

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 1987—September 30, 1987



BEST AVAILABLE

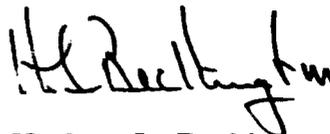


U.S. Agency For International Development

OVERVIEW

The Office of Inspector General (IG) continues to make substantial progress in its long-term effort to improve both internal operations and productivity resulting from audits and investigations. Progress is also being made in improving the quality of security services provided to the Agency. The A.I.D. Inspector General is tasked with the responsibility of promoting the economy and efficiency of the Agency's programs; reducing the incidence of fraud, waste, and abuse; and managing the Agency's worldwide security program. Major accomplishments during this semiannual reporting period were:

- The Office of Audit issued 169 reports which identified economy and efficiency savings of \$178.6 million. These reports also identified \$6.8 million in costs that should be recovered and \$17.2 million in Agency funds which should be deobligated. On recommendations contained in IG audit reports, Agency management sustained \$10.0 million or 61 percent of recommended recoveries or deobligations totaling \$16.5 million. A total of \$15.7 million was actually recovered or deobligated during this reporting period and \$13.3 million sustained by the Agency was awaiting collection. As of September 30, 1987, 60 audit recommendations remained open in excess of six months—down 17 percent from the prior report.
 - The Office of Investigations achieved a record level of administrative and disciplinary actions; obtained three criminal convictions; recovered \$976,028 in fines, restitutions and recoveries; and received commitments from Agency management to
- avoid \$649,698 of unnecessary expenses. The most significant court action resulted in the President of U.S. Materials, Inc., a New York firm, pleading guilty to the charge of misrepresenting his company's ability to fulfill a \$266,000 contract for 2.8 million packets of oral rehydration treatment. Some of the packets contained lethal levels of potassium, resulting in the deaths of four infants in Peru. The most significant investigative recovery involved payment of \$805,000 by Xerox Corporation to settle claims involving sale of equipment to the Government of Egypt.
 - During this reporting period, the Office of Security continued to increase the level of physical security protection provided Agency employees overseas. In the counterintelligence and personnel security programs, primary emphasis was placed on counterintelligence education and the protection of national security information. The number of personnel security investigations conducted were also increased to further tighten the Agency security posture. The Office of Security conducted 896 of these investigations in FY 1987, an increase of 531 investigations (245 percent) compared to FY 1986. Security policies for A.I.D. were developed and issued this period regarding the armored vehicle and emergency radio program, as well as standards for residential and physical security.



