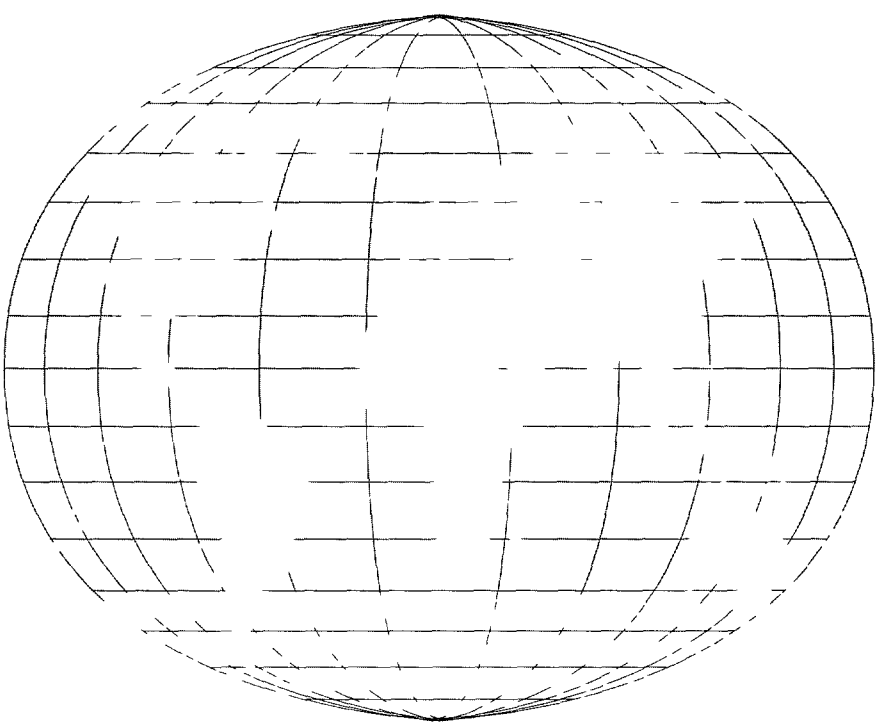
PD-ABR-601

Report of Audit

Audit of USAID's Processing of Personal Property Claims in Ordered Evacuation of USAID Employees

Audit Report No. A-000-99-006-P
August 20, 1999



IG/A/ITSA

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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INTERNATIONAL
DEVELOPMENT

August 20, 1999

MEMORANDUM FOR M/AS/OD, Margaret Thome

FROM IG/A/ITSA, Theodore P Alves

SUBJECT Audit of USAID's Processing of Personal Property Claims in Ordered Evacuation of USAID Employees (Audit Report No A-000-99-006-P)

This is our audit report on actions the U S Agency for International Development (USAID) has taken to strengthen controls over the process of reviewing and settling claims submitted by employees who have suffered losses of personal property during evacuations Although we found that USAID implemented policies and procedures to strengthen its process to adjudicate personal property claims, we found two areas for improvement First, USAID may be subject to paying inappropriate claims because it has not enforced its own requirements that employees provide an inventory of personal property shipped overseas, including a list of High Value Items Second, because USAID does not have a formal program to inform employees of relocation issues and personal property matters, employees may not have adequate information regarding personal claims requirements

This report contains two recommendations to correct these deficiencies We considered management's comments on a draft of this report and have included the comments in Appendix II Management partially concurred with the recommendations Regarding Recommendation No 1 1, although management agreed that travelers should provide a list of High Value Items when making arrangements to ship their personal property, it is unclear whether M/AS/TT would implement procedures to obtain the lists Regarding Recommendation No 1 2, management did not agree to require employees to provide a packing list when filing claims because, in some past cases, the packing list was lost during the evacuation We continue to believe that several alternatives exist to enforce this requirement and we are available to discuss them Please provide written notice within 30 days of the date of this report, of any additional information regarding plans to reach management decisions regarding Recommendation Nos 1 1 and 1 2

Regarding Recommendation No 2 management agreed to implement a program to inform employees of relocation issues and personal property matters Therefore, we agree that USAID has made a final management decision to implement this recommendation USAID's Office of Management Planning and Innovation (M/MPI) should be advised when final action is complete

Thank you for the cooperation and assistance extended to our auditors during this assignment

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Background

In the past several years, civil wars and other forms of civil disturbance around the world have created security conditions that made it necessary for the United States to evacuate US government employees living abroad Several evacuations have included USAID employees and their dependents, and usually occurred with little or no notice Thus evacuees were allowed to carry only a limited number of their possessions with them Quite often, belongings left behind were lost Recent world events and terrorist threats increase the likelihood of future evacuations and the potential for incidents at USAID missions worldwide

