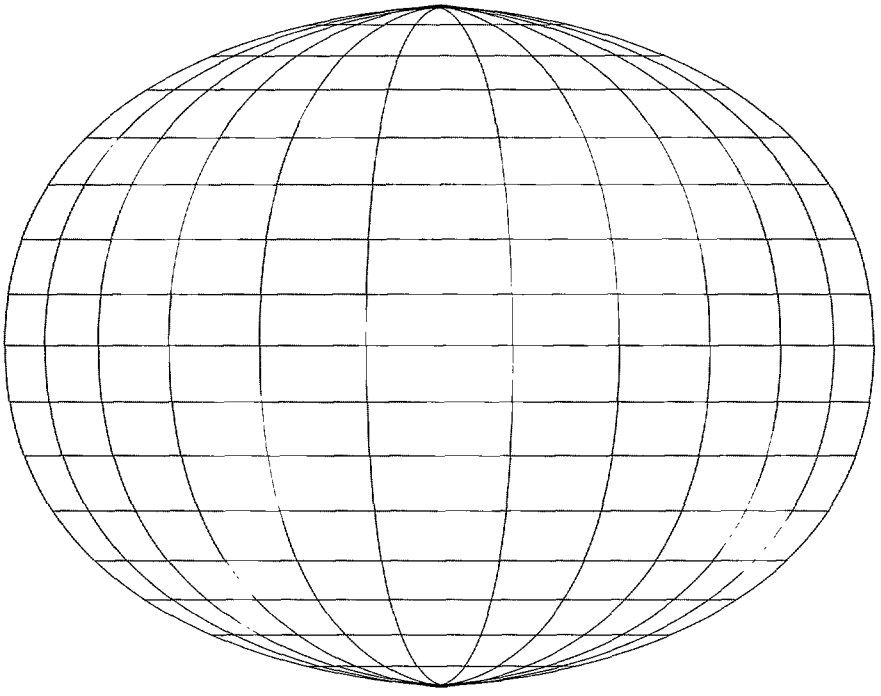
Report of Audit

Audit of Certain USAID/El Salvador Financial Operations and Management Controls

Audit Report No. 1-519-01-001-F
January 23, 2001



San Salvador, El Salvador

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

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/San Salvador

January 23, 2001

MEMORANDUM

FOR: USAID/El Salvador Director, Kenneth C. Ellis

FROM: Regional Inspector General/San Salvador, Timothy E. Cox

SUBJECT: Audit of Certain USAID/El Salvador Financial Operations and Management Controls (Report No. 1-519-01-001-F)

This memorandum is our report on the subject audit.

This report contains two recommendations for your action. Final actions have been taken on the two recommendations and, therefore, the recommendations are closed upon issuance of this report.

I appreciate the cooperation and courtesy extended to my staff during the audit.

Background

This report focuses on USAID/El Salvador's internal controls for advances, accruals, 1221 reconciliations, loans monitoring, and on the Mission's procedures to implement the Phoenix (previously called Momentum) accounting system in regards to old unliquidated obligations, old unreconciled items, and accounts receivable. According to USAID/El Salvador's records, as of March 31, 2000, the Mission accounted for 127 outstanding advances totaling about $7.4 million (not including advances in local currency) and 323 accruals totaling nearly $22 million (not including 13 accruals in local currency from trust funds). Its 1221 reconciliation of March 2000 for the three USAID missions in El Salvador, Mexico, and Panama had 532 unreconciled items totaling over $4.3 million, which were accounted for in the U-101 report as of April 30, 2000. The Government of El Salvador confirmed having three USAID loans which had outstanding balances totaling over $12.3 million, as of June 30, 2000.

USAID/El Salvador's Office of the Controller, which is the focal point for financial operations, has 24 positions including a Controller, Financial Management Officer, Certifying Officer, Chief Accountant, Supervisory Financial Analyst, seven voucher

examiners, three accounting technicians, four financial analysts, two secretaries, and three other professionals. This office also performs the controller functions for USAID/Mexico and USAID/Panama.

Audit Objective

As part of the internal control phase of the worldwide audit of USAID's fiscal year 2000 financial statements, the Office of the Regional Inspector General/San Salvador performed an audit to answer the following audit objectives:

- Did USAID/El Salvador establish and implement adequate internal controls to account for and report advances, accrued expenditures, 1221 reconciliation, and monitoring U.S. and local currency loans?