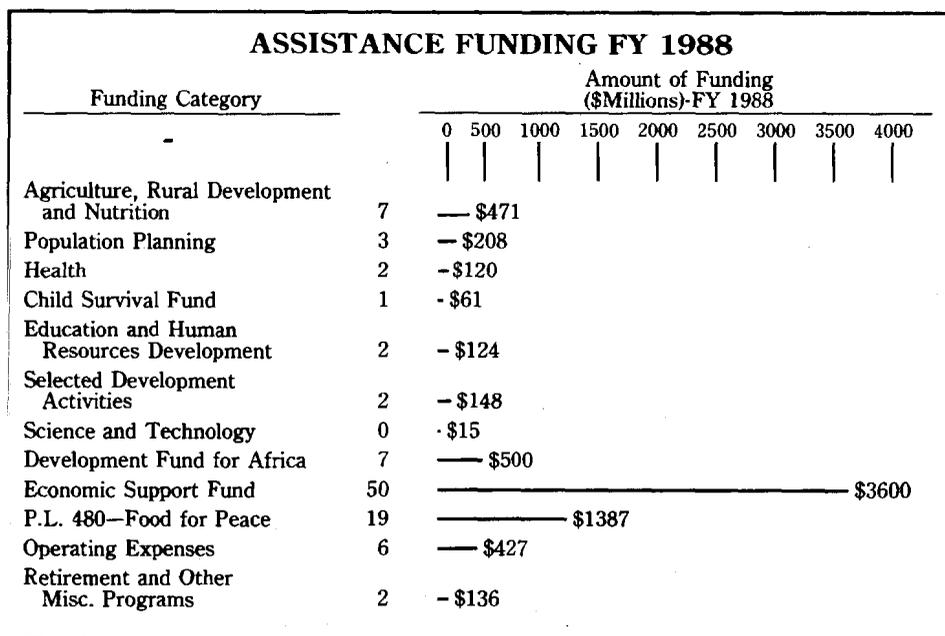
Herbert L. Beckington
Inspector General

OFFICE OF AUDIT

AUDIT RESPONSIBILITIES

The Office of the Assistant Inspector General for Audit is responsible for conducting audits of A.I.D.'s worldwide activities. These activities assist developing countries in meeting the basic human needs of their people through sustained, broadly-based economic growth. The programs and projects funded by the Agency can generally be grouped into six major categories: Agriculture, Rural Development and Nutrition; Health; Population Planning; Education and Human Resources; Energy and Selected Development Activities; and Economic Support Fund Assistance which generally includes Cash Grants and/or Commodity Import Programs. A major program category not funded by A.I.D. is Public Law 480—Commodity Exports (PL 480). Though this program category is funded by the Department of Agriculture, A.I.D. has been assigned responsibilities for certain aspects of its administration. In addition, the IG performs audits of the Agency's missions/facilities' operations, programs/systems reviews and mandated subjects.

In fiscal year 1988, the Agency's economic assistance budget, as presented to the Congress, is estimated to be \$5.8 billion, of which \$2.2 billion will be provided from the Development Assistance appropriation and \$3.6 billion from the Economic Support Fund appropriation. In addition, funding for PL 480 in fiscal year 1988 is estimated at \$1.4 billion. The following bar graph illustrates the composition of this assistance:



During this semiannual reporting period, the Office of Inspector General's and other governmental audit organizations' audit reports

A.I.D. policy states that when significant delays occur, project implementation plans and budgets should be revised so Mission personnel can anticipate critical activities and determine what can be accomplished within new timeframes and budgets. Project plans and budgets had not been revised even though the project had experienced a three-year delay and costs for construction had escalated by 65 percent—from about \$26 million to \$43 million. The report recommends that the project implementation plan and budget be updated to include information needed by A.I.D. management to determine what can be accomplished within the remaining time and funding level.

The grant agreement required the Government of the Republic of Cameroon to provide employees for two key positions early in the project—a Director of Research and Extension and an assistant to the U.S. technical assistance team's Administrative Specialist. At the time of audit, the grantee had not filled these positions. By not enforcing the grant agreement, A.I.D. management allowed the two positions to remain vacant for several years. As a result, certain project activities were not conducted and the U.S. technical assistance team's Administrative Specialist position had to be extended for 35 months at a cost of about \$132,000. The audit report recommends that A.I.D. management enforce the terms of the grant agreement and not approve further extension of technical assistance positions until qualified host country personnel are officially appointed.

Corrective actions outlined by A.I.D. management in its response should remedy these problems and address the concerns raised by this audit report. (Audit Report No. 7-631-87-9, July 6, 1987)

—AGRO-INDUSTRIAL DEVELOPMENT PROJECT IN JAMAICA—

In September 1982, A.I.D. and the Government of Jamaica signed a \$4.2 million loan agreement to strengthen Jamaica's agribusiness industry through increased production and export of non-traditional crops. Amendments to the agreement have increased A.I.D.'s funding to \$9.5 million and split the project into two components.

Component I, funded at \$4.9 million, established an Agro-Industrial Development Fund in the Government of Jamaica's Agricultural Credit Bank. That amount, supplemented with Government of Jamaica funding of \$8.5 million, was to extend credit through commercial banks to eligible agro-industrial borrowers. The loan recipients were to use A.I.D. funds to import capital goods, equipment and spare parts and Jamaican counterpart funds were to be used for construction and domestic raw materials.

Component II, funded at \$4.6 million, was to provide funding for strategic planning, promotional activities and prefeasibility studies.

**DEOBLIGATION OF
AGENCY FUNDS
TOTALING \$4.1 MILLION
RECOMMENDED**

This component intended to accelerate investment by large private sector agribusinesses—both foreign and domestic. This component, supplemented by \$1.9 million from the Government of Jamaica, was to be implemented by “Agro 21,” a Government of Jamaica agency for revitalizing Jamaica’s agricultural sector.

The audit showed that the Agro-Industrial Development Project had not achieved planned objectives of providing foreign exchange loans and attracting significant foreign investment in agro-industrial projects. Also, a lack of adequate records precluded a determination of whether A.I.D. funds were always used for approved project purposes.