Employee losses resulting from these circumstances are usually not covered by personal casualty and theft insurance To compensate the affected employees, Congress passed The Military Personnel and Civilian Employee Claims Act of 1964 (31 U S C , Section 3721b, as amended), which allows government agencies to reimburse employees up to $40,000 for personal property losses Under the Act, claims are allowed only if (1) the claim is substantiated, (2) possession of the property was reasonable or useful under the circumstances, and (3) the loss was not caused by negligence

In June 1990 and January 1991, USAID was forced to close its missions to Liberia and Somalia, respectively, due to fighting between local government and rebel forces Employees and their dependents were evacuated on short notice and unable to take all of their possessions when they left Belongings that remained were lost to looters

From June to August 1991, we performed an audit to evaluate the processing and payment of claims by the employees evacuated from Liberia and Somalia [1] We found that USAID exceeded the $40,000 Claims Act limit when it reimbursed 22 employees approximately $1 2 million, or an average of $54,000 per person for personal losses Almost 60 percent of these payments exceeded the $40,000 claim limit Some payments were as much as $108,000

The audit also revealed that USAID had inappropriately used a provision of the Foreign Assistance Act of 1961, as amended, (22 U S C) (FAA) to waive the Claims Act requirement that reimbursements be limited to $40,000 per employee A Comptroller General decision and a Justice Department opinion supported the Office of the Inspector General's (OIG) position that Section 636(b) of the Act[2] did not apply to these claims USAID and the Department of State

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[1] Audit of A I D s Procedures For Processing Personal Property Claims Submitted by Evacuees From Liberia and Somalia, Audit Report No 9-000-92-002 dated November 25 1991

[2] Section 636(b) of the Foreign Assistance Act of 1961 as amended (22 U S C) (FAA) permits the Administrator to authorize the expenditure of federal funds without regard to other laws and regulations if necessary to accomplish the purposes of the FAA

then requested and received relief from the requirement from the Congress, which amended the Claims Act to allow the Secretary of State to waive the $40,000 reimbursement limit [3]

In reviewing these particular claims, we also found that USAID did not meet the Act's requirements to (1) substantiate the validity of the claim, (2) determine that possession of the property was reasonable, and (3) determine that the loss was not due to negligence Furthermore, we found that USAID was not in a position to comply with these requirements, in part because it had not followed its own procedures requiring employees to provide USAID with an inventory of personal property shipped overseas, including a list of high value items Responding to the report, USAID agreed to implement stronger controls to correct these deficiencies

Audit Objective

Volatile world events substantially increase USAID's risk of employee evacuations and subsequent liability claims The audit was designed to answer the question

- **Has USAID implemented policies and procedures for processing personal property claims in accordance with the Foreign Affairs Manual and the USAID Handbook?**

Summary of Results

Generally, USAID implemented policies and procedures to process personal property claims, however, we found two areas for improvement First, USAID has not taken actions necessary to ensure that employees provide an inventory of personal property shipped overseas, including a list of high value items As a result, USAID cannot ensure that its liability is minimized when a claim is filed Second, because USAID does not have a formal program to inform employees of relocation issues and personal property matters, employees may not have adequate information about relocation requirements, post evacuation procedures and, federal and USAID rules and regulations regarding personal claims for property losses In contrast, the State Department has developed a formal program to inform employees of travel-related requirements

[3] Later in 1994 Congress amended the Claims Act by granting the Secretary of State authority to waive the Acts limit for claims arising out of authorized or ordered departures occurring on or after October 1 1988 As a result the Secretary of State invoked the waiver authority for the 1991 paid claims that exceeded the $40,000 limit

USAID Does Not Enforce
Documentation Requirements

USAID Handbook 23 Chapter 10, as revised in April 1992, "Claims for Losses of Private Personal Property" mirrors the Foreign Affairs Manual Section 6 FAM 310 "Claims for Private Property Losses" by defining High Value Items as follows

> "Items of extraordinary or substantial value are considered high value (HI-Val) items "
>
> "Small items of substantial value Normally, an item having a value of over $50 can be considered a small item of substantial value ", if it is easily pilferable Examples of such items include a coin/stamp collection, jewelry and small radios, etc
>
> "Items of extraordinary value An item which, because of quality of workmanship or design, the high value of materials, or association with a past events or historical figure, possesses a value far beyond the usual value of a similar item An item which costs less than $500 will generally not be considered in this category "

