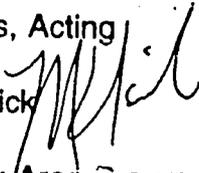


Agency for International Development
Washington, D.C. 20523

- PD-HBJ-436 is 90532

ACTION MEMORANDUM FOR THE DEPUTY ADMINISTRATOR

THRU: AA/FA, John F. Owens, Acting
FROM: FWC, Michael G. Usnick 
SUBJECT: 1991 Annual High Risk Area Progress Report to OMB

Problem: Your signature is required on the attached letter to the Office of Management and Budget (OMB).

Discussion: Attached is the Agency's annual progress report to OMB on the status of actions taken, and plans, to correct our four high risk areas as follows:

- Financial Management Systems and Operations
- Management of Sensitive Information
- Allocation of Staffing Resources for Administrative Management
- Expanded Use of Non-Federal Auditors

These high risk areas were identified and reported to OMB in the A.I.D. 1990 Federal Managers Financial Integrity Act (FMFIA) Report.

Recommendation: That you sign the attached letter.

Approved: _____

Disapproved: _____

Date: _____

FM/FPS:KSMITHWICK:7/22/91:663-2237:HRISK

PD-ABD-1136
Jan 90512

Mr. Frank Hodsoll
Executive Associate Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Hodsoll:

Enclosed is the **1991 High Risk Progress Report for the Agency for International Development**. It provides the status of actions taken, as of June 30, 1991, to correct the four high risk areas identified in our 1990 Federal Managers Financial Integrity Act (FMFIA) Report: Financial Management Systems and Operations, Audit Coverage of A.I.D. Programs and Administrative Operations, Management of Sensitive Information, and Allocation of Staffing Levels for Administrative Management.

The Agency for International Development is working hard to remedy these internal control weaknesses, as reflected in this report. If you or your staff have any questions relating to this report, please contact Michael Usnick, the Agency Controller, at 663-2468.

Sincerely,

Mark L. Edelman
Deputy Administrator

Enclosure: a/s

RISK AREA: FINANCIAL MANAGEMENT SYSTEMS AND OPERATION
A.I.D.'s Primary Accounting System

PRINCIPAL STAFF CONTACT

Name:	Gary A. Eldet
Title:	Assistant Controller for Systems Development
Bureau/Office:	Financial Management
Telephone Number:	(202) 663-2208

HIGH RISK AREA

A.I.D.'s automated primary accounting system was 60 percent complete by 1989. However, the discovery of serious technical problems in the maintenance of the software and in the implementation of the remainder of the system necessitated a fundamental reassessment of the Administrator's goal of have all Agency systems integrated by 1992.

STRATEGY

The Agency is replacing its primary accounting system and selected other financial management systems with the A.I.D. Washington Accounting and Control System (AWACS).

CRITICAL MILESTONES AND DATES

A. Completed Actions/Events

1. The development of a statement of work and procurement action for AWACS system requirements and design assessment were accomplished.
2. The development of the financial management Strategic Information Systems Plan was completed. This plan is a synthesis of goals, objectives, critical success factors, problems, regulatory and legislative requirements and technology considerations.

B. Planned Actions/Events (short term)

1. Work is currently being performed on three business area analyses. This effort will help define the funds control, general ledger and fund usage processes and data. These should be completed by October, 1991.
2. Within the next 12 months we expect to begin and complete the analysis of three other business areas: accounts payable (3/92); accounts receivable (3/92); and cost accumulation (8/92). We also expect to begin and complete business systems design efforts for funds control, general ledger, and fund usage (6/92). Finally, we will determine the best approach to follow (off-the-shelf, serviced by another agency, etc.) and competitively select a second contractor to perform the programming necessary to implement that decision (5/92).
3. We will begin the business system design effort for accounts payable and accounts receivable (5/92).

RISK AREA: FINANCIAL MANAGEMENT SYSTEMS AND OPERATION
A.I.D.'s Primary Accounting System (Cont.)

C. Planned Actions/Events (longer term)

1. Complete business systems design effort for the six business areas identified (4/93).
2. Implement the first three business areas of funds control, general ledger and fund usage (12/94).
3. Implement accounts payable and accounts receivable business areas (7/94).
4. Implement cost accumulation business area (11/94).

RESULTS INDICATORS

The basic result will be the determination that the new system meets OMB, JFMIP, Treasury, 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.

ASSESSMENT OF PROGRESS

The initial contractor was selected and completed the financial management Strategic Information System Plan which was reviewed and accepted by the Agency. Analysis is nearing completion on the first three business areas, funds control, general ledger and funds usage.

The Agency is using the Information Engineering Methodology approach for design and implementation of this effort which includes a more structured acceptance or 'buy-in' process by the ultimate users of AWACS. In accordance with this methodology, the initial oral walk throughs were held with financial management operational personnel and Agency program personnel to determine that all requirements have been captured. This first effort proved quite successful in identifying missing items and gaining users' involvement.