Agency management had made revisions to the original September 1982 project agreement to streamline the project and make it easier for potential borrowers to obtain loans. Management also deobligated and reprogrammed a total of \$3.6 million to make better use of available funds. Despite these efforts, the lack of both a demand for foreign exchange loans and a system to evaluate the project’s accomplishments rendered the project largely ineffective in providing foreign exchange loans and attracting foreign investments in agro-industrial projects.

The audit report recommended that A.I.D. management establish clear, definitive project objectives which can be realistically achieved by the September 30, 1987, the project completion date, and uncommitted funds of approximately \$4.1 million be deobligated. Agency management agreed with the recommendations and initiated action to implement them. (Audit Report No. 1-532-87-25, April 27, 1987)

AUDITS OF EDUCATION AND HUMAN RESOURCES DEVELOPMENT

AGENCY’S EDUCATION AND HUMAN RESOURCES DEVELOPMENT PROGRAM HAS OBLIGATIONS OF \$1.1 BILLION

A.I.D.’s Education and Human Resources Development Program funds 193 projects and has obligations totaling \$1.1 billion through September 30, 1986, of which \$0.8 billion had been expended. Projects in this program category support a broad range of training and education program objectives. The primary objectives are to improve basic schooling opportunities for children and skills training for adolescents and adults. Also, scientific, technical, administrative and managerial training is provided as needed to Agency programs.

In Cairo, Egypt, the Regional Inspector General’s review of A.I.D.’s Basic Education Project in Egypt identified significant problems in school construction and property management areas. Highlights from two audits of this project during this reporting period follow:

**AUDIT
ACCOMPLISHMENTS**

of A.I.D. programs and administration were instrumental in recovering or reprogramming significant sums of money and identifying waste, abuse and noncompliance with established policies and regulations.

The Office of Audit issued 78 reports internally and processed 91 reports performed by non-Federal auditors or other government audit organizations during this reporting period. Also during this period, \$178.6 million in economy and efficiency savings, \$17.2 million in recommended deobligations, and \$6.8 million in costs that had been incurred by the Agency and should be recovered were identified through our audit efforts.

The Inspector General's Audit Follow-up and Closure System monitored the action taken on audit reports issued during this and prior reporting periods. Highlights of Agency actions taken on Inspector General recommendations during this period follow:

- Agency management reached determinations on \$15,069,162 in recoveries and deobligations recommended by Inspector General audit reports. Of this total, \$9,184,272 or 61 percent was sustained by the Agency.
- Agency management reached determinations on \$1,389,072 in recoveries and deobligations recommended by non-Federal auditors or other governmental agencies' audit reports. Of this total, \$785,660 or 57 percent was sustained by the Agency.
- A total of \$15,653,392 (\$14,931,548 from Inspector General audit reports and \$721,844 from external audit organizations' audit reports) was recovered or deobligated as a result of audit work in this and prior periods.
- As of September 30, 1987, \$31.2 million in recommended recoveries or deobligations were awaiting Agency determination, of which \$15.0 million or 48 percent represented recommendations in excess of six months old.
- As of September 30, 1987, \$13.3 million in recoveries had been sustained by the Agency but had not been collected, of which \$11.0 million or 83 percent represented recommendations in excess of six months old.

**AGENCY RECOVERED OR
DEOBLIGATED
\$15.7 MILLION THIS
PERIOD AS A RESULT OF
AUDIT
RECOMMENDATIONS**

AUDITS OF AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION

AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION PROGRAM OBLIGATIONS TOTAL \$7.6 BILLION

Agriculture, rural development and nutrition is the Agency's largest program category, both in terms of assistance dollars and number of projects. Through September 30, 1986, the Agency had obligated \$7.6 billion for 697 active projects, of which \$5.2 billion had been expended. Projects in this category are designed to increase agricultural yields, improve diets and support agricultural research in developing countries where hunger and malnutrition are a major development problem.

