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101#87

# US Agency for International Development

**CFO Strategic Plan  
FY 1997-2001**

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## 1. VISION STATEMENT

The United States Agency for International Development (USAID) was created in 1961 to advance U S foreign policy interests by promoting broad-based, sustainable development and providing humanitarian assistance for natural and man-made disasters. Over the past three decades, USAID has provided assistance to the international community by helping to address, ameliorate, and even eliminate the problems of rapid population growth, environment degradation, endemic poverty, debilitating hunger, mass migration, and anarchy. USAID operates in an increasingly complex environment and thus targets its resources to only those countries and activities that achieve significant results.

A results-driven strategic planning process is the centerpiece of USAID's management reforms. USAID's strategic planning now focuses on continuous evaluation and learning at every stage of an activity or program and its operating, budget and personnel evaluation systems have been re-engineered to focus the Agency on achieving results at every level.

The Office of Management and Budget and the CFO Council continue to lead the Federal Government in an aggressive direction toward better financial control over operations. As the Chief Financial Officer of USAID, I have welcomed, and strongly supported, the many initiatives toward revolutionizing the way we do business. Within USAID we are in the middle of a multi-year program to develop ~~new~~ an entirely new program delivery system. As an essential part of the Agency's overall decision management systems, I have developed and started implementation of a series of operational improvements to our financial management systems. While this has proven to be no easy task, the progress made, and the additional improvements to soon come, are designed to make this Agency the leader, with the most effective and efficient financial management operations in the Federal Government.

We plan to achieve all goals for government-wide financial management, legislated by the Chief Financial Officer's Act, and as outlined by OMB and the CFO Council. This will be attained by the Agency's even continuing re-engineering program and made operational through the full implementation of our New Management Systems (NMS) suite of management information systems. NMS started Washington-wide implementation in FY 1997 and will be expanded worldwide over the next two years. Our vision, mission and strategy, presented below, continues to tie directly and support those promoted by OMB and the CFO Council's guiding principles in carrying out the Government Performance and Results Act (GPRA).

 Our vision is to make USAID the best example of effective financial management within

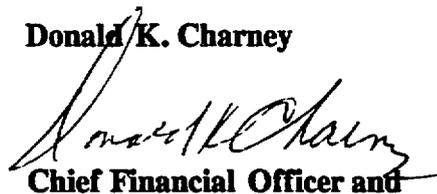
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- Our **vision** is to make USAID the best example of effective financial management within the entire U S Government
- Our **mission** is to provide professional financial management services and timely, accurate, and understandable financial management information to promote accountability, encourage efficiency, and safeguard USAID resources
- Our **strategy** is that USAID will be the best by using the best systems, the best technology and the best people in implementing USAID financial management initiatives

The Administrator and I are fully committed to improving performance in all areas of accountability, effectiveness and efficiency during these times of shrinking government resources. We also are continuing our strong support of OMB's and the CFO Council's aggressive push to improve financial management throughout the Federal government. USAID has made and will continue to make substantial progress in addressing long standing resource management and accountability problems. My goals for greatly improved accountability and operational performance are detailed in this strategic plan. Through the flexible and continued implementation of this plan, my commitment to attaining my stated vision and mission is well underway.

As United States Agency for International Development's (USAID) Chief Financial Officer (CFO), I am pleased to submit our Financial Management Status Report and Plan. This report complies with the reporting guidance received from OMB and briefly summarizes our complete program and financial management issues.

Donald K. Charney



Chief Financial Officer and  
Agency Director of Finance

September 30, 1997

## 2 OMB/CFO Council Goals

USAID's diverse group of improvement initiatives tie directly with the goals for improving government-wide financial management, as outlined in the OMB/CFO Council Report

***OMB/CFO Council Goal:***

**Provide leadership to promote the efficient management of government resources and assets.**

USAID will meet this goal by:

- emphasizing management control as an essential tool to improve operations
- developing integrated, state-of-the-art financial management systems to improve resource management at all operational levels
- re-engineering operations to promote the most efficient and effective implementation of Agency programs

***OMB/CFO Council Goal:***

**Provide quality financial services to customers based on their needs.**

USAID will meet this goal by:

