in Washington and field offices.

Audit follow-up performances of individuals and offices have been reported and the accountable entities have focused more on their responsibilities. Draft guidance on management responsibilities for audit monitoring has been developed with the anticipation that it will become formal procedure this year. This guidance outlines the program required of field missions and central offices and firmly places the leadership responsibilities on management.

The Management Control Staff (MCS) was transferred from the Office of Financial Management to an office reporting directly to the Chief Financial Officer. This working group tracks, analyzes, and reports on management controls and audit follow-up to the CFO and the MCRC. It also serves as liaison with managers and Office of Inspector General (IG) staff in resolving audit recommendations and is responsible for preparing management control and audit follow-up reports to the President, Congress, and OMB.

1991 Statistical Data for Section 2 Review Process

Number of assessable units: 111.

Number of vulnerability assessments planned: 1. Conducted 1.

Number of internal control reviews planned: 32. Conducted: 27.

Number of alternative reviews planned: 73. Conducted: 71.

Percentage of assessable units reviewed: 64%.

Comments on Results versus Plan

Alternative Internal Control Reviews were performed at seventy-one A.I.D. missions during 1991. The two missions which did not perform these AICRs were Zaire and Haiti; AICRs were not done due to political uprisings in those two countries. The AICRs consisted of appropriate control objectives and an assessment of relevant control techniques (including the testing of techniques when appropriate).

Internal Control Reviews were performed at 27 missions. This year the AICR was expanded to include an evaluation of budgeting, project development and project implementation administrative controls in addition to financial management controls.

General Assessments, which provide an agency-wide analysis of the accountability issues faced by missions when implementing programs, were performed by each mission during 1991. The assessment allowed the missions to evaluate their programming methodology and to determine where improvement was needed, thereby enabling each mission to better manage and plan development programs.

2. Description of the Organization and Structure of the Section 4 Review Process

A.I.D. has a single overall accounting system. The Financial Accounting and Control System (FACS) serves as the core financial system, with single, on-line, and automated interfacing capabilities. We are using the new Standard General Ledger uniform chart of accounts. Agency reports are being prepared in conformance with this new structure. We have cross-walked the account codes in our FACS system with the uniform chart of accounts. Information from FACS and the Mission Accounting and Control System (MACS) are being processed into the computer by means of the cross-walked information.

Since (1) implementation of FACS remained at 60% of final level system operation, (2) maintenance of the software was slow and expensive, and (3) many modifications were required, A.I.D. decided to contract out for a new accounting system. We selected a contractor to refine the Agency's primary financial management requirements and to develop a design for a new system, A.I.D./Washington Accounting and Control System or AWACS.

The procurement action for the systems requirements and design assessment has been accomplished. The contractor is now reviewing current operations and system design, developing requirements and making recommendations to improve the financial operations. The Strategic Information Systems Plan was completed in February, 1991 and the contractor will complete the analysis of three of seven business areas by December, 1991. AWACS should be implemented in FY 1995.

Inventory and Statistical Information

Number of financial management systems	6
Number of annual reviews	See below
Number of detailed cyclical reviews	See below

In the 1990 FMFIA report 6 financial management systems were identified; however, in response to OMB Memorandum 91-09 dated April 15, 1991, 25 supplemental accounting systems were listed. The 25 sub-systems or supplemental systems feed into the basic 6 financial management systems operated in A.I.D.

The contractor who is working on our A.I.D./Washington Accounting and Control System (AWACS) is performing continuous reviews of the 31 "systems" to facilitate the design and implementation of AWACS.

3. Overall

Tracking, Validation, and Follow-up of Corrective Actions

The data from all AICRs from 1987 through 1991, including any follow-up data is entered into the Agency's automated Management Control Tracking System. Performance is monitored by the Management Control Staff via the tracking system and results are included in the quarterly reports issued to the MCRC. Ratings of senior managers responsible for identifying and correcting material weaknesses and non-conformances are duly noted to reflect their performances in this regard.

A training program for management controls was held in March, 1991 for senior managers. We have proposed a pilot program for management controls for the Office of Financial Management (FM) for January, 1992 because of the number of material weaknesses and significant concerns within FM. After this pilot program with FM, A.I.D. intends to train other offices as appropriate.

**Agency for International Development
Enclosure C
Progress Reported on High Risk Areas**

Presented below are the corrective action plans for A.I.D.'s four high risk areas. For those high risk areas consisting of more than one material weakness, the corrective action plans are provided in Enclosure D.

1. High Risk Area: Financial Management Systems and Operation

This high risk area consists of two material weaknesses; 1) A.I.D.'s Primary Accounting System and 2) A.I.D./Washington Payments Operation. Significant progress was made in alleviating the internal control risks of the A.I.D./W Payments Operation during FY 1991. However, because of the Payment Operation's dependency on A.I.D.'s Primary Accounting System, Payments is still considered a material weakness and Financial Management Systems and Operations should still be considered a High Risk. These weaknesses are described, with the appropriate corrective action schedules, in Enclosure D.

2. High Risk Area: Audit Coverage of A.I.D. Programs and Administrative Operations

In A.I.D.'s FY 1990 Annual Certification, this high risk area consisted of three material weaknesses and it was reported that two of these (Insufficient OIG Staffing to Audit Programs and Lack of OIG Functional Audits) were resolved during FY 1990. The remaining weakness is A.I.D.'s Expanded Use of Non-Federal Auditors. This weakness is described, with the appropriate corrective action schedule, in Enclosure D.