Our audits in this area reviewed the integrity of A.I.D.'s administration of these projects and whether project activities had been accomplished as intended. Highlights of audits performed during this reporting period follow:

—THE AGRICULTURAL EDUCATION PROJECT IN CAMEROON—

CONSTRUCTION DELAYS AND LACK OF KEY PERSONNEL HINDER PROJECT IMPLEMENTATION

The Agricultural Education Project was designed to help the Government of the Republic of Cameroon build and staff an agricultural university modeled after the U.S. land grant college system. This system integrates teaching, research and extension to provide students with an agricultural education combining theory and practice. The project was part of an effort by the United States, Belgium, France, and the World Bank to develop an agricultural institution in Cameroon which would provide improved knowledge and services to the agricultural sector.

The project agreement was signed on July 15, 1982, with project completion scheduled for September 30, 1988. The total cost of the project was estimated at \$136 million. A.I.D. funding included \$17 million in grants and \$26 million in loans to finance (1) U.S. technical assistance to revise the curriculum and the academic and administrative structure, (2) construction of teaching facilities, dormitories, a library, and three research and demonstration farms, and (3) the education of about 50 faculty members in masters and doctoral programs. The Government of the Republic of Cameroon and other donors were to fund the remainder of the costs.

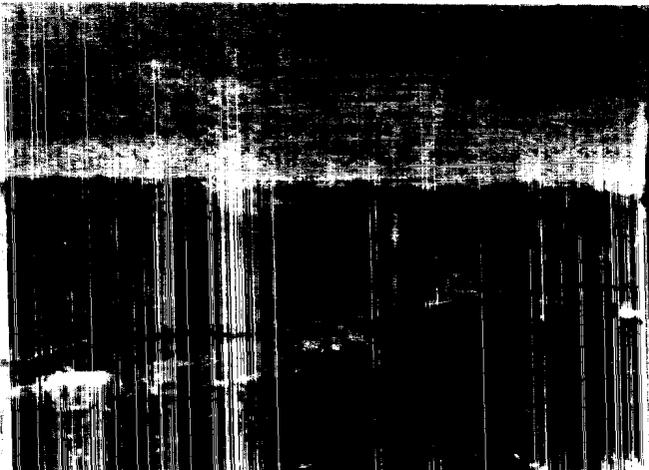
The audit showed that while progress was made in revising the curriculum and administrative structure, the project was almost three years behind schedule because of construction delays and project costs had increased by about \$17 million. Additionally, project performance was hampered by a lack of an adequate project implementation schedule and budget, and the Government of Cameroon had not provided key project personnel.

—BASIC EDUCATION PROJECT IN EGYPT—

The Basic Education Project began in 1981 to assist the Egyptian Ministry of Education in upgrading the quality and structure of basic education in Egypt. The project was to increase school enrollments, especially for girls in rural areas between the ages of 6 and 15, and improve the efficiency of basic education in Egypt. A.I.D. authorized \$190 million for constructing and equipping new school buildings and classrooms. At September 1, 1986, \$105 million has been obligated, including \$80 million for school construction and furniture and \$20 million for instruction materials and equipment. Originally, the project was scheduled for completion on June 30, 1986, but the project was expanded from 5 to 10 governorates, and then to 24 governorates, with a revised completion date of June 30, 1991.

**IMPROVEMENTS NEEDED
IN SCHOOL
CONSTRUCTION AND
PROPERTY
MANAGEMENT TO
PROTECT A.I.D.'S \$105
MILLION INVESTMENT**

The audit report of school construction showed that satisfactory progress was being made in providing schools for Egypt's expanding school population and all 37 schools visited by the auditors were fully used. However, the report also discussed conditions which had a negative impact on the Agency's \$80 million investment in construction. The audit showed that: school buildings were not properly maintained; construction quality could be improved through better inspection and acceptance procedures; and construction delays slowed accomplishment of project targets. To correct these problems the report recommended that (1) a program of continuing maintenance and follow-up be established as a condition for A.I.D. funding, (2) construction standards be established and applied in inspection and acceptance of school construction, and (3) construction progress be closely monitored by A.I.D. and funds be reallocated among governorates when not effectively used for construction in other governorates.



Construction defects in school buildings were accepted under current quality inspection standards.

The audit report concerning property management under the project disclosed that, while A.I.D.-financed instructional materials and equipment were procured in accordance with A.I.D. regulations, the Ministry of Education's property management system was deficient. Problems were found in warehouse accountability and preventing waste from nonutilization or underutilization of materials and equipment. Improved monitoring by Agency personnel was needed of the Ministry's use of equipment.