- fully developing a commitment to high quality financial management services to all customers

***OMB/CFO Council Goal:***

**Provide high quality financial information on federal government operations which fully supports financial and performance reporting.**

**USAID will meet this goal by:**

- creating an organizational culture with fully integrated performance measures, cost accounting and financial reporting for Agency managers
- creating effective and efficient integrated financial systems
- developing a capability to handle customers' reporting, analysis and advice requirements on an interactive, timely and reliable basis

***OMB/CFO Council Goal:***

**Enhance continually-financial management use of modern technology and business practices.**

**USAID will meet this goal by:**

- fully integrating program planning, evaluation, budgeting, procurement and accounting
- greatly improving cross-Agency coordination among line and service providers during program implementation
- strengthening the partnership between USAID and other members of Executive Branch and Congress to meet information goals

**3. FINANCIAL GOALS AND STRATEGIES**

We have up-dated our plan and now have re-established the following financial management goals for the five-year period covering FYs 1997-2001. Implementation is underway and substantive accomplishments have been made in each area.

**A ACCOUNTABILITY**

***OMB/CFO Council Priority*** Design management structures that help ensure accountability for achieving results

**Status** USAID has had a mixed history of compliance with applicable government accounting principles and standards over the years. Overall accountability was sufficient, but much more needed to be done. Limited technical and monetary resources have slowed the Agency's progress in raising the standards of its various financial systems to comply with applicable accounting and internal control principles, standards and requirements. Some records were inaccurate and the utility and quality of many reports for management questionable. Our plan to improve accountability is focused on our effort to develop and implement the NMS. This has been a multi-year effort that began implementation in 1997.

***Recent Accomplishments***

- NMS, and especially AWACS (AID Worldwide Accounting and Control System) software, is starting to provide more accurate and timely project financial information to senior managers. Decision-makers will have better information when they need it.
- Electronic project reports are being increasingly used worldwide to assure more accurate and timely accounting. Managers will see the complete financial situation much sooner, and information can be easily shared worldwide.
- Cash reconciliations with Treasury has been streamlined. The Agency has increased accountability and effected more efficient cash management by incorporating more automated systems.
- Reporting requirements are being rationalized in the new systems. Reports are being reviewed as to their management utility and a series of more appropriate reports have been created. Unnecessary and/or unproductive reporting are being cut.
- Funding reservation responsibilities have been distributed closer to the users. This saves time and cuts unnecessary steps and paper flow.
- Performance objectives and results will be incorporated as key elements in budget guidance and budget and program management reviews.

**Plans** Within our current resource constraints, we have made significant progress, and plan to continue our efforts toward upgrading accountability at USAID in the following areas. Major system improvements will continue to come on line in 1998 including

- Streamlined and re-designed programming and budgeting procedures on both the project and administrative side of our business
- JFMIP government accounting principles/standards are being incorporated into our new financial systems and procedures. This has been an essential part of the NMS design effort

## **B FINANCIAL ORGANIZATION AND PERSONNEL**

***OMB/CFO Council Priority:*** Develop a quality Federal financial management workforce and appropriate CFO organization structure to achieve financial management priorities.

**Status** USAID's program budget for FY 1997 was approximately \$6.6 billion, supported by about \$500 million in operating expenses. The Agency has U.S. direct hire financial officers in 42 of the approximately 60 countries in which USAID has an overseas presence. The Agency employs about 2,500 U.S. direct hire personnel worldwide. Financial management has approximately 100 U.S. employees in Washington and 80 U.S. employees overseas. About 1,300 foreign national employees work at USAID missions abroad as voucher examiners, accountants, and financial analysts. The financial management operation for the Agency has been fully restructured to meet the intent of the CFO Act.

### ***Recent Accomplishments***

- GS financial management employees continue to be sent overseas for short-term assignments. This provides a "low cost" service to missions while giving these Washington-based personnel an overseas perspective of our world wide operations.
- A Training Advisory Committee (TAC) has been established which targets the professional accounting personnel for improvement of their skills through after-hours programs. AICPA-approved courses are offered in a continuing education program covering USAID-specific operations.