3. High Risk Area: Management of Sensitive Information

Pursuant to the requirements of the Computer Security Act of 1987, A.I.D. identified 17 systems which contain sensitive information, three of these were identified as critical systems, requiring protection of confidentiality and integrity of data. This weakness is described, with the appropriate corrective action schedule, in Enclosure D.

4. High Risk Area: Agency Staffing Levels

A.I.D. headquarters and overseas direct-hire staffing allocations have not produced satisfactory compliance with expected standards for control of, and accountability for A.I.D. managed funds. This weakness is described, with the appropriate corrective action schedule, in Enclosure D.

**Agency for International Development
Enclosure D
Material Weaknesses/Corrective Actions**

Part 1. Summary

<u>Title</u>	<u>First Reported</u>	<u>Target for Correction in 1990 FMFIA Report</u>	<u>Current Target for Correction</u>	<u>Page</u>
1. Primary Accounting System	1988	1995	1995	10
2. AID/W Payments Operation	1988	1995	1995	12
3. Use of Non-Federal Auditors	1990	1992	1993	15
4. Agency Staffing Levels	1984	NA	NA	18
5. Management of Sensitive Information	1989	1992	1992	21
6. Local Currency Accountability	1987	1991	1992	23
7. Evaluation of Host Country Contracting	1983	1991	1992	25
8. Accountability for Food Aid Program Resources	1991	N/A	1992	27
9. Monitoring and Evaluation of Projects	1991	N/A	1993	29

Title of Material Weakness: A.I.D.'s Primary Accounting System

Functional Category in Statistical Category: Functional Management

Bureau/Appropriation/Account Number: Directorate for Finance and Administration, Office of Financial Management

Administrative Activity/Program Activity: Financial Management

Year Identified: 1988

Original Targeted Correction Date:

Targeted Correction Date in Last Year's Report: 1995

Current Target Date: 1995

Reason for Change:

Description of Weakness and its Impact:

A.I.D.'s primary accounting system, FACS, was 60 percent complete by 1989. However, the discovery of serious internal control and technical problems in FACS implementation necessitated a fundamental reassessment of that plan. This will delay full integration of A.I.D.'s financial systems until FY 1995, well beyond the Administration's goal of having all Agency systems integrated by 1992.

Source of Discovery of Material Weakness: Management review and OIG audits.

Critical Milestones in Corrective Action:

Competitively select a contractor to define Agency primary financial management requirements, determine the best approach to follow, and develop Business System Designs using an Information Engineering methodology. The Agency will then either develop the system through use of Computer Aided Systems Engineering (CASE) tool, competitively select a contractor from the GSA "Off-the-Shelf" schedule or competitively select a second contractor to program that design. In the latter two options, both the initial firm and the second firm will assist in various parts of the implementation. The proposed system is called the A.I.D./Washington Accounting and Control System (AWACS).

A. Completed actions/events

The procurement action for AWACS system requirements and design assessment has been accomplished. The Agency has adopted an Information Engineering methodology for this project and has completed the Financial Management Enterprise Strategic Information Systems Plan. Eight business areas have been identified so far and three of those have been analyzed. Final reports for these business areas will be delivered for Agency review before the end of calendar year 1991.

B. Planned actions/events (short term)

The contractor is performing a feasibility study to determine the most cost/beneficial platform architecture and development method. They will also begin the analysis of two more business areas.

C. Planned actions/events (longer term)

We will implement the business area designs making up the AWACS. Business areas will be implemented as soon as designs are complete. The first business area, Standard General Ledger, is currently scheduled for October 1, 1992. The complete system is scheduled to be operational by the end of FY 1994.

Validation to be Used:

The basic result will be that the new system meets OMB, JFMIP, and GAO requirements, processes transactions timely and with necessary internal controls, and system software can be easily modified to meet new and changing financial management operating and reporting requirements.

There has been some minimal slippage of the original schedule for the first three business area analyses due, in part to this being the Agency's first effort using the Information Engineering methodology. We expect to make that time up in following business area analyses based on our knowledge gained. No major problems have surfaced.

Title of Material Weakness: A.I.D./Washington Payments Operations

Functional Category In Statistical Category: Functional Management

Bureau/Appropriation/Account Number: Directorate for Finance and Administration, Office of Financial Management

Administrative Activity/Program Activity: Financial Management

Year Identified: 1988

Original Targeted Correction Date: 1989

Targeted Correction Date in Last Year's Report: 1993

Current Target Date: 1995

Reason for Change:

Correction is dependent on implementation of the new primary accounting system, which has been delayed until 1995.

Description of Weakness and its Impact:

During the period October 15, 1989 to February 28, 1990, the A.I.D. Inspector General's Office performed a comprehensive audit of A.I.D./Washington's Direct Payment Procedures and issued a final report on June 26, 1990, which put forth several recommendations to improve payment operations. In addition to other management actions taken to improve the payments operation function, the Agency has been actively implementing OIG audit recommendations addressed to this area.

Source of Discovery of Material Weakness: OIG audit and management review.

