

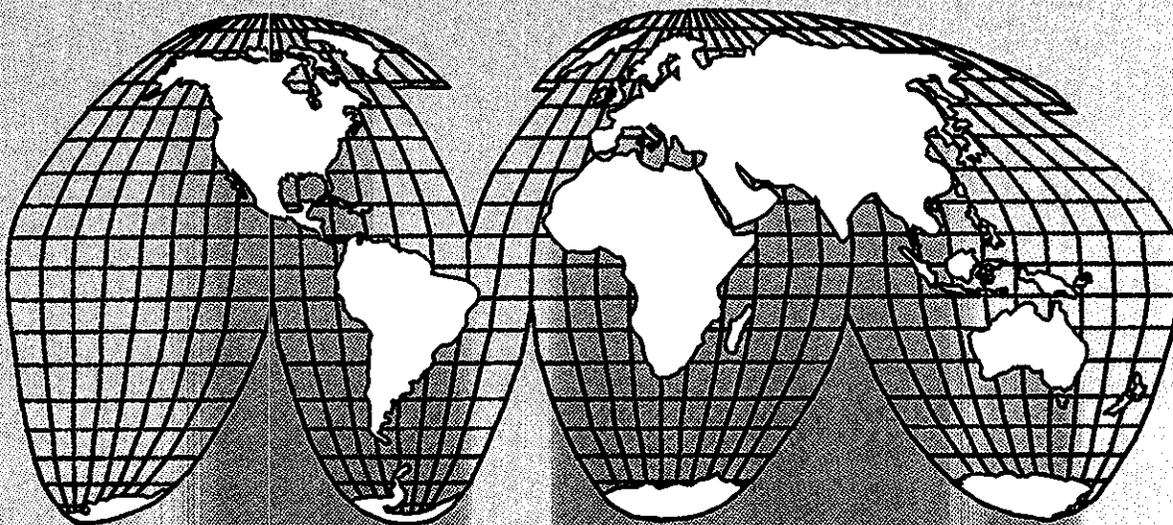
USAID

OFFICE OF INSPECTOR GENERAL

Audit of USAID/Jordan's Recipient Audit Universe

Audit Report No. 6-278-02-001-P

November 8, 2001



U.S. Agency for International Development

Cairo, Egypt

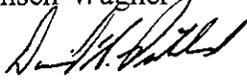


U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/Cairo

November 8, 2001

MEMORANDUM

FOR: USAID/Jordan Director, Toni Christiansen-Wagner
FROM: Acting RIG/Cairo, David H. Pritchard 
SUBJECT: Audit of USAID/Jordan's Recipient Audit Universe (Audit Report No. 6-278-02-001-P)

This memorandum represents our final report on the subject audit. We received your comments on the draft report and have included them in their entirety in Appendix II. This report contains no recommendations for your action.

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

Summary of Results

The Regional Inspector General/Cairo (RIG/Cairo) performed this audit to determine whether USAID/Jordan's audit universe is complete and accurate and if required audits were done in a timely manner. We found that USAID/Jordan maintained an audit universe that was accurate and complete and that no audits were required (see page 3).

Background

Financial audits of contracts and grants are a primary basis for effective management and control of USAID program expenditures. These audits are designed to provide USAID management reasonable assurance that transactions are properly recorded and accounted for; laws, regulations and provisions of contract or grant agreements are complied with; and USAID-financed property, funds and other assets are safeguarded against unauthorized use or disposition.

In response to congressional concerns, USAID has taken an active role in recent years using audit as a management tool to improve financial accountability of its programs. During 1991 and 1992, USAID revised its standard provisions for its contracts and grants, requiring annual audits of non-U.S. organizations disbursing USAID funds of \$25,000 or more. The threshold was increased to \$100,000 in May 1994, and to \$300,000 in July 1998.

Furthermore in April 1992, USAID issued a General Notice defining the role of USAID missions in obtaining audits of their contracts, grants and cooperative agreements with non-U.S. organizations. In May 1996, these requirements were incorporated into ADS Chapter 591, which among other things, requires USAID missions to (1) establish an audit management program; (2) maintain an audit inventory database; and (3) have audits done for non-U.S. grants, contracts and cooperative agreements that meet the audit threshold.

These initiatives are of far reaching consequence in preventing misuse of development funds and facilitating timely corrective actions by USAID. Lack of adequate audit coverage constitutes a high risk because without such a control mechanism, financial accountability of program expenditures cannot be reasonably assured.

In March 1995, the OIG issued Audit Report No. 03-95-009 on USAID's implementation of its 1992 initiative to improve the financial management of its programs. The report concluded that most missions had implemented the general requirements of the financial audit management program and established audit inventory databases. However, complete audit coverage was impaired as a result of obstacles arising from host government restrictions and local audit firm capabilities.

In March 1998, the OIG issued Audit Report No. 9-000-98-002-F on USAID missions' roles in obtaining audits of their contracts, grants and cooperative agreements. The report concluded that 11 of the 14 USAID missions selected agency-wide generally obtained audits of their contracts, grants and cooperative agreements as required by ADS chapter 591. However, a significant number of required audits were not completed at 10 of the audited 14 USAID missions.

In May 1999, OIG management decided to verify the accuracy of USAID missions' recipient audit universes agency-wide over a period of three years because lack of audit coverage was perceived as a high-risk area.

**Audit
Objectives**

As part of its fiscal year 2001 audit plan, RIG/Cairo performed this audit to answer the following question:

Is USAID/Jordan's audit universe complete and accurate and were required audits done in a timely manner?