- Did USAID/El Salvador develop adequate procedures for the implementation of the Phoenix accounting system to timely clear old unliquidated obligations, to timely clear old unreconciled items, and to adequately manage accounts receivable?

Appendix I describes the audit scope and methodology.

Audit Findings

Did USAID/El Salvador establish and implement adequate internal controls to account for and report advances, accrued expenditures, 1221 reconciliation, and monitoring U.S. and local currency loans?

USAID/El Salvador established and implemented adequate internal controls to account for and report advances, accrued expenditures, and 1221 reconciliation, except for controls on aged outstanding advances and unreconciled 1221 items. The Mission is in the process of developing a financial monitoring plan for loans in accordance with ADS Chapter 623, issued July 6, 2000.

The Mission's advance process contained controls on the analysis of requested advances and on the accounting and reporting of advances; but, our sample of 30 outstanding advances, as of March 31, 2000, indicated a lack of control on aged outstanding advances. For advances to large organizations, a key control is the use of the Cash Advance Analysis and Approval form, on which the voucher examiner analyzes the amount of the advance requested, balance of outstanding advances, estimates of three months of expenditures, prior three months of incurred expenditures, and cash on hand. On the same form, the project officer approves the advance request. Another control is the Mission's written policies and procedures, contained in Mission Operations Manual, sub-chapter 940, "Cash Management and Program Funded Advances." For advances to community organizations, a key control is the project officer's authorization. Another control is Mission Operations Manual, sub-chapter 805, "Small Infrastructure Activity." For advances to

individuals, a key control is the travel authorization. Another control is Mission Operations Manual, sub-chapter 5030, "Travel Authorizations and Arrangements."

The Mission's accrual process contained adequate controls based on our sample of 30 accruals made as of March 31, 2000. A key control for accruals is the accrual worksheet, which is a list of unliquidated commitments by project and earmark control number, generated from the Mission Accounting and Control System (MACS). The project officer completes and initials the worksheet, the financial analyst examines it, and the accountant compares it to disbursements made. Another control for accruals is the Mission's written policies and procedures, contained in Mission Operations Manual, sub-chapter 970, "Development of Accruals."

The Mission performed monthly reconciliations of the 1221 report from the U.S. Disbursing Offices with the Mission's MACS accounting records. But the 1221 reconciliation, as of March 31, 2000, had a large number of unreconciled items that were over three months old, which indicated differences that should be researched and resolved within 60 business days. A Mission official estimated about 70 percent of these unreconciled items were due to non-submission of vouchers on various USAID/Mexico costs that were paid through the U.S. Embassy in Mexico.

According to Mission officials, the Government of El Salvador (GOES) makes loan payments directly to USAID/Washington's loan servicing agent. They explained that the loans were made more than 15 years ago, and the Mission monitors loan repayments for possible loan violations based on information provided by USAID/Washington. The Mission maintains a schedule of loan payments, based on GOES-provided data.

The need for a control on aged outstanding advances and a control on unreconciled items are discussed below.

Review of Aged Outstanding Advances

Financial Management Bulletin, Part 2 No. 7, section VIII.A.4 states that outstanding advances should be monitored on a regular, continuing basis, such as the use of the Advance Aging Report to identify advances with expired accountability dates.

USAID/El Salvador does not currently perform monthly reviews of an Advance Aging Report, but did up to mid-1996 and once during 1998, according to Mission officials. This report on outstanding advances lists each advancee and the outstanding advance balance, grouped by balances under 30 days, 31-60 days, 61-120 days, 121-180 days, 181-360 days, and over 360 days.

The reason for less frequent reviews was attributed to a smaller portfolio of projects and fewer staff. Also, orders of the Controller's Office did not provide any procedures on monitoring outstanding advances through reviews.

USAID/El Salvador provided the Advance Aging Report for July 6, 2000. It showed that outstanding advances totaled about $8 million for 75 advances held by organizations and individuals under the three Missions in El Salvador, Mexico, and Panama.

We matched our random sample of 30 advances from a list of 127 outstanding advances, as of March 31, 2000 to the Advance Aging Report. From this sample, we found six advances that the Mission may have been able to clear earlier if it had periodically reviewed the Advance Aging Report. The six advances were as follows:

- Conservation International had an outstanding advance of $310,000 since early 1998 with USAID/Mexico. Although documents indicated that the advance had been properly used, a USAID/El Salvador official said that an accounting entry to eliminate the advance was not made because the Mission had not received adequate supporting documentation.