Critical Milestones in Corrective Action:

Issue desk top guidance manuals for Cash Management and Payment Division (CMPD) staff to establish sound voucher examination policies and procedures and to define authority and job responsibilities. Provide continued training for staff to troubleshoot any new and/or recurring payment internal control vulnerabilities. Assign additional professional staff for quality control.

A. Completed actions/events

Regular training of staff is being conducted. Staff is now trained and up-to-date on policy and procedures for duplicate payments, the Prompt Payment Act,

grantee advance tracking and interest collection, and Advices of Charge (AOCs) to overseas missions.

The A.I.D. central accounting system (FACS) will no longer allow entry of duplicate vendor voucher numbers. Staff is now researching vendor payment history to ensure that duplicate dollar amounts in a vendor history do not represent a potential duplicate payment.

FM is aggressively following-up with bureaus and project officers to ensure that vouchers are approved in a timely manner to minimize penalty interest under the Prompt Payment Act.

A.I.D. operational handbooks are now on hand to guide document control personnel.

B. Planned actions/events (short term)

Advances will be continually monitored, with no follow-up advances made until previous advances are accounted for. Grantees will be notified of advance and interest policies.

Payment staff will be continually trained with weekly reviews of special payment issues.

Regular meetings with project officers are being held to facilitate timely approval of payments.

Delegations of authority policy guidance, reflecting the recent Agency reorganization, will be formalized during FY 1992.

Document Control Branch is to develop a vendor inquiry tracking system (1992).

Division is developing job descriptions and grade structure for two accountant positions whose duties will include performing quality control reviews.

C. Planned actions/events (longer term)

Desk top operating procedures for the A.I.D./W payment operations are scheduled for completion in December 1992.

As funding and personnel constraints permit, CMPD will assign professional quality control staff to perform regular quality control reviews and to evaluate

other management issues to allow for continued improvement of the payment operations.

With the implementation of AWACS, the payment operations will be able to operate under greater internal controls, to adapt more quickly to regulatory change, and to more readily minimize potential risk. (1995)

Validation to be Used:

Penalty interest was reduced from \$172K to \$96K during FY 1991 and further reductions are expected during FY 1992. Outstanding advance balances are expected to decrease.

Payment staff is now considered adequately trained and the quality and efficiency of the work has improved dramatically over the past year. A.I.D. anticipates that this weakness may be considered resolved with the implementation of the AWACS central accounting system by the end of FY 1995.

4/2

Title of Material Weakness: Expanded Use of Non-Federal Auditors

Functional Category in Statistical Category: Functional Management

Bureau/Appropriation/Account Number: Directorate for Finance and Administration, Office of Financial Management

Administrative Activity/Program Activity: Financial Management

Year Identified: 1990

Original Targeted Correction Date: 1992

Targeted Correction Date in Last Year's Report: 1992

Current Target Date: 1993

Reason for Change: The management of nonprofit organization audits under OMB Circular No. A-123 has charged management with additional responsibilities. In response, the A.I.D. Office of Procurement will complete a tracking system for U.S. contractors and grantees during FY 1993.

Description of Weakness and its Impact:

A.I.D. funds over \$1 billion of contracts to procure technical services, training, commodities and construction from contractors to conduct its development assistance activities. Under the A.I.D. payment system, A.I.D. certifying officers review and certify that contractors' claimed costs for reimbursement, which are based on contractors' good faith assertions, are allowable and proper. To ensure that costs are allowable and proper, A.I.D. relies on periodic financial audits which are the only means that the Agency has to determine whether the costs are in fact correct.

Because of lack of funds, the OIG can cover only about one third of the billings submitted by for-profit contractors for which it has audit responsibility. A.I.D. management considers audit to be a critical element in ensuring accountability of U.S. assistance funds. While lack of audit coverage has been consistently reported as a material weakness, this year as a result of A.I.D.'s strengthened management control program, material weaknesses are now more specific and management has been assigned responsibility to ensure that non-Federal auditors are effectively used to audit A.I.D. programs.

Source of Discovery of Material Weakness: MCRC review of audit reports and internal control reviews.

Critical Milestones in Corrective Action:

A newly-created Management Control Staff (MCS), which will report directly to the Chief Financial Officer, will take the lead to ensure that both the responsible central offices and all field missions have implemented adequate monitoring systems that will provide assurance that all contracts and grants are receiving adequate audit coverage. This will include the development of policy and guidance, and the monitoring of compliance with the policy and guidance.

A. Completed actions/events

Payment Verification Policy Statement No. 6 which requires that each program design document include an evaluation of audit needs and, if appropriate, provide funds to support audit activities. (1983)

The Inspector General issued procedures to implement the non-Federal audit program. (1984) The Inspector General also issued procedures for recipient-contracted non-federal audits. (3/91)

OMB Circular A-133 audit requirements were incorporated into A.I.D. Handbook 13 for grants to non-U.S., non-governmental grantees. (4/91)

The Management Control Review Committee (MCRC) approved in substance a comprehensive Audit Management and Resolution Program (AMRP) for all field missions and central offices. (9/91)

B. Planned actions/events (short term)

Specific guidance currently in draft on implementing the AMRP will be issued to all field missions and central offices. (12/91)

Revised audit provisions for grants to host governments will be incorporated into A.I.D. Handbook 3. (1/92)

All field missions and central offices, except the Office of Procurement, will have in place an inventory of required audits of grantees and contractors for which they have the responsibility to monitor. (2/92)

C. Planned actions/events (longer term)

The A.I.D. Office of Procurement will have developed the tracking systems to ensure that all U.S. contractors and grantees receive adequate audit coverage. (3/93)

Validation to be Used:

The Evaluation component of the Management Control Staff will conduct periodic reviews of mission and central office audit management systems. Other reviews include IG and GAO reviews, controller assessments, FMFIA management control assessments, and individual mission management assessments.