- Authority to "write-off" debt and make financially-oriented decisions has been increased and delegated outward to missions. This empowers missions to more actively manage their own portfolios and make their own decisions associated with their programs.
- Performance reviews by the CFO have been expanded to include over 40 field mission controllers worldwide.
- 98 percent of all USAID personnel receive salary through direct deposit electronic funds transfers. This is the one of the highest rates in the US Government.

*Plans* In the area of financial organization and personnel the Agency is actively working to

- improve the effective delegation, communication and accountability of financial management personnel worldwide in supporting the needs of their respective operational teams,
- re-design and upgrade the jobs of financial management personnel to fit the new management systems under development and implementation, and
- continue to upgrade U S and foreign national professionals' job skills through training

The focus on change in this area will be to restructure and streamline operations as we downsize the overall organization and change our business operations. The Agency financial managers of the future must be able to integrate more fully the strategic planning, budgeting, financial management, and performance measurement functions. This will be in a much more automated operating environment. We are investing in our financial management personnel and are re-engineering our organization now to assure this future goal can be met.

## C. ASSET MANAGEMENT

**OMB/CFO Council Goal:** Redesign the way that Federal agencies plan, budget, manage, evaluate, and account for Federal programs.

**Status** The lack of integrated financial systems has hindered the Agency's ability to manage assets effectively. Until we finish implementing the replacement system later in FY 1999, many asset management problems will persist. However, across the board, we are making every effort to protect assets and improve resource management.

### **Recent Accomplishments:**

- Application of off-the-shelf travel management software worldwide. Work has also begun on the electronic, "paper-less" system where all travel documents are signed and routed through this electronic system. The USAID CFO co-chaired a 47-member inter-agency task force supporting application throughout the Federal Government.
- The USAID CFO had a leadership role in the JFMIP Travel Re-invention Task Force. Task Force recommendations are likely to lead to over \$800 million in travel savings in the Federal Government.
- Travel advances are much more tightly managed overall. Outstanding travel advances dropped from \$4.2 million in 1990 to about \$400,000 in 1997. Agency travel cards are being utilized now by employees which improves cash management and control.
- Official Agency travelers are using the corporate American Express card. Our follow-up system assures that traveler's vouchers are processed quickly (usually within a week) and employees' AMEX liabilities quickly paid (the lowest outstanding AMEX debt in the U.S. Government).

- Implementation of the Electronic Certifying System (ECS) is well underway worldwide. Approximately 44 locations are in operation or about to come on-line. Payments are made faster and more accurately, with reconciliations virtually automated away. Ninety-seven percent of USAID/Washington's vouchers are now paid electronically, one of the highest in the US Government.
- USAID missions are piloting the use of private local banks to make overseas local currency payments. This pilot effort will increase USAID personnel productivity and, if it proves fully successful, will likely be used more widely to provide more effective and efficient service in a down-sized overseas environment.

**Plans** We have already begun to correct weaknesses in the following areas:

- Improving asset management, fully carrying out Prompt Pay Act requirements worldwide, and improving cash management
- Improving property management
- Developing credit management policies and procedures
- Establishing a credit review board

#### **D MANAGEMENT CONTROL**

<p><b>OMB/CFO Council Priority</b> Design management structures that help ensure accountability for achieving results</p>
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**Status** The Agency is well underway in rationalizing and upgrading its management controls, especially in the area of financial management.

**Recent Accomplishments** Recent internal control reviews have resulted in strengthened controls over cashier operations, reduced the time to pay vendors under the Prompt Pay Act and reduced the total amount of outstanding travel advances.

**Plans** We plan to continue to upgrade the management control program for financial operations to include the following goals:

- Streamlining the management control program to make it more effective and a true management tool for all Agency managers, not just in financial management
- Carrying out an Agency-wide standardized portfolio review and reporting system This will provide line managers tools to ensure that effective management processes are in place in each mission/office and that appropriate management actions and mid-course corrections are being made
- Tracking performance indicators related to management control and tying them directly to the managers' own performance
- Institutionalizing management control efforts We will continue to better focus on achieving management integrity in our functional approach and assure the oversight process is effective and efficient
- Undertaking an expanded review of financial management overseas, to include broad-gauged inspection of the adequacy of financial and administrative management controls in both the project and operational settings
- Establishing a core staff of management control specialists to plan initiatives, set policies and coordinate compliance in all financial management operations worldwide