**RISK AREA: FINANCIAL MANAGEMENT SYSTEMS AND OPERATION
A.I.D./W Payments Operation**

PRINCIPAL STAFF CONTACT

Name:	David D. Ostermeyer
Title:	Chief, FA/FM/CMP
Bureau/Office:	Financial Management
Telephone Number:	(202) 663-2104

HIGH RISK AREA

In the late 1980's, the Agency for International Development recognized significant risk and vulnerabilities associated with the headquarters payment operations. Delays in payments, interest penalties, duplicate payments and lack of internal controls caused significant problems in the Agency.

STRATEGY

Since the recognition of this significant risk, the Office of Financial Management has increased the volume of the staff and improved the overall quality. These improvements have been the direct result of training and the contracting of payment services.

In addition, there have been significant improvements in internal controls as a result of the implementation of the primary accounting system which requires pre-established obligations and delineates payment responsibilities. Additional improvements continue to be made to the overall payment process through modification of divisional policies and introduction of desk-top procedures.

CRITICAL MILESTONES AND DATES

A. Completed Actions/Events

1. FACS payments modules fully implemented (8/88).
2. Contracting payments services (8/88).
3. Document Control strengthening (4/90).
4. Document Control procedures (6/90).
5. Voucher Examiner training (11/90,6/91).

B. Planned Actions/Events (short term)

1. Require receipt of Invoices by Document Control (8/91).
2. Introduce various desk-top procedures (91,92).
3. Implement electronic certification (12/91).

RISK AREA: FINANCIAL MANAGEMENT SYSTEMS AND OPERATION
A.I.D./W Payments Operation (Cont.)

4. Project Officer training (1991,1992).
5. Improve files and complete close-out action (12/91).

C. Planned Actions/Events (longer term)

1. Final implementation of desk-top procedures (12/92).
2. Implement new primary accounting system (AWACS) (1994).
3. Purchase and install imaging systems (1994).

RESULTS INDICATORS

Prompt payment penalties decreased by \$61,000 (40%), travel advances have been reduced by \$1.8 million (40%), and project advances have been reduced by \$100 million (40%). Employee travel vouchers are paid within two weeks rather than 3+ months which was the norm in 1988. The Office of Financial Management is in receipt of increasing number of complimentary letters lauding outstanding performance of payment operations. A.I.D. has succeeded in a full conversion from the Treasury Financial Communications System to our own letter of credit financing which provides greater flexibility in financing non-profit organizations to carry-out development programs worldwide.

ASSESSMENT OF PROGRESS

Progress has been substantial, however there is continued need for improvement which will result from current efforts to reduce advance portfolios, when possible convert periodic advance financing to letter of credit financing, implement desk-top procedures and reduce interest penalty payments.

**RISK AREA: AUDIT COVERAGE OF A.I.D. PROGRAMS
AND ADMINISTRATIVE OPERATIONS**
Expanded Use of Non-Federal Auditors

PRINCIPAL STAFF CONTACT

Name:	Michael G. Usnick
Title:	Controller
Bureau/Office:	Financial Management
Telephone Number:	(202) 663-2468

HIGH RISK AREA

The Agency does not have adequate monitoring systems to ensure that its contractors and grantees are being audited.

STRATEGY

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.

CRITICAL MILESTONES AND DATES

A. Completed Actions/Events

1. Payment Verification Policy Statement No. 6 was issued which requires each program design document to include an evaluation of audit needs and if appropriate provide program funds to support audit activities (1983).
2. The Inspector General issued procedures to implement the non-federal audit program (1984).
3. OMB Circular A-133 audit requirements were incorporated into A.I.D. Handbook 13 for grants to non-US, non-governmental grantees (1991).
4. A.I.D. management is conducting an on-going review of its responsibilities in regard to audit. Current policy and procedures have been reviewed, and overseas missions have been surveyed on problems encountered in providing adequate audit coverage. Over the past several months high-level discussions between management and IG officials have taken place, and a proposal for audit management systems at overseas missions was discussed at a June 1991 Management Control Review Committee (MCRC) meeting (1991).

B. Planned Actions/Events (short term)

1. A comprehensive, detailed proposal to correct this weakness will be submitted to the MCRC for their approval. Included in this proposal will be a delineation of mission and A.I.D./W central office responsibilities in monitoring audit coverage of grants and contracts (9/91).

**RISK AREA: AUDIT COVERAGE OF A.I.D. PROGRAMS
AND ADMINISTRATIVE OPERATIONS**
Expanded Use of Non-Federal Auditors (Cont.)

2. Comprehensive guidance will be developed and sent to the field missions on implementing an adequate audit management system including planning, implementation, and follow-up. This guidance will clearly define the missions' responsibility to monitor audit compliance for certain contracts and grants while at the same time defining A.I.D./W responsibilities. The mission audit management system should include an inventory of all contracts and grants in their portfolio (12/91).