Significant progress has been made over the past year to address this material weakness. Frequent and high-level discussions between A.I.D. management and IG officials have led to a better understanding of the issue and has created an atmosphere of cooperation. With the successful implementation of the AMRP and development of the appropriate tracking systems it is anticipated that this weakness will be corrected by the end of FY 1993.

Title of Material Weakness: Agency Staffing Levels

Functional Category in Statistical Category: Functional Management
Bureau/Appropriation/Account Number: Directorate for Finance and Administration, Office of Budget
Administrative Activity/Program Activity: Resource Budgeting
Year Identified: 1984

Original Targeted Correction Date:

Targeted Correction Date in Last Year's Report:

Current Target Date:

Reason for Change:

Description of Weakness and its Impact:

A.I.D. headquarters and overseas direct-hire staffing allocations have not produced satisfactory compliance with expected standards for control of, and accountability for A.I.D. managed funds.

Source of Discovery of Material Weakness: Management review and OIG audits.

Critical Milestones in Corrective Action: Review A.I.D.'s methods of operating to determine less staff-intensive means of delivering, controlling and accounting for assistance, and achieving better allocation of available resources to critical functions, including control and accountability by integration of the previously separate budget processes for A.I.D. programs and supporting resources.

A. Completed actions/events

An independent management review of Washington functions, commissioned by the Administrator, was completed. Based on the outcome of this review, major changes are currently being implemented in the structure and operating procedures of the Agency directed at reducing overlap and redundancies and streamlining operations.

The FY 1992 Budget Reviews, held in the summer of 1990, and the current budget reviews underway for FY 1993 were and are being held as integrated program/workforce/Operating Expense reviews, with the program decisions

reflecting the allocation of support resources. This approach has now been pretty well institutionalized in the Agency.

An overseas workforce allocation model based on program size and configuration was developed this year and used as the basis for setting the overall Regional workforce budget control levels for the FY 1993 budget preparation. This model, which will continue to be refined, will be tested and improved during the summer budget review process. This approach, when further refined, will provide a more rationale and equitable basis for allocating field workforce levels.

A comprehensive evaluation is underway under the auspices of A.I.D.'s newly strengthened evaluation function to assess the program and cost effectiveness of the various overseas mission organizational and staffing approaches employed by overseas missions. The outcome of this study should result in a set of models for organization and staffing of our field posts to insure greater efficiency and equity among the regions.

B. Planned actions/events (short term)

Within the coming year A.I.D. will consolidate experience and findings on the application of the overseas workforce model and the overseas presence evaluation study to produce an Agency wide plan for overseas workforce allocation and a set of cost-effective mission models. Implementation of the plan is intended to reduce vulnerability in the area of staffing. However, successful implementation will require adequate levels of Operating Expenses and staffing over the next three years. The amounts of Operating Expenses and staffing made available to A.I.D. by OMB and Congress cast doubt on successful implementation.

A.I.D. will also continue with the refinement of the Washington reorganization and the streamlining of Agency procedures and systems. While the major actions associated with the structural reorganization were completed by September 30, 1991, the procedural improvement will continue to take place as opportunities present themselves.

C. Planned actions/events (longer term)

As noted above, over the coming 2-3 years, continued improvement in the Agency processes and procedures will take place.

Once a reasonably satisfactory approach has been approved for overseas workforce allocations, attention will be shifted to improving the Washington allocation process.

Vaildation to be Used:

As mentioned above, given the severe reductions in the A.I.D. FY 1993 Operating Expense and workforce request contained in the FY 1993 OMB passback, it is doubtful that any real decrease in Agency vulnerabilities will be realized over the next two years. If anything, it is possible that accountability problems will increase.

Significant progress has been made since the Agency first began to focus attention on this area of vulnerability, with individual achievements reported above and in the 1990 FMFIA report. While we will continue to focus on this area of concern, it is clear that future Agency vulnerability will be associated with decreased Operating Expense budget allocations requiring precipitous decreases in Agency staffing levels and therefore may not be totally within the Agency's control.

Title of Material Weakness: A.I.D.'s Management of Sensitive Information

Functional Category in Statistical Category: Program Management

Bureau/Appropriation/Account Number: Finance and Administration
Directorate/Information Resources
Management (IRM)

Administrative Activity/Program Activity: ADP Security

Year Identified: 1989

Original Targeted Correction Date: 1990

Targeted Correction Date in
Last Year's Report: 1992

Current Target Date: 1992

Reason for Change:

Description of Weakness and its Impact: Fourteen automated systems have been identified as containing sensitive information. Included in this number are the three most critical sensitive systems that also require protection for confidentiality and integrity of data: Financial Accounting and Control System (FACS), New American Payroll System (NAPS), and Revised Automated Manpower System (RAMPS).