- SEMILLAS (Mexico) had excessive monthly advances beginning with the February 2000 advance, which covered monthly expenditures from February – April 2000 and most of May 2000, according to the voucher examiner's analysis. The excessive amount of the February 2000 advance was $6,403 (over half of the $11,398 advance) and by June 2000 the outstanding advance balance was $15,848. The Mission sent an inquiry in late June 2000, but should have acted sooner, when the February advance was liquidated for April expenses.

- Asociación Demográfica Salvadoreña had advances totaling $42,389 outstanding over 360 days, as of July 6, 2000. However, after we inquired, the Mission found that in October 1999 this organization had issued a check for interest earned and refund of advances. A Mission official said that $65,350 had been mistakenly deposited into the U.S. Treasury as interest earned instead of as a refund of advances.

- A local community organization in El Salvador had an advance balance of $2,044 outstanding since 1996, as part of an infrastructure program to sponsor projects costing no more than $40,000 each for various communities. Mission officials said that the recipient was not cooperative in providing supporting documentation and, therefore, the Mission would write off the outstanding advance.

- Two travel advances of USAID/Panama and USAID/El Salvador with outstanding balances of $72 and $26 had been outstanding since November 1997 and June 1999.

The use of a control on aged outstanding advances should be utilized to ensure timely actions when and where needed. Accordingly, we believe that the Mission should implement a better control over aged outstanding advances.

Recommendation No. 1: We recommend that USAID/El Salvador implement procedures to periodically review aged outstanding advances.

Unreconciled 1221 Items from USAID/Panama and USAID/Mexico

Financial Management Bulletin, Part 2 No. 14b, on 1221 reconciliation states that the outstanding reconciling items over two months old need to be researched and corrected. It also states that when the mission does not receive vouchers processed by the U.S. Embassy, the mission should make formal arrangements to obtain copies of these vouchers.

The Mission's 1221 reconciliation for March 31, 2000 showed 532 unreconciled items totaling $4,322,218 that were over three months old, which were reported on the U-101 report for April 2000. Of the 532 unreconciled items, 132 items appeared in MACS and not in the 1221 report and 400 items appeared in the 1221 report and not in MACS. A Mission official estimated that of those unreconciled items that were over three months old, about 20 percent involved USAID/Panama, about 70 percent involved USAID/Mexico, and the remainder were USAID/El Salvador. The table below shows these unreconciled items by appropriation.

Appropriation No.	Number of Unreconciled Items, Over Three Months Old, as of 3/31/00	Absolute Value
7201000	42	$ 1,098,781
729/01000	6	23,507
72X1000	168	2,114,744
729/01007	7	7,760
72X1007	8	10,057
729/01021	59	74,986
72X1021	171	811,233
72X1037	13	12,360
729/01096	11	48,707
72X1035	10	22,696
72X1095	30	24,997
72X4343	1	1,030
72X8342	6	71,361
Totals:	532	$4,322,218

Note: Total for the absolute value excludes rounding error.

Of the 532 unreconciled items, 260 items were identifiable as payroll items, but were not identifiable for which of the three missions. Of the 132 items in MACS, 86 items were identifiable as payroll items. A Mission official explained that that the unreconciled payroll items were due to the delay between the U.S. Disbursing

Office (USDO), Charleston, South Carolina payroll payments and the accounting data prepared by each of the three missions based on USDO payroll reports for posting into MACS.

With respect to the remaining unreconciled USAID/Panama items, disbursements appeared in the MACS, but not in the 1221 report. USAID/El Salvador, USAID/Panama, and the U.S. Embassy in Panama, which processed the unreconciled USAID/Panama vouchers, were working on the problem and in August 2000 identified a possible cause of the problem. Specifically, the payment requests sent to USDO contained a code indicating a charge for USAID/Washington instead of USAID/Panama. Subsequent 1221 reconciliations will show whether this code was the cause for these unreconciled items. Accordingly, we are making no recommendation on controls over USAID/Panama vouchers.