The guidance in 6 FAM 316 5 (d) requires employees transferring overseas to declare high value items and to maintain an inventory of personal property USAID Handbook 23, Chapter 10, also requires employees to declare all high value items (items valued at over $500) in writing when arranging to ship their household effects The handbook further stipulates that unless the declaration is made "high value items will not be considered for payment, in any amount, in the settlement of a claim " In addition, USAID's handbook requires employees to maintain the packing inventory of personal property transported overseas and to provide that inventory when filing a claim

However, in a subsequent evacuation of nine USAID employees from Rwanda in April 1994, we found that USAID did not follow its own requirements Although transportation officials required more substantiation of employee claims than in prior evacuations, USAID had not required claimants to submit documentation describing high value items in advance None of the claimants affected by this evacuation provided M/AS/TT with a list of high value items to be kept on file as required by USAID Handbook 23, Chapter 10 and 6 FAM 316 5

In addition, some of the employees did not maintain or provide the inventory of personal property that USAID requires, in part, as documentation to substantiate the validity of their claims Four of the nine claimants evacuated from Rwanda did not provide a packer's inventory to M/AS/TT personnel to substantiate their claims As a result of the evacuation, nine employees filed claims totaling about $437,359 for loss of personal property Of the nine claims, USAID reimbursed the claimants about $308,944 or 71 percent of their requests

M/AS/TT officials confirmed that USAID does not require employees to provide High Value Item lists prior to relocating overseas Further, as evidenced by the claims that M/AS/TT

adjudicated, USAID also does not require employees to provide a packer's inventory when submitting claims

Because M/AS/TT has not implemented procedures to (1) obtain lists when employees made arrangements to ship their personal property, and (2) does not require employees to provide a packer's inventory when submitting claims, USAID cannot ensure that claims will be properly adjudicated

Recommendation No 1 We recommend that the Director, Office of Administrative Services, Bureau for Management ensure that the Office of Travel and Transportation

1 1 implement procedures to obtain High Value Item lists when employees make arrangements to ship their personal property, and

1 2 enforce requirements that employees provide a packer's inventory when submitting claims

Management Comments and Our Evaluation

Commenting on Recommendation No 1 1, management stated that it would advise travelers that they should provide a list of High Value Items at the time they make shipping arrangements This response indicates general agreement with the need to obtain a listing of High Value Items, but it is not clear from the response whether management will require that the lists be provided as called for by USAID guidance or simply suggest that they do so Consequently, at this time we do not believe that management has made a management decision to implement procedures to obtain High Value Items lists from relocating employees

Regarding Recommendation No 1 2, management did not agree to require employees to provide a packing list when filing claims because, in some past cases, the packing list was lost during the evacuation Management also pointed out that a packer's inventory is only one of several documents that can be used to support claims for lost personal property Although we agree that a packer's inventory is only one source of information to substantiate ownership, we believe the packer's inventory provides important documentation to properly adjudicate claims The packer's inventory is a key document for both the employee and USAID when processing claims because it proves possession of the property, reflects the property's condition, and demonstrates that the property was moved at the government's expense In addition, USAID already requires employees to attach the packing list to claims Because of the significance of packing list to ensure that claims are equitably adjudicated we continue to believe that USAID should enforce the requirement that employees provide the packer's inventory for claims adjudication Based on discussions with M/AS/TT staff, we continue to believe that several alternatives exist to enforce this requirement and we are available to discuss them

USAID Should Improve Its Guidance
to Employees Relocating Overseas

Because USAID does not have a formal program informing employees of relocation issues and personal property matters, employees may not have adequate information about relocation requirements, post evacuation procedures, and rules and regulations regarding claims for property losses

In 1992, USAID published a document to improve employee guidance on travel-related issues and supplemented it with a set of informational handouts, and an informational booklet The booklet, "For the Nomad" was developed in response to a recommendation in our 1991 report and used at USAID/Washington and by Executive Officers at every USAID post Also in response to our 1991 report, USAID implemented a formal program to ensure that all employees moving overseas were aware of travel-related issues concerning personal loss provisions, and claim policies and procedures However, USAID no longer conducts a formal program Furthermore, M/AS/TT officials told us that they no longer distribute information on such travel-related issues to employees, and they were not sure when the last booklet was published or distributed to employees

In contrast, Department of State (DOS) developed a formal program to inform employees of travel-related requirements The DOS conducts an orientation for incoming Junior Officers and Specialists that includes a course module entitled "Travel, Transportation and Shipment of Effects " This module briefs State employees on the travel-related issues in these areas, including a discussion on post evacuations In addition, DOS provides its employees a copy of the current DOS publication entitled "It's Your Move" (March 1998) This publication provides detailed guidance on outbound and inbound moves including claims procedures, necessary forms, and documentation requirements for personal property losses "It's Your Move" informs employees to declare high value items before relocating overseas and to maintain an inventory of personal property