Source of Discovery of Material Weakness: Management reviews pursuant to Computer Security Act of 1987.

Critical Milestones in Corrective Action: ADP security continues to be a key objective in A.I.D.'s Strategic IRM Plan for 1991-1996 and in the Finance and Administration Directorate's Operating Plan for FY 1992. A.I.D. has acquired a multi-year business recovery service that provides for resumption of critical operations within seventy-two hours. Periodic testing will be conducted at least once a year. A separate six-month contract was awarded for an improved off-site magnetic media storage facility which will augment the business recovery service. A competitive procurement is underway to acquire a long-term tape storage facility.

A. Completed actions/events

Tested disaster recovery service for FACS, NAPS, and RAMPS (II Qtr/91).

Awarded interim six-month contract for tape backup storage facility (III Qtr/91).

Tested disaster recovery service for all fourteen critical/sensitive systems (III Qtr/91).

Awarded multi-year business recovery service contract (IV Qtr/91).

B. Planned actions/events (short term)

Initiate (IV Qtr/91) competitive procurement for a long-term backup storage facility.

Finalize policies and procedures for ADP access/password management (IV Qtr/91).

C. Planned actions/events (longer term)

Conduct periodic testing of business recovery service at least once a year.

Continue efforts to establish a disaster recovery program for all centralized computer facilities.

Validation to be Used: Success indicators are timely procurement of a long-term tape backup storage facility and periodic testing of the business recovery service.

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Title of Material Weakness: Local Currency Accountablilty

Functional Category in Statistical Category: Program Management

Bureau/Appropriation/Account Number: Directorate for Finance and Administration, Office of Financial Management

Administrative Activity/Program Activity: Financial Management

Year Identified: 1987

Original Targeted Correction Date: 1990

Targeted Correction Date in Last Year's Report: 1990

Current Target Date: 1992

Reason for Change: Comprehensive guidance not yet completed.

Description of Weakness and its Impact: Local currencies are generated primarily through financial or commodity assistance provided under P.L. 480, the Economic Support Fund, and the Development Fund for Africa. Congress defines the allowable uses for local currencies generated under these programs. A.I.D. and the host country officials jointly program and agree on how these currencies are used. The degree and reach of appropriate and sufficient A.I.D. oversight is a problem area with both political and administrative concerns.

Source of Discovery of Material Weakness: GAO and OIG audits; and internal control assessments.

Critical Milestones In Corrective Action:

Develop a policy statement which better defines local currency programming options including the question of local currency generation and the circumstances under which certain options should be used. Also, develop comprehensive guidance which establishes minimum accountability requirements for each type of programming.

A. Completed actions/events

Policy statement and accountability guidelines have been issued. (6/91)

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B. Planned actions/events (short term)

Over the next year, A.I.D. plans to monitor the compliance with the policy and guidance by the overseas missions, and to closely monitor the effectiveness of the policy itself. (1992)

C. Planned actions/events (longer term)

None, except for continued monitoring to ensure that accountability concerns are being addressed.

Validation to be Used:

Improved monitoring and accountability of special account activities. Specifically, the timely deposits of local currency into special accounts and timely programming of local currency funds. A.I.D. plans to utilize its management control assessment process to monitor compliance with the new policy and guidance, and will be also relying on both the IG and GAO audits of local currency programs.

Significant progress has been made over the past year to address this material weakness. A.I.D. anticipates that this weakness may be considered resolved by the end of FY 1992.

Title of Material Weakness: Evaluation of Host Country Contracting Agencies

Functional Category in Statistical Category: Program Management

Bureau/Appropriation/Account Number: Directorate for Finance and Administration, Procurement Policy, Planning & Evaluation

Administrative Activity/Program Activity: Program function

Year Identified: 1983

Original Targeted Correction Date: 1989

Targeted Correction Date in Last Year's Report: 1990

Current Target Date: 1992

Reason for Change: Final guidance was issued in 1991; the overseas missions report that mission orders and other measures have been implemented. This weakness will be resolved once the corrective actions are analyzed during FY 1992.

Description of Weakness and its Impact: Missions with Host Government Contracts have not adequately evaluated the contracting and contract management capabilities of the host country agencies responsible for A.I.D.-funded contracts.

An Agency policy was established in 1984 requiring each mission to review host country contracting capabilities. In 1990, the Agency directed that the Mission Contracting Staff responsible for A.I.D. direct contracts be included in the review process and at other points in the Host Country Control Process to further tighten the system. In FY final Agency guidance was issued and implemented at the field level.

Source of Discovery of Material Weakness: MCRC review of audit reports and internal control reviews.

Critical Milestones in Corrective Action: A.I.D.'s Procurement Policy Advisory Panel has issued procedural guidance to our field missions requiring; 1) evaluations of contracting agencies; 2) approval of interim steps in the host country contracting process; and 3) mission observation of the host country's proposed evaluation process.



A. Completed actions/events

Final guidance regarding host country contracting agency evaluation was issued in November 1990.

Missions have issued directives, based on Agency guidance, to implement new requirements for use of host country contracts.

Missions were required to complete a General Assessment which mandated that missions evaluate the host country accountability environment.