### 3. FINANCIAL SYSTEMS

**OMB/CFO Council Priority:** Establish financial management systems, using standardized information and electronic data exchange, and commercially provided software and transaction processing services to the extent possible

#### A Vision of the Future

The Federal Government's Chief Financial Officers Council has proposed that the various CFOs should work in partnership with program managers to use modern management techniques, integrated financial management systems, and accurate and timely financial information to achieve desirable results in a cost effective manner This was based on the Vice-President's National Performance Review (NPR)

USAID's Office of Financial Management subscribes to the recommendations of the NPR and the vision statement prepared by the CFO council and has created its own vision and strategic plan to move USAID to the forefront of a new era of responsive, effective, collaborative, customer-oriented financial management. To make this vision a reality, USAID embarked on an ambitious undertaking to replace thirteen disparate financial management systems and applications with a single integrated financial and information management system.

The objectives of USAID's single integrated financial management system are to

- capture accounting transactions when and where they occur,
- reduce the creation and flow of paper, and
- generate information, not just data

In addition, the new integrated financial management system is being linked to mixed financial systems for budgeting, procurement, program operations, human resources and property management. This will enable us to capture accounting transactions when and where they occur, eliminating redundant data entry and greatly simplifying the reconciliation processes. This system will be used by the headquarters and field offices worldwide. It will "seamlessly" consolidate all financial data enabling generation of accurate, and understandable financial reports. The net result will lead to greater accountability, better decision making, and measured results.

This section describes USAID's current financial systems structure and the plan of action to get from where it is today to where the Agency is going. When completed, USAID's integrated financial management system will meet all pertinent requirements contained within the Joint Financial Management Improvement Project (JFMIP) Core Financial System Requirements document. It will also comply with the JFMIP requirements related to direct and guaranteed loans.

## **B Background**

The mission of USAID is to administer economic assistance programs through development specialists who are responsible for planning and implementing project activities in host countries. These programs are implemented through loan guarantees or grants which are

provided to developing countries. Additionally, contracts and/or cooperative agreements are awarded to interested third parties. Despite this stated mission, President Clinton's FY 1995 Budget submission stated that USAID's financial management systems were not able to provide timely, accurate, or useful data for the Agency's annual appropriations.

### **C. Current Financial Systems Structure**

As of September 30, 1997, USAID had thirty eight operating financial systems which consist of over one thousand data files and twenty-two thousand data elements. Within the current USAID financial systems structure twelve systems relate specifically to core accounting. They are

- Participant Payment System (C-380) - This system, which records funding, budget, and disbursement data on USAID sponsored foreign training participants, was closed out at the end of FY 1997.
- Loan Accounting Information System (C-421) - This system maintains a database of accounting and implementation information for each loan authorized. Monetary data such as disbursements, obligations, interest payments, and principal collections are maintained in summary and detail.
- General Ledger Accounting and Reporting (C-422) - This system was to maintain the accounting and reporting status of all general ledger loan accounts under the jurisdiction of the Agency. It is being replaced by AWACS.
- Country Financial Reporting System U-101 (C-425) - The CFR subsystem reports the financial status of USAID allotments, obligations, and disbursement activities, and funds provided for the Agency's Foreign Assistance program. Reports are designed to show the financial activity pertaining to each recipient country, in summary form. The U-101 subsystem processes a monthly Summary of Allotment Ledger Transactions and Reconciliation with Disbursing Officer's Account report which covers U.S. dollar funds allotted to missions. Basic information is provided for general ledger appropriations and the preparation of Agency-wide monthly reports which set forth the financial terms of the accomplishments of the missions.