With respect to the remaining unreconciled USAID/Mexico items, USAID/El Salvador officials explained that payments of local utilities and petty purchases were processed through the U.S. Embassy in Mexico to the USDO/Charleston. For example, a USAID/El Salvador official said that the U.S. Embassy paid the utility bills and charged USAID/Mexico for its share, but USAID/El Salvador did not regularly receive copies of the vouchers. Such payments appeared in the USDO's 1221 report, but not in the MACS. According to USAID/El Salvador official, the unreconciled USAID/Mexico items were due to the non-submission of USAID/Mexico vouchers.

The Mission did not have written procedures for those USAID/Mexico vouchers processed by the U.S. Embassy in Mexico for payment by the USDO/Charleston.

Accordingly, we believe that the Mission should strengthen the controls on the USAID/Mexico vouchers processed through the U.S. Embassy in Mexico, by establishing written procedures in consultation with USAID/Mexico and the U.S. Embassy in Mexico.

> *Recommendation No. 2: We recommend that USAID/El Salvador strengthen voucher controls by establishing, in consultation with USAID/Mexico and the U.S. Embassy in Mexico, written procedures on the USAID/Mexico vouchers processed through the U.S. Embassy.*

Did USAID/El Salvador develop adequate procedures for the implementation of the Phoenix accounting system to timely clear old unliquidated obligations, to timely clear old unreconciled items, and to adequately manage accounts receivable?

USAID/El Salvador has adequate procedures to clear unliquidated obligations, to clear unreconciled items, and to manage accounts receivable.

With respect to old unliquidated obligations, a Mission official said that the Mission accountants assigned to specific projects cleared unliquidated obligations as part of their responsibilities. The Mission received Washington guidance dated July 7, 2000 on data preparation for the Phoenix system, which provided instructions on the clearance of unliquidated obligations of closed and terminated projects by September 30, 2000. Based on a Mission pipeline report as of July 31, 2000, we counted unliquidated obligations totaling almost $2.4 million for 13 projects with a project completion date of 1998 or earlier. A Mission official reported that the work on unliquidated obligations would be completed by August 31, 2000.

With respect to unreconciled items, Mission officials said there were no unreconciled MACS data file items and unreconciled 1221 items[1] should have no effect on migration of MACS data to the Phoenix system. On MACS data file reconciliation, a Mission official said that this reconciliation was run monthly to ensure that accounts balanced and unreconciled items were corrected prior to running monthly reports. Since the Mission runs the MACS data file reconciliation every month, according to a Mission official, it has implemented Washington guidance dated July 7, 2000 on this topic. On unreconciled 1221 items, a Mission official pointed out that whether or not transactions in the MACS were reconciled or unreconciled has no effect on migration of MACS data to the Phoenix system. Also, 75 percent of the 532 unreconciled items from the 1221 reconciliation, as of March 31, 2000, was unreconciled because the items were not in the MACS and, thus, would have no effect on the Phoenix system.

With respect to accounts receivable for payments due, such as for personal telephone calls and personal use of Mission vehicles, a Mission official said that there were no accounting entries for them until payments were made, because the amounts were very small. In regards to refunds due for unused travel advances, the Mission eliminated cash travel advances for Mission employees through issuance of Administrative Notice No. 00-147 dated July 19, 2000. Instead of cash travel advances, Mission employees will use a local bank's credit card for all official travel. Thus, the Mission has no such accounts receivable for transfer to the Phoenix system.

Management Comments and Our Evaluation

USAID/El Salvador agreed with the report's findings and the recommendations. In response to Recommendation No. 1, USAID/El Salvador issued a new Financial Management Order on September 29, 2000, which established procedures to control advances using the Advance Aging Report. In response to Recommendation No. 2, USAID/El Salvador met with officials of the U.S.

[1] Two different reconciliations were mentioned. The MACS data file reconciliation addresses balances between files and transaction types within MACS. A 1221 reconciliation addresses whether transactions in MACS and the 1221 reports from the U.S. Disbursing Offices are the same.

Embassy in Mexico and USAID/Mexico and the latter two signed an agreement dated September 21, 2000 to provide financial data at least monthly to USAID/El Salvador.

Based on the information above, final actions have been taken on Recommendation Nos. 1 and 2 and, therefore, these recommendations are closed upon issuance of the report.

Scope and Methodology

Scope

The Office of Regional Inspector General/San Salvador conducted an audit of USAID/El Salvador's financial operations and management controls, as part of the internal control phase of a worldwide audit of USAID's fiscal year 2000 financial statements. The audit was performed in accordance with generally accepted government auditing standards. The fieldwork at USAID/El Salvador's offices occurred from June 12, 2000 through August 16, 2000.