B. Planned actions/events (short term)

Test results of new guidance; re-evaluate vulnerability before removing from Agency material weakness listing.

Validation to be Used: Mission reports new host country contracting evaluation policies are part of mission standard operating procedures and are being consistently followed.

Title of Material Weakness: Accountability for Food Aid Program Resources

Functional Category In Statistical Category: Program Management
Bureau/Appropriation/Account Number: Food and Humanitarian Assistance
Administrative Activity/Program Activity: Oversight Responsibility
Year Identified: 1991

Original Targeted Correction Date:

Targeted Correction Date in Last Year's Report:

Current Target Date: 1992

Reason for Change:

Description of Weakness and its Impact: A.I.D. has not established written guidance on food aid responsibility for A.I.D. missions.

Source of Discovery of Material Weakness: Internal Control Assessments and OIG audits.

Critical Milestones in Corrective Action: A.I.D. will obtain A/AID approval for instituting a Food Aid Management Plan and issue new delegations of authority. The plan will be a permanent record of the mission decisions regarding assignment of food aid responsibility. Issuance of new legislation required the original plan to be revised. In addition, FHA will assist the Operations Directorate (OPS) to prepare guidelines which will clearly assign food aid management responsibility between the missions, geographic bureaus, and FHA.

A. Completed actions/events

Issuance of new Executive Order (I Qtr/91)

B. Planned actions/events (short term)

Issue new Delegations of Authority (IV Qtr/91)

Issue OPS food aid responsibility guidelines (IV Qtr/91)

Issue FHA's Food Aid Management Plan (I Qtr/92)

Field test Food Aid Management Plan implementation (I Qtr/92)

C. Planned actions/events (longer term)

The weakness is expected to be corrected by April, 1992.

Validation to be Used: The result will be the institution of a Food Aid Management Plan and guidelines which will clearly establish food aid management responsibility.

Title of Material Weakness: A.I.D.'s Monitoring and Evaluation of Projects

Functional Category in Statistical Category: Program Management
Bureau/Appropriation/Account Number: Directorate of Policy/CDIE
Administrative Activity/Program Activity: Project Monitoring/Evaluation
Year Identified: 1991

Original Targeted Correction Date:

Targeted Correction Date in Last Year's Report:

Current Target Date: 1993

Reason for Change:

Description of Weakness and its Impact: A.I.D. has not established procedures to ensure that project objectives, in addition to project inputs and outputs, are quantifiable and/or that project status reports included a section that measures progress in meeting the quantifiable objectives.

Source of Discovery of Material Weakness: Internal Control Assessments and OIG audits.

Critical Milestones in Corrective Action: A.I.D. will establish a working group on Performance Measurement, in collaboration with the Center for Development Information and Evaluation, to provide guidance on standardizing and quantifying indicators which can be used as reliable measures of implementation progress. The Policy Directorate will also form a working group to develop new Handbook guidance on the proposed new project design and approval system which will provide instructions on the development and utilization indicators.

A. Completed actions/events

The Performance Measurement working group was established by the Administrator and has been working on the resolution of the procedural weakness for several months. Much of the data collection process has been completed and feasibility tests are already in progress.

B. Planned actions/events (short term)

The Administrator's working group on Performance Measurement will complete its testing and make recommendations with respect to objectively verifiable indicators, quantification of those indicators to the extent possible, and related indicators of progress to individual officers' performance. (III Qtr/92)

The Policy Directorate will have decided on an approach to revising existing Handbook guidance. (III Qtr/92)

C. Planned actions/events (longer term)

CDIE will promulgate guidance on objectively verifiable indicators (including quantification to the extent deemed feasible) from the results of the Administrator's working group on Performance Management. (II Qtr/93)

New Handbook guidance will be promulgated including specific instructions relative to stating project requirements clearly and tracking of those requirements. (III Qtr/93)

Validation to be Used: The results will be revised Handbook guidance on program/project development, monitoring and approval. Objective and reliable field mission assessments will be performed to indicate that the new guidance, with respect to this identified weakness, is being effectively implemented.

COUNTRY ABBREVIATIONS

Afghanistan	AFG	Jamaica	JAM	South Africa	SAF
Bangladesh	BAN	Jordan	JOR	Sri Lanka	SRI
Belize	BEL	Kenya	KEN	Sudan	SUD
Bolivia	BLV	Khmer Affairs	KHM	Swaziland	SWZ
Botswana.....	BOT	Lesotho.....	LSO	Tanzania.....	TAN
Brazil	BRA	Liberia	LIB	Thailand	THA
Burkina Faso	BFS	Madagascar	MDG	Togo	TOG
Burundi	BND	Malawi	MLW	Tunisia	TUN
Cambodia	CBD	Mali	MAL	Uganda	UGN
Cameroon.....	CMR	Mauritania.....	MRT	Uruguay.....	URG
Cape Verde	VRD	Mexico	MEX	W. Bank/Gaza	GAZ
Chad	CHA	Morocco	MRC	Yemen	YEM
Chile	CHL	Mozambique	MOZ	Zaire	ZAI
Colombia	COL	Namibia	NMB	Zambia	ZAM
Costa Rica.....	CRI	Nepal.....	NPL	Zimbabwe.....	ZIM
Dominican Rep.	DOR	Nicaragua	NCR		
Ecuador	ECU	Niger	NIR		
Egypt	EGY	Nigeria	NGA		
El Salvador	ELS	Oman	OMN		
Ethiopia.....	ETH	Pakistan.....	PAK		
Europe (buro.)	EUR	Panama	PNM		
(Reg. Misn.)	RME	Paraguay	PRG		
Gambia	GAM	Peru	PER		
Ghana	GHA	Philippines	PHL		
Guatemala.....	GUA	RDO/CAR.....	CAR		
Guinea	GNE	REDSO/ESA	ESA		
Guinea-Bissau	GBS	REDSO/WCA	WCA		
Haiti	HAI	ROCAP	ROC		
Honduras	HON	Rwanda	RWA		
India.....	IND	S. Pacific(Fiji)....	PCF		
Indonesia	NDO	Senegal	SNG		
Ivory Coast	IVO	Somalia	SOM		