- Accounts Receivable System (C-435) - This system records basic data from all bills for collection and collection notices issued worldwide, arising from refund and reimbursement activity, excluding loan payments. It provides an aging analysis on outstanding bills and summary data for posting to the accounts receivable general ledger accounts. This system was closed by the end of 1997.
- Cash Journal System (C-445) - The Cash Journal (also called Cash Book) records all domestic accounting transactions (receipts and disbursements) processed for USAID by the U.S. Treasury and allotment ledger accounts. Once a month the Cash Journal System produces a SF-224 Statement of Transactions which is telecommunicated to the Treasury. These transactions also include Federal Reserve Letters of Credit transactions in accordance with Treasury requirements.
- Letter of Credit Support System (C-501) - This system provides the ability to enter and monitor activity related to letters of credit issued by the Agency worldwide. All letters of credit draw down and expenditure activity which affects management decisions are collected via interactive panels and presented through on-line display or hard copy reports.
- Financial Accounting and Control System (FACS) (C-800) - This system was the headquarters financial management system for the Agency and utilized on-line and batch processes to provide financial information to meet the reporting requirements of USAID. This system provides financial control and accountability for funds managed by USAID and the Office of Financial Management. With the implementation of AWACS it was primarily used by the Trade & Development Agency until recently and to support the transition to AWACS.
- Housing Guarantee Program Management System (G-100) - HGPM is an authorization/loan/note/repayment/receivables claims tracking and management system designed for the Agency. The system is presented to the loan management staff as separate but interconnected modules: Authorizations, Loans and Rescheduled Loans, Notes, Repayments and Monthly Payment Schedules, Receivables, Reference Tables, and System/Security parameters and reports. The users can perform on-line queries that can be saved and retrieved for future use and reporting.
- Mission Accounting and Control System (MACS) (W500) - MACS is a financial management tool supporting USAID missions worldwide that incorporates three different accounting subsystems: budget allowance (allotment) accounting, operating expense accounting, and project accounting. MACS is a transaction-oriented, on-line, interactive

system that is updated immediately as new transactions are input. A subsystem of MACS is the Mission Accounting and Control Voucher Tracking System (MACSTRAX) is an automated voucher management system which records, tracks, verifies, and schedules vouchers for payment by an US disbursing officer.

- Status of Foreign Currency Funds (W-FC) - This is a "cuff system" that is used to capture the status of foreign currencies owned by participating governments and which are disbursed and/or withdrawn by mutual agreement with USAID.
- AWACS General Ledger System - The new AWACS General Ledger module accumulates USAID financial transactions against the US Standardized General ledger and will generate SF -133 and SF -225 reports. As part of the new AWACS core accounting system, the General Ledger is integrated with Funds Control, Accounts Receivable and Accounts Payable systems. As part of the USAID New Management Systems initiative (NMS), AWACS works in tandem with budget, procurement and program operations software.

#### **D. Current Systems Problem Description**

The problem with current USAID legacy financial systems is their lack of integration. The estimated level of redundancy among these systems is forty-five percent. Thus, lack of data integrity coupled with redundant system maintenance is a major problem within the Agency which needs immediate corrective action. Like many other federal agencies, most of USAID's legacy accounting systems are outdated, expensive to maintain, non-integrated, and produce data that is inconsistent with data contained within other support systems. Problems with the legacy systems include the following:

- USAID uses numerous headquarters and overseas financial management systems, subsystems, and "cuff record" systems that require the input of redundant and inadequately controlled data.
- USAID's major financial systems are not integrated. Obligation and disbursement transactions which take place in the field are first recorded in the MACS and then manually re-entered in summary form into in Washington.

- The USAID accounting system has been included in the President's list of the top 100 "High Risk" programs for the past few years. The reasons include
  - inadequate internal controls,
  - financial abnormalities,
  - inaccurate reporting, and
  - the lack of timely management information to support policy formulation and program planning

#### **E. The AWACS Approach to Improved Financial Management**

To solve the problems currently confronting the Agency, USAID has initiated a major financial system redesign effort. This project, AWACS, will result in the replacement of the two primary accounting systems, FACS and MACS. Additionally, the other legacy financial systems used in USAID/W will be incorporated into the single systems architecture of AWACS. Once fully implemented AWACS will

- provide a single source of data entry for financial transactions which will improve the timeliness and reliability of the information needed to make better management decisions,
- provide material changes in both the USAID culture and lifestyle, e.g., reduce dependency on "cuff records", move to a predominantly electronic process, lighten the reporting workload of the missions, improve productivity, and share ownership of data,
- save money, time, and paper by employing modern technologies and re-engineering current business processes,
- provide integrated data and functionality to facilitate improved reporting and decision support,
- build the backbone of the Agency's shared corporate database which will offer significant flexibility and permit USAID to provide foreign aid faster, cheaper, and better, and
- remove USAID from the FMFIA "High Risk" list

The development effort actually began in late 1990 when USAID began to analyze its requirements and develop a new headquarters accounting system based upon other agency software developed by the Corps of Army Engineers. However, little visible progress was made through 1993 and USAID failed to obtain full support from its efforts from either OMB or GSA.