The very real possibility of future evacuations, coupled with increased financial liability for substantial personal property claims, makes it critical that USAID have effective controls in place to compensate affected employees fairly and equitably, while protecting its own interests Because USAID does not familiarize employees with travel-related issues, it may be difficult to hold them accountable for providing required documentation for claims processing

Recommendation No 2 **We recommend that the Director, Office of Administrative Services, Bureau for Management implement a formal program to inform employees of relocation issues and personal property matters**

Management Comments and Our Evaluation

Regarding Recommendation No 2, management agreed with our recommendation to implement a formal program to inform employees of relocation issues and personal property matters and stated that the program should be in place by January 2000 Therefore, we agree that USAID has made a final management decision to implement this recommendation In accordance USAID guidance, the Office of Management Planning and Innovation (M/MPI) should be advised when final action is complete

SCOPE AND METHODOLOGY

Scope

We conducted this audit to determine if USAID complied with its established policies and procedures for adjudicating employee claims resulting from ordered evacuation, as required by the Foreign Affairs Manual and USAID Handbook Our audit included a review of recommendations from a previous report (Audit of A I D 's Procedures for Processing Personal Property Claims Submitted by Evacuees from Liberia and Somalia, Audit Report No 9-000-92-002)

Our work was conducted between May 7, 1998 and June 15, 1998, with updates through April 1999, in accordance with generally accepted government auditing standards Fieldwork was performed primarily at the Management Bureau's Administrative Services Division in Washington, D C

Methodology

To accomplish our audit objective, we reviewed claim policies and procedures used at USAID as well as travel and transportation guidance from the Department of State and the Foreign Affairs Institute During the audit, we interviewed USAID officials in the Travel and Transportation Division, Offices of Human Resources, and the General Counsel, the Department of State's Travel Division, and the Foreign Service Institute In addition, we reviewed employee property claims from the latest forced evacuation from Rwanda in 1994 to determine (1) the number of USAID employees evacuated, (2) the total dollar value of claims filed, (3) the total funds reimbursed to employees for losses, and (4) documentation used to support the claims However, we did not review individual claims in depth to determine the appropriateness of specific items claimed

To assess USAID's guidance to employees relocating overseas, we compared USAID's program to the Department of State's formal program informing its employees of travel-related issues concerning personal loss provisions and claims policies and procedures

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JUL 19 1999

MEMORANDUM

FROM M/AS Margaret Thome

TO IG/A/ITSA, Theodore P Alves

SUBJECT USAID s Processing of Personal Property Claims in Ordered Evacuation of Agency Employees

We have reviewed a draft copy of the subject report and would like to make the following comments

Recommendation No 1 We recommend that the Director Office of Administrative Services Bureau for Management ensure that the Office of Travel and Transportation

1 1 implement procedures to obtain High Value Item lists when employees make arrangements to ship their personal property and

We will advise travelers that they should be providing us with a listing of high value items at the time they make shipping arrangements

1 2 enforce requirements that employees provide a packer s inventory when submitting claims

Packer s inventories are only one source of information used to substantiate ownership of an item when there is a loss from enemy action, public disaster public service abandonment or evacuations According to 6 FAM 325 5 claims for such losses should include

(1) Privately owned vehicle (POV) registration/proof of ownership and proof of options on POV being claimed

(2) Packing inventories to post

(3) Packing inventories from bulk food orders i e post exchange (PX) shipments to post s

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(4) Copy of claim made against insurance or certification from insurance company that loss is not covered under war clause exclusion etc

(5) Statement of a disinterested U S Government employee verifying ownership of items claimed Other examples to prove ownership are photographs video tapes etc

(6) Substantiation of amount being claimed An example of substantiation of amount claimed are credit card statements mail order statements receipts from place of purchase etc

In all cases we advised employees that we needed to see a copy of the packer's listing However there are occasions when employees may not be able to produce the packing list because it was lost during the evacuation This does not preclude payment of a claim if the employee can establish ownership and value through some other means

Recommendation No 2 We recommend that the Director Office of Administrative Services Bureau for Management implement a formal program to inform employees of relocation issues and personal property matters

M/AS/TT has been working on a revised version of For The Nomad" but staffing reductions has slowed progress on this item We agree that such a document would be useful to travelers and hope to have this completed by January of 2000 In addition we will be advising travelers of claims requirements when they meet with transportation counselors incident to their pack-out for overseas assignment