ALLI

Number of Material Weaknesses in Problem Areas of F & A Directorate (part 1)

Subject	AMS	AS	B	FM	HRDM	IRM
1. Program/Project Mgt. - monitoring & evaluatn		Transp Mt: Storage	✓			
- guidance & procedures		✓		✓ (Hous + P)		✓
- HC contrbtns & LC acctblty				✓ PSIP		
2. Personnel Mgt. - workforce configuration					h/	
- recruitment						
- assignments						
- training						
- performance evaluation					K/S	
3. Procuremt/Contract Mgt. - AID procuremt practice						
- monitor contractr performnc						
- audit coverage						
- AID assess. HC abil, perform.						
4. Financial Mgt. - unliquidated obligatn review			✓	✓		
- integrated financial systems						
- primary accounting system				✓		
- AIDW payments				✓		
5. Information Resources Mgt. - mgt. of sensitive info.						✓ H.L.

NON

Notes:

- a/ See FA/B draft Hi Risk wa sent to KS in 10/20.
- b/ District - wide scope com did for matel weaknss. See GAO & SWAT & PresCom rpts. Subj: Tracking system.
- c/ Luta Significant Concerns & Hi Risk Area
- d/ Promi pay m/ control for qual. i/ legal dupliat FS in file.
- e/ Inadequat mgt of MDA.
- f/ NXP defectiv acctg system.
- g/ NXP inventory control
- h/ Understort facp. =
- i/ RAMPs review.
- j/ New work requirem agrmta (SWAT) + perform pay ad.
- k/ Synchronizat.
- l/ set up simple card

Number of Material Weaknesses in Problem Areas of F & A Directorate (part 2)

Subject	MCS	OMS	EPD	OFDA	POL
1. Program/Project Mgt. - monitoring & evaluatn		1/			✓
- guidance & procedures		1/			
- HC contrbtns & LC acctblty					
2. Personnel Mgt. - workforce configuration					
- recruitment					
- assignments					
- training					
- performance evaluation					
3. Procuremt/Contract Mgt. - AID procuremt practice					
- monitor contractr performnc					
- audit coverage					
- AID assess. HC abil, perform.					
4. Financial Mgt. - unliquidated obligatn review					
- integrated financial systems					
- primary accounting system					
- AID/W payments					
5. Information Resources Mgt. - mgt. of sensitive info.					
6. Sundry - participant training					a/b/

Notes:

1/ NXP mgt, control, etc. proceds.

2/ NXP investngs

a/ Role's obj in OFDA

b/ Uncoordinated & diffuse policy-making

021mcr:10-

Number of Material Weaknesses in Problem Areas of AID/W Organizations

Subject	FHA	PRE	R&D	IG	EOP	OSDBU
1. Program/Project Mgt. - monitoring & evaluatn						
- guidance & procedures						
- HC contrbtns & LC acctblty						
2. Personnel Mgt. - workforce configuration						
- recruitment						
- assignments						
- training						
- performance evaluation						
3. Procuremt/Contract Mgt. - AID procuremt practice						
- monitor contractr performnc						
- audit coverage						
- AID assess. HC abil, perform.						
4. Financial Mgt. - unliquidated obligatn review						
- integrated financial systems						
- primary accounting system						
- AID/W payments						
5. Information Resources Mgt. - mgt. of sensitive info.						
6. Sundry - participant training						

HIGaacty
PSIP "

b1 a1

Notes:

a] Absolute database
info on procurement
for private sector access
b] loc. secur; for files

021mca1w

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Number of Material Weaknesses in Problem Area at Regional Buro Level

Subject	AFR	ASIA	EUR	LAC	NE	NIS
1. Program/Project Mgt. - monitoring & evaluatn						
- guidance & procedures						✓
- HC contrbtns & LC acctblty				✓		
2. Personnel Mgt. - workforce configuration						✓d/
- recruitment						
- assignments						
- training						
- performance evaluation						
3. Procurement/Contract Mgt. - AID procurement practice						
- monitor contractr performnc						
- audit coverage						
- AID assess. HC abil, perform.						
4. Financial Mgt. - unliquidated obligatn review						
- integrated financial systems						
- primary accounting system						
- AID/W payments						
5. Information Resources Mgt. - mgt. of sensitive info.						
6. Sundry - participant training					a/b/ e/	e/

None for ASIA/DK (see significant weaknesses)