In the President's FY 1995 budget OMB correctly reported that USAID had serious problems with its current financial management systems and expressed reservations about USAID's ability to adapt the Corps of Engineers system to USAID's requirements. OMB's reservations were clearly articulated to USAID's new Administrator and his management team who made it a priority to determine if the AWACS effort should be continued or modified.

As a result of an analysis of the AWACS effort, the new management team determined that the adaptation of other agency software was not appropriate, limiting AWACS solely to USAID/W operations was unsatisfactory, and USAID needed a new collaborative relationship with OMB and GSA. Consequently, in order to comply with OMB Circular A-127, a determination was made to discontinue the adaptation of the Corps of Engineers system and develop a Letter of Interest (LOI) to procure an off-the-shelf federal financial management software system (FMSS) from the General Services Administration's Multiple Award Schedule. After consultation with OMB officials and representatives from other federal Agencies USAID issued a new LOI. Only one of the eight potential bidders on the GSA FMSS schedule responded. After a careful review, USAID determined that the proposed system would not comply with USAID's basic requirements.

As a result of the LOI process, and the subsequent evaluation of the proposed offer, USAID sought and received a waiver from the OMB requirement to purchase off-the-shelf software from the GSA FMSS schedule. The waiver allows USAID to use the Information Engineering (IE) methodology to put into place a modern, fully compliant core accounting system that integrates completely with the Agency's budget formulation, program operations and procurement systems. When completed, USAID will request independent verification by the GSA to ensure that AWACS is in full compliance with all U.S. government regulations and standards.

To help ensure that the written standards and guidelines are followed, USAID has made a commitment to some fundamental management principles. Listed below are a few that apply to the AWACS initiative.

- **Management Commitment** The improvement of financial management is an Agency-wide priority. The Administrator, the Assistant Administrator for Management and the Chief Financial Officer have assigned the personnel and financial resources to the AWACS development effort to ensure that USAID's integrated financial management objectives can be achieved.
- **Business Process Re-design** The AWACS effort is not being undertaken to automate existing practices. As required by OMB Circular A-127, agencies developing integrated financial management systems shall "identify related changes necessary to facilitate operation efficiency and effectiveness." USAID has made a commitment to leverage technology to eliminate the creation or flow of paper and is looking for a way to reduce labor intensive activities. At each step in the design phase the current processes are questioned so that better/improved results can be derived with less staff involvement.
- **Learning Organization** USAID has adopted a "learning organization" concept and formulated various integrated teams of functional and technical experts to learn from each other and work together to achieve the common objective of validating the requirements, designing the application, documenting the system specifications, establishing the database structure, constructing the code, testing the application, documenting the process, training the users, and supporting the installation of the code into a production environment. The USAID teams consist of IE facilitator, business system designers, database designers, programmers, systems analysts, and functional users. In keeping with the above, USAID has empowered the AWACS "build teams" to do what is best for the Agency.
- **Private Sector Outreach Effort** USAID is utilizing a private sector outreach program whereby companies are asked to share with the Agency their solutions to financial and information issues for possible application within the government.
- **Standards Compliance** To help ensure compliance with JFMIP system requirements USAID has created a checklist containing all 125 JFMIP Core system requirements and distributed it to each AWACS build team. AWACS release 4.0 is 58.7 percent compliant, 16.9 percent partially compliant, 21.1 percent not compliant and 3.3 percent not applicable.

