

**Regional Inspector General for Audit
Singapore**

**REVIEW OF
USAID/INDIA'S IMPLEMENTATION
OF THE AUDIT MANAGEMENT AND
RESOLUTION PROGRAM**

**Audit Report No. 5-386-94-014
August 12, 1994**



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR AUDIT
— Singapore —

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August 12, 1994

MEMORANDUM FOR: Walter G. Bollinger,
Mission Director, USAID/India

FROM: Richard C. Thabet, RIG/A/Singapore

Richard C. Thabet

SUBJECT: Review of USAID/India's Implementation of the
Audit Management and Resolution Program
Audit Report No. 5-386-94-014

Background

In the last few years, USAID management has taken a more active and assertive role in using audits as a means to improve and ensure financial accountability for its programs. USAID amended its standard provisions for grant agreements to include new recipient audit requirements and established the Audit Management and Resolution Program (AMRP) to oversee the Agency's financial audit program. This management effort is important to USAID because accountability is dependent upon audit verification of the proper use of funds provided to grantees and contractors within developing countries. When audits required by this Program are not performed, accountability is not reasonably assured.

The audit provisions required annual audits of recipients of USAID grant funds of \$25,000 or more. These provisions went into effect on May 17, 1991, for non-U.S., non-governmental grantees (USAID Handbook 13), and May 1, 1992, for grant agreements with foreign governments (USAID Handbook 3). On May 6, 1994 and subsequent to our field work for this review, the threshold for Recipient-Contracted Audits was raised from \$25,000 to \$100,000. The USAID General Notice on AMRP, dated April 3, 1992, established a framework for USAID's audit management responsibilities. The guidance assigned specific responsibilities to overseas missions in responding to the audit requirements and in the implementation of the foreign Recipient-Contracted Audit program.

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Information Objective

The Regional Inspector General for Audit/Singapore reviewed USAID/India's implementation of the Audit Management and Resolution Program to answer the following question:

Has USAID/India obtained the needed audit coverage of its grantees and contractors to verify that USAID funds were used for their intended purposes as required by USAID Handbooks and the Audit Management and Resolution Program?

Appendix I contains a complete discussion of the scope and methodology for this review.

Review Findings

Has USAID/India obtained the needed audit coverage of its grantees and contractors to verify that USAID funds were used for their intended purposes as required by USAID Handbooks and the Audit Management and Resolution Program?

USAID/India obtained the needed audit coverage of its grantees and contractors to verify that USAID funds were used for their intended purposes as required by USAID Handbooks and the Audit Management and Resolution Program.

USAID/India established a Management Control Review Committee, designated an Audit Management Official, created an audit inventory data base, established Mission specific guidance on the AMRP program, provided for funding in project agreements for audits, and adequately documented their efforts under the AMRP program in compliance with the guidance.

Our review concluded the following: (1) the Mission's audit inventory data base was organized and functioning in an acceptable manner; (2) agreements contained the appropriate audit clauses; (3) and the recipient's compliance with the requirements of the standard audit provisions was being tracked by the Mission in order to ensure that audits were scheduled, performed, and submitted as required.

Finally, as no Recipient-Contracted Audits were due, we were unable to comment on the tracking and resolution of Recipient-Contracted Audits submitted to the Mission.

USAID/India officials reviewed our draft report and concurred with our findings. The Mission's request for clarification of Appendix I of the report was addressed in a separate memorandum. The Mission's comments are included in their entirety in Appendix II.

SCOPE AND METHODOLOGY

Scope

The Office of the Regional Inspector General for Audit, Singapore reviewed the implementation of USAID/India's Audit Management and Resolution Program. The review covered the period from the issuance of the USAID General Notice on AMRP on April 3, 1992 through the completion of fieldwork on January 20, 1994. The review fieldwork took place from January 18, 1994 through January 20, 1994, at the USAID/India offices in New Delhi.

The review assessed the overall effectiveness of the program by examining all FY93 grants, contracts, and cooperative agreements awarded to non-U.S. organizations by USAID/India. This covered 5 agreements with non-U.S. organizations totaling \$20.4 million out of a review universe as of December 31, 1993 of 33 active agreements totaling \$637.5 million.

Methodology

We spoke with the Controller's Office staff and other Mission personnel responsible for the operation of the AMRP. We examined documents, files, and reports related to the AMRP system and its implementation. We also examined the single Recipient-Contracted Audit report received in Fiscal Year 1993. In order to determine if the grant agreements had the required audit clause and an allowance in the budget for the cost of the audit, we tested all grants over \$25,000 awarded in Fiscal Year 1993. These 3 grants totaled \$20.3 million.

In addition, we reviewed USAID/India's fiscal year 1993 Internal Control Assessment to determine whether it disclosed any material weaknesses in the implementation of the AMRP.



APPENDIX II
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UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT
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MEMORANDUM

June 21, 1994

To : Richard C. Thabet, RIG/A/Singapore
From : *C. W. Christensen*
Curtis W. Christensen, Controller
Subject : Review of USAID/India's Implementation of the Audit
No. 5-386-92-2 Resolution Program Audit Report

1. We have reviewed the draft report on the subject review and concur with its findings.

2. We would appreciate your providing a clarification on the following two statements made in the Appendix I of the report which we are unable to link with our records:

(a) Para 2 under Scope - The review covered "5 agreements with non-U.S. organizations totaling \$20.4 million from a review universe of all active agreements as of December 31, 1993 of 33 agreements totaling \$625.4 million"; and

(b) Para 1 under Methodology - All 3 grants over \$25,000 totaling \$20.3 million awarded in FY 1993 were tested.

3. Thank you for your cooperation.

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