As part of the audit, we obtained an understanding of the controls over the advance process, accrued expenditures process, reconciliation process, and loans process. We determined whether the controls were placed in operation, and we assessed control risk. We also gathered information on the Mission's progress on the Phoenix (previously called Momentum) accounting system and its efforts on old unliquidated obligations, old unreconciled items, and accounts receivable. We did not assess compliance with any laws and regulations applicable to the audit objectives. We did not test the data from the Mission accounting systems, MACS and MACSTRAX.

The audit examined controls for USAID/El Salvador's fiscal year 2000 financial operations related to cash advances, accrued expenditures, 1221 reconciliation, and loans in order to provide reasonable assurance on the reliability of financial reporting in accordance with generally accepted accounting principles. The audit considered the number of unliquidated obligations, unreconciled items, and accounts receivable. It did not cover any other USAID/El Salvador financial operations.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Methodology

The audit objectives were to determine if USAID/El Salvador established and implemented adequate internal controls to account for and report on advances, accrued expenditures, 1221 reconciliation, and loans monitoring and if USAID/El Salvador developed adequate procedures for the implementation of the Phoenix (previously called Momentum) accounting system to timely clear old unliquidated obligations, to timely clear old unreconciled items, and to adequately manage accounts receivable.

In examining advances, the totals for the population of all outstanding advances as of March 31, 2000 and our random sample of 30 advances are listed in the following table. The population included three Missions, because USAID/El Salvador was the accounting station for itself, USAID/Mexico, and USAID/Panama. In the sample,

there were three main groups: large organizations that implemented Mission-funded projects; community organizations that received nine-month, up to $40,000 grants for infrastructure projects; and individuals such as Mission employees and Mission-sponsored local representatives. Several organizations had more than one outstanding advance in the population and the sample. Eleven of the 30 advances had outstanding balances of less than $1,500.

Population of Outstanding Advances, As of March 31, 2000	Number	Amount (thousands)
Large organizations	52	$6,790
Community organizations	42	631
Individuals	33	25
Total	127	$7,446

Sample of Outstanding Advances, As of March 31, 2000	Number	Amount (thousands)
Large organizations	13	$ 765
Community organizations	7	82
Individuals	10	5
Total	30	$ 852

Note: Advances in local currency were not included in the above table.

For the sample items, we reviewed Mission documents for key controls and discussed with Mission officials the deposit of advances into separate interest-bearing accounts, report of interest earnings, refunds of excess cash, and Mission policy. For advances to the large organizations, we reviewed the Mission policy on program-funded advances and the voucher and supporting documentation for controls, such as payment history file, cash-on-hand report, and project officer's verification. For advances to community organizations, we reviewed the Mission policy on small infrastructure activity and Mission documents for project officer's authorization. For advances to individuals, who were Mission employees and Mission-sponsored local representatives, we reviewed the Mission policy on travel and Mission documents for travel authorization.

Our work on how the advance vouchers were processed was limited to available documents and discussions with Mission officials, as follows. We did not request the Mission to print out the MACS payment history file for a recipient organization. The reason was that because, according to Mission officials, the MACS payment history file would be accessed by the voucher examiner on a monitor and would be reviewed in order to complete a Cash Advance Analysis and Approval form.

We limited our analysis of aged advances to the sample taken from the list of outstanding advances. The Mission could not provide an Advance Aging Report for March 31, 2000 or for any date prior to the date of request. Therefore, we used the

available aging report, as of July 6, 2000. The following table shows this report's population of outstanding advances.

Population of Aged Outstanding Advances, As of July 6, 2000	Number	Amount (thousands)
Large organizations	20	$7,419
Community organizations	20	606
Individuals	35	28
Total	75	$8,053

In examining accrued expenditures made quarterly by the Mission and reversed during the first week of the following month, we reviewed two applicable documents. They were (1) a document provided by the Bureau for Management, Office of Financial Management containing data on outstanding advances to be used as part of the accrual estimations, as of March 31, 2000, and (2) Mission guidance (Financial Management Order 400-31, March 16, 1995). We reviewed a random sample of 30 accrual transactions. We reviewed the sample for calculations made by the technical office, verification by the project accountant, and second party review before authorization to post the accruals. The table shows totals for the population for accrued expenditures taken from the Mission's P09 report (a listing of unliquidated commitments by project and earmark control number) for the quarter ending March 31, 2000 and our random sample.