- **User Involvement** Within the established time constraints USAID has sought to keep end users regularly involved in walk-through sessions conducted by the design teams. Today, end-users are participating on a daily basis in functional testing of the baseline software.
- **Outside Contractors** Given the size and nature of the AWACS project, actual development of the software is being completed by outside contractors. To guarantee success and minimize the dependence on any given contractor USAID has sought out the most qualified personnel from several different firms. These contractors have been integrated into a single project team. USAID direct hire employees supervise all contractors and are directly responsible for all work performed.
- **Project Management** USAID is implementing the AWACS system in accordance with a plan, schedule, and sequence. The design teams are attempting to document the system requirements so that the code can be easily maintained. At each step a formalized configuration management process is administered to control the various software versions as developed code matures and migrates to the production environment.

As outlined earlier, the CFO supports the USAID mission through implementation of the financial management program. Unfortunately, the program has been hampered by serious accounting system and financial reporting problems. This has been caused by the agency's lack of a single, integrated financial management system. It has resulted in redundant data entry, supplementary accounting records and burdensome reconciliation processes impacting USAID's ability to produce financial reports and manage the agency effectively.

To correct this weakness, in 1994 GSA, with OMB concurrence, authorized USAID to develop an agency-specific core financial management system. Work is currently underway to develop and implement the AWACS for the seamless integration of core financial management functions.

## **F. Current Status of the AWACS Approach**

### **F1 Completed Actions/Events**

- Completed functional testing and implementation of Release 1.0 of AWACS software, including standardized General Ledger and Journal Voucher functionality (October 1995)

- Completed acquisition and implementation of AWACS user hardware and software (November 1995)
- Developed and implemented Release 2.0 of the AWACS software, with integrated Funds Control and Accounts Receivable functionality (January 1996)
- Implemented New Management Systems training program for Washington and Mission staff as well as AWACS-specific training for financial management staff (March 1996)
- Completed installation and testing of NMS hardware and communications at 44 sites world-wide (April 1996)
- Developed and implemented Release 3.0 of the AWACS software with integrated Accounts Payable functionality and an electronically-searchable accounting reference library (July 1996)
- Developed Release 4.0 of the AWACS software for AID/Washington-wide operations (September 1997)

**F2 Planned actions/events (short-term - next 12 months):**

- Suspend development of AWACS and undertake a complete review to evaluate system status, problems and future functionality requirements (October 1997)
- Continue development, testing and implementation of additional required and appropriate functionalities (January 1997)
- Complete the production of auditable financial statements for FY 1997 (February 1998)
- Request testing by GSA (August 1998)

**F3 Planned action/events (longer-term):**

- Update/modify AWACS software in accordance with changes in Federal/USAID statutes, regulations and policies

#### 4. Audited Financial Reporting

**OMB/CFO Council Priority:** Provide accountability by issuing a comprehensive set of standards for Federal agencies that will require their financial reports to demonstrate how Federal money is spent

**Status** USAID is required, under the Government Management and Reform Act of 1964 to (1) prepare consolidated financial statements each year, beginning with FY 1996, and (2) submit them, audited, to the Office of Management and Budget and the Department of Treasury. USAID is well underway in meeting the CFO Act's requirements for audited financial statements for the overall agency and the programs described below. For the first time in history USAID produced Agency-wide financial statements for FY 1996, which taken as a whole, fairly presented the financial position of USAID for the FY ending September 30, 1996. These statements, we believe, were complete, reliable and were prepared on a timely basis. Consistency is not applicable since these were the first consolidated financial statements of the Agency. The Agency Inspector General determined that he could not audit the statements because USAID did not prepare complete, reliable, timely and consistent financial information.

The Inspector General cited the lack of an integrated financial management system as an impediment to completing his audit. The lack of such a system, however, does not preclude the preparation and audit of financial statements, as evidenced by audits performed for other agencies. In a non-integrated environment, those involved must have greater understanding of data flows, controls and underlying processes of the various systems, both automated and manual. In a survey sponsored by the Association of Government Accountants, lack of integrated financial systems was cited as the greatest challenge to the CFO Act implementation by most respondents. The lack of an integrated system should not, in our opinion, prohibit the ability to audit the statements and render an opinion. The full implementation of an integrated financial management system is our objective and will facilitate the preparation of financial statements.