The audit scope and methodology is in Appendix I.

Audit Findings

Is USAID/Jordan's audit universe complete and accurate and were required audits done in a timely manner?

USAID/Jordan developed a complete and accurate recipient audit universe. Also, for the period audited, none of USAID/Jordan's awards to non-U.S. recipients met the audit threshold of \$300,000 in annual disbursements and, therefore, did not require audits.

USAID/Jordan disbursed approximately \$104 million to U.S and non-U.S. organizations in fiscal year 2000. The table on page 4 provides a breakdown of these disbursements by type of agreement and by number and type of recipient.

**Management
Comments and
Our Evaluation**

USAID/Jordan was pleased with the audit's outcome and its comments are included as Appendix II to this report. In its response, USAID/Jordan stated that it will continue developing a complete and accurate recipient audit universe and requiring audits from non-U.S. recipients who meet the audit threshold of \$300,000 in annual expenditures.

Type of Agreement	U.S.		Non-U.S.		Total	
	Disbursements and No. of Recipients		Disbursements and No. of Recipients		Disbursements and No. of Recipients	
Contract	\$24,922,639	9	\$ 0	0	\$24,922,639	9
Grant	642,241	3	44,560	2	686,801	5
Cooperative Agreement	4,658,123	4	140,783	2	4,798,906	6
Project Implementation Letter	11,453,460	6	1,141,160	12	12,594,620	18
Cash Transfer	0	0	50,000,000	1	50,000,000	1
Task Order (IQC)	8,312,698	8	0	0	8,312,698	8
PSC's	239,616	5	29,495	1	269,111	6
Others	2,093,306	30	211,685	28	2,304,991	58
	\$52,322,083	65	\$51,567,683	46	\$103,889,766	111

USAID/Jordan included the above awards in its audit inventory database and periodically reviewed the non-U.S. awards to determine if any were subject to audit. In addition, USAID/Jordan took several actions to establish an audit management system in accordance with the requirements of the ADS. Specifically:

- USAID/Jordan established a Management Control Review Committee comprised of key officials whose responsibilities include (1) monitoring the status of the Mission's audit management plan, (2) conducting meetings to assess USAID/Jordan's internal controls, (3) preparing the annual reports required under the Federal Managers' Financial Integrity Act, and (4) designating the Audit Management Officer to coordinate and monitor the overall audit program and follow-up on audit recommendations.
- In June 1994, USAID/Jordan issued a comprehensive Mission Order on Audit Responsibilities and Tracking System establishing responsibilities and procedures for its audit management and resolution program.
- In April 1995, USAID/Jordan issued a Mission Order on Host Country Contracting to ensure that required host country contract audits are conducted and corrective actions are taken where necessary.

Scope and Methodology

The audit was performed in accordance with generally accepted government auditing standards and assessed whether (1) USAID/Jordan's audit universe was complete and accurate and (2) required audits were done in a timely manner.

Fieldwork was performed at USAID/Jordan in Amman from January 21 through February 8, 2001, and covered approximately \$51.6 million of USAID disbursements to 46 non-U.S. recipients during fiscal year 2000. The audit scope included:

- Reviewing USAID/Jordan's audit management program and related documents.
- Interviewing cognizant USAID/Jordan officials.
- Reviewing USAID/Jordan's audit inventory database of contracts, grants and cooperative agreements and identifying those that require audits.

In addition we obtained information on (1) total disbursements for all grants, contracts and cooperative agreements for fiscal year 2000, and (2) the number and amounts of grants and cooperative agreements falling below the audit threshold of \$300,000 to obtain a complete picture of the Mission's portfolio.

The audit criteria were principally comprised of Chapter 591 of USAID's Automated Directives System and the *OIG Guidelines for Financial Audits Contracted by Foreign Recipients*, revised in July 1998.

Methodology

To determine whether USAID/Jordan had met its responsibilities established by ADS Chapter 591 and the *OIG Guidelines*, we: (1) reviewed the Mission's audit inventory database system to determine if it contained information needed to monitor and track required audits; and (2) examined documentation and conducted interviews with cognizant officials.

To answer our audit objective, we obtained the audit universe of USAID/Jordan's contracts, grants and cooperative agreements and determined the number and dollar amounts of all agreements with non-U.S. organizations subject to audit coverage at September 30, 2000. The information was obtained from USAID/Jordan's contract files and the Mission Accounting and Control System (MACS) database. We then ascertained whether (1) such agreements were included in USAID/Jordan's audit database inventory, (2) required audits were completed on a timely basis, (3) audit reports were prepared in accordance with USAID guidelines and sent to RIG/Cairo for review, and (4) agreements contained required audit clauses.

We did not audit USAID/Jordan's MACS database because it was not directly relevant to our audit objective. Also, because of the small size of the audit universe, we considered even one exception as significant for reporting purposes.

MANAGEMENT
COMMENTS



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

OFFICE OF THE DIRECTOR

Date : September 20, 2001
From : Toni Christiansen-Wagner, Mission Director
USAID/Jordan
Subject : Audit of USAID/Jordan's Recipient Audit
Universe, Report No. 6-278-01-XXX-P
To : Darryl Burris, RIG/A/Cairo

We are pleased with the outcome of this audit of the Recipient Audit Universe of USAID/Jordan. We appreciate the fact that it contains no recommendations. The Mission will continue developing a complete and accurate recipient audit universe and requiring audits from non-U.S. recipients who meet the audit threshold of \$300,000 in annual disbursements.

Thank you for giving us the opportunity to comment on the report.