C. **Planned Actions/Events (longer term)**

In coordination with the Inspector General, develop guidance that will expand A.I.D. management knowledge of the audit process, stressing the significance of audit as an integral part of the individual component's management control system (1992/1993).

RESULTS INDICATORS

The Evaluation component of the Management Control Staff will conduct periodic reviews of mission and A.I.D./W audit management systems. Other reviews include IG and General Accounting Office reviews of audit management systems, Controller Assessments, FMFIA management control assessments, and Individual Mission Management Assessments.

ASSESSMENT OF PROGRESS

Significant progress has been made over the past six months to address this high risk area. Frequent and high-level discussions between A.I.D. management and IG officials has led to a better understanding of the issue and has created an atmosphere of cooperation.

RISK AREA: MANAGEMENT OF SENSITIVE INFORMATION

PRINCIPAL STAFF CONTACT

Name: Wayne H. VanVechten
Title: Chief, Planning Management and Acquisition Division
Bureau/Office: Office of Information Resources Management
Telephone Number: (703) 875-1731

HIGH RISK AREA

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).

STRATEGY

ADP Security continues to be a key objective in A.I.D.'s Strategic IRM Plan for 1991-1996 and in the Bureau for Management Services Operating Plan for FY 1991.

A.I.D. has a business recovery service that allows critical operations to be resumed within seventy-two hours. This service has been successfully tested and will continue to operate until a new service has been procured, completely tested, and deemed operational.

A.I.D. is currently in the process of procuring a long-term disaster service which will provide protection for all critical and sensitive automated systems. In addition, a separate contract has been awarded which will establish an improved off-site magnetic media storage facility and augment the disaster recovery service by facilitating the handling of backup tapes.

CRITICAL MILESTONES AND DATES

A. Completed Actions/Events

1. Tested interim disaster recovery service for FAS, NAPS, and RAMPS (2/91,7/91).
2. Awarded contract for tape backup storage facility (6/91).
3. Issued RFP for procuring disaster recovery services (6/91).

B. Planned Actions/Events (short term)

1. Evaluate competitive bids for disaster recovery services and award contract (9/91).
2. Finalize policies and procedures for ADP access/password management (8/91).
3. Test newly awarded contract for disaster recovery services on a continual basis (9/91).

RISK AREA: MANAGEMENT OF SENSITIVE INFORMATION (Cont.)

C. Planned Actions/Events (longer term)

1. Continue efforts to establish a disaster recovery program for all centralized computer facilities by 1992.

RESULTS INDICATORS

Success indicators are the timely issuance of the RFP for disaster recovery services; testing of three critical application systems under the interim disaster recovery service; and procurement of an off-site magnetic media storage facility.

ASSESSMENT OF PROGRESS

Procurement of the long-term disaster recovery service remains on target. The deadline for receiving all competitive bids is July 24 followed by a two-week period for evaluating all responses. The contract for providing disaster recovery services is expected to be awarded by September 1, 1991.

The finalization of ADP security policy for improved computer access control and password management system will conclude within a month. This activity has fallen behind due to the fact that the established policy must support the main platforms that exist in our ADP environment. The proposed policy has been carefully reviewed at all levels for clarity to technical specifications as well as for ease of understanding by staff employees.

RISK AREA: ALLOCATION OF STAFF LEVELS FOR ADMINISTRATIVE MANAGEMENT

PRINCIPAL STAFF CONTACT

Name:	Richard C. Nygard
Title:	Director, Office of Budget
Bureau/Office:	Finance and Administration Directorate
Telephone Number:	(202) 647-0899

HIGH RISK AREA

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.

STRATEGY

Review A.I.D.'s methods of operating to determine less staff-intensive means of delivering, controlling and accounting for assistance, and achieve better allocation of available resources. This includes improved control and accountability by integration of the previously separate budget process for A.I.D. programs and supporting resources.

CRITICAL MILESTONES AND DATES

A. Completed Actions/Events

1. An independent management review of Washington functions, commissioned by the Administrator, was completed. Based on the results 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.
2. 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 program decisions reflecting the allocation of support resources. This approach is now instituted in the Agency.
3. 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 rational and equitable basis for allocating field workforce levels.
4. 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 missions' organizational and staffing approaches. The outcome of this study should result in a set of models for organization and staffing of our field posts to ensure efficiency and accountability.

RISK AREA: ALLOCATION OF STAFF LEVELS FOR ADMINISTRATIVE MANAGEMENT (Cont.)

B. Planned Actions/Events (short term)

1. 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 will result in staffing allocations that substantially reduce vulnerability in this area.

2. 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 will be complete by the end of September 1991, the procedural improvements will continue to take place as opportunities present themselves.

C. Planned Actions/Events (longer term)

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

RESULTS INDICATORS

Agency vulnerabilities will continue to decrease and fewer significant management and accountability problems will be identified.

ASSESSMENT OF PROGRESS

Significant progress has been made since the Agency first began to focus attention on this area of vulnerability.