**Plans** Improved financial management through the implementation of the Government Management and Reform Act of 1994 and Government Performance and Results Act (GPRA) has been a priority and will continue to be for the Agency. We have made significant progress implementing the requirements of the legislation. Recognizing weaknesses in internal controls and systems, identified and reported, enabled us to minimize risks and improve processes, including those inherent in the preparation of the FY 1996 financial statements. Coopers & Lybrand L L P , a professional accounting firm with extensive CFO Act experience, was engaged to assist

in the improvement of the overall quality of the Agency's financial reporting processes

USAID plans to upgrade the Agency-wide financial statement generation process for the year ending FY 97. The NMS, when fully operational, will allow us to generate financial statements more easily, with greater accuracy and in a more timely manner.

▪ **Housing Guaranty Program (HG)**

Under this program, established in 1962, the U.S. private sector provides long-term financing for low-income shelter and neighborhood upgrading programs in developing countries. The U.S. Government provides a 100 percent guaranty of the repayment of loan principal and interest. Lenders charge interest at favorable commercial rates reflecting the security of the U.S. guaranties to finance programs in at least 40 countries. As of FY 97, the program had about \$2.2 billion in guaranties authorized and outstanding.

▪ **Direct Loan Program**

This includes all loans issued by USAID and its predecessor agencies, under 28 separate legislative mandates, since the inception of U.S. foreign assistance. USAID currently services nearly 2,000 direct loans. At the beginning of FY 97, the outstanding loan balance was \$13.4 billion.

▪ **Micro and Small Enterprise Development Program (MSED)**

This program, established in 1983, assists the development of the private sector in developing countries by expanding credit to small businesses and effecting permanent improvements in the lending practices of financial institutions. USAID has principally used loan guaranties to achieve the program's goals, but has also used some direct loans. The program targets small businesses which often have trouble obtaining adequate financing due to the conservative practices of lending institutions and the lack of alternative financing outside the formal banking sector. As of the beginning of FY 97, about \$20.4 million in loans and loan guaranties have been obligated by USAID.

P **Israeli Loan Guarantee program**

In anticipation of resettlement costs for special immigrants, the Government of Israel asked the U S Government to guarantee the repayment of \$10 billion in loans from commercial sources, to be borrowed in \$2 billion annual increments beginning in FY 93. As of the beginning of FY 97, USAID had guaranteed \$6.6 billion in loans to the State of Israel under the program, and origination fees paid to the U S Government totaled just under \$300 million.

**MILESTONES FOR IMPLEMENTATION OF THE PLAN**

<b>ACCOUNTABILITY</b>	<b>97</b>	<b>98</b>	<b>99</b>	<b>00</b>	<b>01</b>
Develop/implement financial management performance standards	X	X			
Incorporate all appropriate government accounting principles/standards	X	X			
<b>FINANCIAL MANAGEMENT ORGANIZATION</b>					
Transition FM personnel and operations to the new management operational environment	X	X	X		
Strengthen CFO-field controller relationship	X	X	X		
Educate Agency on CFO Act requirements	X	X	X	X	X
Recruit/train personnel, especially interns (IDIs)	X	X	X	X	X
<b>FINANCIAL SYSTEMS</b>					
Ensure all Agency financial systems conform to A-127 and JFMIP "Core" requirements	X	X	X		
Develop an operational data warehouse/corporate database	X	X	X		
Develop/implement AWACS	X	X	X		
Develop upgraded management information systems for budgeting and program management	X	X			
<b>MANAGEMENT CONTROLS</b>					
Streamline and rationalize management control efforts	X	X	X		
Develop "core" management control staff	X				

MANAGEMENT CONTROLS	97	98	99	00	01
Conduct mission level Internal Control Reviews	X	X	X	X	X
<b>ASSET MANAGEMENT</b>					
Undertake reconciliations in preparing for NMS	X	X			
Implement Prompt Pay Act requirements	X				
Improve cash management	X	X			
Improve property management	X	X	X		
Develop/ implement credit management policies & procedures	X	X	X		
<b>AUDITED FINANCIAL REPORTING</b>					
Issue financial statements	X	X	X	X	X
Develop performance standards	X	X			