Accrued Expenditures, As of March 31, 2000	Number	Amount (thousands)
Population (1)	323	$21,983
Sample (2)	27	900

Notes: (1) Population does not include 13 accruals in local currency.
(2) We also reviewed three accruals in local currency, not included in the table.

In examining the 1221 reconciliation, we reviewed Line G.2 information reported on the U-101 report for April 30, 2000, and the related 1221 reconciliation documents for March 2000. This reconciliation compared the disbursements and collections recorded in the MACS with the disbursements and collections listed in the U.S. Disbursing Offices' 1221 reports. We traced the balances for the 1221 reconciliation of March 2000 for appropriation number 7201000 to balances for Line G.2 of the U-101 report for April 2000. We reviewed unreconciled items that were over three months old. We totaled their number and absolute value (that is, sum of all values regardless whether positive or negative). They numbered 532 unreconciled items, totaling $4,322,218, of which 132 items appeared in the MACS and 400 appeared in the 1221 reports. We did not test the transfer of data from the MACS' 1221 reconciliation report to a spreadsheet. We did not visit USAID/Mexico or USAID/Panama to verify USAID/El Salvador's actions on unreconciled items and to determine the causes of the unreconciled items.

In examining the loans process, especially monitoring U.S. and local currency loans, we were limited by available information. We requested the Mission to ask the

Government of El Salvador (GOES) to confirm the list of host government loans provided by the Office of Inspector General's Office of Financial Audits (IG/A/FA). We received the GOES confirmation through the Mission, although the Mission letter requested delivery of the confirmation to us. We reviewed Mission files on the loans, but Mission files lacked background information on the loans such as the loan agreements, a complete schedule of loan payments, and specific instructions from USAID/Washington. Therefore, we could not ascertain the accuracy of the loan confirmations.

In performing the audit tests described above, we considered non-compliance exceeding five percent of the cases reviewed to represent material non-compliance.

For the second audit objective, we discussed the status of the Phoenix accounting system at the Mission, old unliquidated obligations, old unreconciled items, and accounts receivable. We requested Mission files on audit reports for the prior three years related to the Mission's financial operations and reviewed related audit recommendations. We considered whether the Mission needed to take additional measures to clear old unliquidated obligations, to clear old unreconciled items from the MACS reconciliation and the 1221 reconciliation, and to manage accounts receivable, especially for the first two items since USAID/Washington had just issued detailed guidance on July 7, 2000. We tabulated pipeline totals for projects with project assistance completion dates of 1998 and earlier, but we did not assess whether the pipeline amounts needed to be deobligated. We requested Mission files on Mission activities on the Phoenix accounting system, liquidations of obligations, MACS reconciliation and other reconciliations, and accounting of accounts receivable transactions.

MANAGEMENT COMMENTS

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO EL SALVADOR

Date: 16 October 2000

To: Timothy E. Cox, Regional Inspector General

From: Frank L. Breen, Controller

Subject: Audit of Certain USAID El Salvador Financial Operations and Management Controls

USAID/El Salvador concurs in the findings of this audit and has taken steps to implement the two recommendations contained in the audit report. Based upon the actions noted below the Mission requests that the two recommendations be closed upon issuance of the report.

In accordance with Recommendation No. 1, the Controller's Office has implemented procedures to use the standard MACS A16 Report on a monthly basis to review all outstanding advances and to take action to recover overdue, unliquidated advances. A copy of the Financial Management Order establishing the procedures is attached.

In accordance with Recommendation No. 2, written procedures have been established to ensure that USAID receives appropriate accounting data for USAID/Mexico vouchers processed by the US Embassy, Mexico. A copy of the Memorandum of Understanding between the Embassy and USAID/Mexico specifying the procedures is attached

Cc: K.Ellis
R.Goughnour

FINANCIAL MANAGEMENT ORDER
USAID/EL SALVADOR CONTROLLER'S OFFICE

FMO 300-
September 29, 2000

SUBJECT: **CASH ADVANCES- Aging Report**

SUPERSEDES: **New Issuance**

REFERENCES:
(A) *USAID Controller's Guidebook*, Chapter 5
(B) Payment Verification Policy Implementation Guidance, dated January 1, 1984.
(C) *USAID Handbook 1B*, Chapter 15.