See Region Sheets

Notes:

- a/ Insufficient support resources
- b/ Program agenda is not explicit
- c/ funds allocated to AID do not match
- d/ Insufficient staff size
- e/ Overlap authority w/ outside agency

92/Indon 100

Number of Material Weaknesses in Problem Area at Regional Buro Level

AFC/IT

Subject	AFR	ASIA	EUR	LAC	NE	NIS
1. Program/Project Mgt. - monitoring & evaluatn	BNC, RWA					
- guidance & procedures	CND, DND	KEN				
- HC contrbtns & LC acctblty	BND, BFS					
2. Personnel Mgt. - workforce configuration		KEN				
- recruitment		MOX, RSA, EMI				
- assignments						
- training						
- performance evaluation						
3. Procuremt/Contract Mgt. - AID procuremt practice		BFS				
- monitor contractr performnc						
- audit coverage						
- AID assess. HC abil, perform.						
4. Financial Mgt. - unliquidated obligatn review						
- integrated financial systems						
- primary accounting system		BIL, DND, RWA				
- AID/W payments						
5. Information Resources Mgt. - mgt. of sensitive info.						
6. Sundry - participant training						

Notes:

... .. CND, DND, KEN, ZIM, KEN,
 BIL, DND, RWA, MOX, GHA,

92/m/ctn te

Small

64

Number of Material Weaknesses in Problem Area at Regional Buro Level

ASIA

Subject	AFR	ASIA	EUR	LAC	NE	NIS
1. Program/Project Mgt. - monitoring & evaluatn		PEP REG P&K				
- guidance & procedures		DBM AFC.				
- HC contribtns & LC acctblty		U.K.I				
2. Personnel Mgt. - workforce configuration						
- recruitment						
- assignments						
- training						
- performance evaluation						
3. Procuremt/Contract Mgt. - AID procuremt practice		NPL				
- monitor contractr performnc						
- audit coverage		NDU W.D.				
- AID assess. HC abil, perform.		NDU				
4. Financial Mgt. - unliquidated obligatn review						
- integrated financial systems						
- primary accounting system						
- AID/W payments						
5. Information Resources Mgt. - mgt. of sensitive info.						
6. Sundry - participant training						

Notes:

7.]

921/mc/ta

Large 

Small

65

LAC

Number of Material Weaknesses in Problem Areas of Missions

Subject	Large	Medium	Small
1. Program/Project Mgt. - monitoring & evaluatn	EIS ^{a/}		
- guidance & procedures	GUA		HAI
- HC contrbtns & LC acctblty			
2. Personnel Mgt. - workforce configuration	NCR (uncl. staf)		
- recruitment			
- assignments			
- training	NCR		
- performance evaluation			
3. Procuremt/Contract Mgt. - AID procuremt practice			
- monitor contractr performnc		DOR	
- audit coverage	NCR		HAI II
- AID assess. HC abil, perform.			
4. Financial Mgt. - unliquidated obligatn review	NCR ROCAP		
- integrated financial systems			
- primary accounting system			
- AID/W payments			
5. Information Resources Mgt. - mgt. of sensitive info.			
6. Sundry - participant training	NCR		

Notes:

VHAI - mission funded USPVO's

~~NCR~~

DOR - Contract Monitoring & Reporting

GUA - ~~Fin Reports from non-profits~~

EIS - monitoring of commodity mgt. systems

ROCAP - status of funding of Non-profits

GUA - Compliance with HB3 & Cable 91

a/ NCR short using

b/

Number of Material Weaknesses in Problem Areas of Missions

NE (Red) (black)
NIS (Blue)

Subject	Large	Medium	Small
1. Program/Project Mgt. - monitoring & evaluatn	Egypt (Proj. Dev. monitoring " (Site visits)		Gaza (Spraymatak responsibilities), JV. monitoring
- guidance & procedures		NIS (ry in place)	Tunisia, Yemen.
- HC contrbtns & LC acctblty			Tunisia, Yemen
2. Personnel Mgt. - workforce configuration		NIS (inadeq staff)	Yemen (USA) Cebu (staff size) Gaza
- recruitment			
- assignments		Jordan - J.O. responsibilities 2/2004-92-03	Tunisia, Yemen, Oman? Cebu (FV's); Gaza
- training			
- performance evaluation			
3. Procurement/Contract Mgt. - AID procuremt practice			
- monitor contractr performnc			Tunisia - A/C K process Yemen
- audit coverage	Egypt - D. mi Controls, HC cost audits, CPA J. rae		Tunisia
- AID assess. HC abil, perform	Egypt (HC - sub. R) " Covered by funding		Tunisia
4. Financial Mgt. - unliquidated obligatn review	Absences / 1 - added		Tunisia
- integrated financial systems			Yemen (security)
- primary accounting system			
- AID/W payments			
HC "	Egypt - exam procedures		
5. Information Resources Mgt. - mgt. of sensitive info.			Yemen # 1G # 3-279-92-10
6. Sundry - participant training		a/	Yemen

Notes:

b/ 92/men to
3. Tunisia - Personnel

0-1, T

Yemen

Project Implementation
a/ Outside agencies operatg, n/acntbl to AID
b/ Leb: Security problems prevent adg

Cebu

K = contract/contractor