I. PURPOSE

The purpose of this Financial Management Order is to describe the procedures established to control advances issued to grantees, contractors and employees using the standard MACS Advance Aging Analysis Report (A16 Report).

II. AUTHORITY

The Controller's authority to promulgate orderly procedures to review and approve cash advance requests is contained in the *USAID Controller's Guidebook*. Chapter 5 of the Guidebook specifically details the Controller's responsibilities relating to voucher processing (see Ref. A). The Payment Verification Policy Statement assigns responsibility for providing annual assessments of mission voucher approval and examination procedures to Mission Controllers (see Ref. B).

III. POLICIES

US Treasury regulations require that funds be advanced to non-profit organizations only to meet its cash needs for the next 30 days (see Ref. C). The organizations should submit their advance request ten days after the end of the month, or about 50 days before the beginning of the month for which the advance is requested. USAID intent is to provide an advance check to a recipient between the 20th and 30th day of a month to cover the organization's cash needs for the succeeding month (i.e., approximately five days before the beginning of the month). The organization should present their liquidation voucher within 30 days after the end of the month or period for which the advance was given.

IV. PROCEDURES

The Supervisor Accountant Technician is responsible for overall coordination of the review process, preparation of the Advance Aging Analysis Report (A16) on a monthly basis and distribution of the report to Financial Analysts and the Authorized Certifying Officer (ACO). It is the responsibility of Financial Analysts to review the A 16 Report with Project Officers and to recommend action to the ACO to recover any unliquidated advance deemed overdue. The ACO is responsible for ensuring that the recommendations made by the Financial Analysts are acted and to notify Financial Analysts and Project Officers of actions taken. Financial Analysts are responsible to ensure that Project Officers communicate information on actions taken to recover overdue, unliquidated advances to the grantees.

Approved

29 September 2000

Date

Prepared by:	RBrito, CONT	RB	Date	09/29/00
Cleared by:	RZelaya, CONT	RZ	Date	9/29/00

Cash Advances—Projects
Financial Management Order page 2

Memorandum of Understanding

Between the U.S. Embassy in Mexico and Agency for International Development Mission to Mexico

Background:

The U.S. Embassy in Mexico processes vouchers for certain disbursement on behalf of USAID/Mexico. These disbursements include payments for utilities, social security, AFORES, life insurance premium for FSNs and petty cash items. By processing the vouchers, the U.S. Embassy orders the U.S. Disbursing Office in Charleston to process the corresponding payments and to charge the appropriate USAID accounts. Once the disbursements are made, Charleston advises USAID/El Salvador of payments charged to the USAID/Mexico accounts. These and other payments ordered directly by USAID/Mexico are then reconciled to the USAID/Mexico accounting records to ensure proper charges have been made to proper accounts. The Embassy also processes receipts of IVA reimbursements and collections as a credit to the USAID/Mexico accounts. USAID/El Salvador serves as the accounting station for USAID/Mexico thus responsible for keeping the accounting records and any related reconciliations.

In a recent audit performed by the USAID's Office of Inspector General, it was noted that USAID/El Salvador did not regularly receive copies of the vouchers processed by the U.S. Embassy in Mexico. Accordingly, the Regional Inspector General recommended that: "USAID/El Salvador strengthen voucher controls by establishing, in consultation with USAID/Mexico and the U.S. Embassy in Mexico, written procedures on the USAID/Mexico vouchers processed through the U.S. Embassy."

Understanding:

Staff members from the U.S. Embassy, USAID/Mexico and USAID/El Salvador met on 20 September, 2000 to discuss how the U.S. Embassy's Financial Management Center could provide the necessary financial information to USAID. It was agreed that the U.S. Embassy in Mexico would provide USAID/Mexico with the required financial data to record expenditures and credits made against USAID appropriations on a not less than monthly basis via electronic transfer of data. This information will then be transferred from USAID/Mexico to USAID/El Salvador for proper recording of the charges and credits against the appropriate accounts and to facilitate reconciliations with disbursements and credits reported by Charleston.

As necessary staff of the FMC and USAID will work together to resolve any discrepancies in data and to improve and simplify procedures as appropriate.

For the U.S. Embassy	For USAID/Mexico
Ed Luna, Financial Management Officer	Paul White, Director
Date: 9/21/00	Date: 9/21/00