The report recommended that Agency management initiate action to (1) require the Ministry of Education to maintain proper accountability and control of A.I.D.-financed equipment, (2) provide technical assistance to the Ministry of Education warehouse storekeepers in maintaining proper accountability records, (3) defer approval of the procurement of the \$10 million of additional equipment until such time an effective property management system is operational, and (4) unused equipment be redistributed.

Agency management agreed with the recommendations contained in both IG reports and initiated corrective actions. (Audit Report Nos. 6-263-87-5, April 27, 1987; and 6-263-87-8, May 31, 1987)

AUDITS OF SELECTED DEVELOPMENT ACTIVITIES

AGENCY'S SELECTED DEVELOPMENT ACTIVITIES PROGRAM HAS OBLIGATIONS OF \$4.7 BILLION

The Agency's third largest program funds 511 development activity projects. At September 30, 1986, this category had obligations totaling \$4.7 billion and \$3.5 billion had been expended. Projects in this category address cross-sectoral development problems. These projects are also designed to implement such Agency priorities as promoting the private sector role in development, policy dialogue, institution building and technology transfer.

The Regional Inspector General in Manila, Philippines identified significant problems in the Private and Voluntary Organization Co-Financing Project in the South Pacific. The audit of this project was made to determine if project activities were being accomplished as planned. Highlights of this audit follow:

—PRIVATE AND VOLUNTARY ORGANIZATION CO-FINANCING PROJECT IN THE SOUTH PACIFIC—

ACTIVITIES FUNDED UNDER \$20 MILLION CO-FINANCING PROJECT WERE NOT ACHIEVING AGENCY GOALS

The Agency authorized \$20 million in grant funds between 1984 and 1988 to promote development activities in the South Pacific for low-income groups. The program was to use U.S. and local private and

voluntary organizations. As of September 1986, \$10.9 million had been obligated and \$7.7 million expended under the Private and Voluntary Organization (PVO) Co-Financing Project to implement 29 sub-projects in a variety of areas.

The audit showed that A.I.D.'s policy was to increase the economic development impact of voluntary agency programs, focus resource use, and utilize funds economically and efficiently. However, most small project activities funded under the project could not demonstrate a development impact and were not economically and efficiently managed. Subprojects were too technically varied, geographically dispersed, and lacked a specific economic development focus. As a result, A.I.D. funds were expended for subprojects that did not demonstrate a significant developmental impact. The report recommended that the project fund only those activities which have a demonstrable economic development purpose and are concentrated either technically or geographically. Agency management had not provided a plan of action to implement this recommendation.

The audit also showed that the financial management systems of six of the eight grantee field offices reviewed were deficient. Grantees did not have adequate guidance concerning A.I.D.'s financial management requirements, audits were not made of these offices, and the local offices had not established adequate accounting systems. As a result, expenditures were made for unauthorized purposes and A.I.D. could not be assured that funds were used properly. We recommended that more specific guidance be provided to grantees as to A.I.D.'s financial management and audit requirements, and assistance be provided to grantees to establish adequate accounting systems. Agency management indicated agreement with the recommendations. (Audit Report No. 2-879-87-9, August 18, 1987)

AUDITS OF ECONOMIC SUPPORT FUND

The primary objective of the Economic Support Fund (ESF) is to support U.S. economic, political and security interests and to advance U.S. foreign policy objectives. On a grant or loan basis, the ESF provides financial support for balance of payments, infrastructure and other capital projects, and development projects of direct benefit to the poor. Assistance in this category is generally made through cash grants and/or commodity import programs. At September 30, 1986, the ESF category included 94 active projects with obligations totaling \$7.2 billion of which \$5.8 billion had been expended.

During the reporting period, the Regional Inspector General in Manila, Philippines reviewed the project assistance being financed under the Economic Support Fund program in the Philippines. The audit was made to determine if management controls and monitoring procedures

**ESF GRANTS AND LOANS
SUPPORT U.S. FOREIGN
POLICY OBJECTIVES**

were adequate to ensure that funded construction subprojects were effectively implemented. Highlights of this review follow:

—PROJECT ASSISTANCE UNDER THE PHILIPPINE ECONOMIC SUPPORT FUND PROGRAM—

U.S. INTERESTS NOT BEING PROTECTED IN ADMINISTERING \$109 MILLION PROGRAM

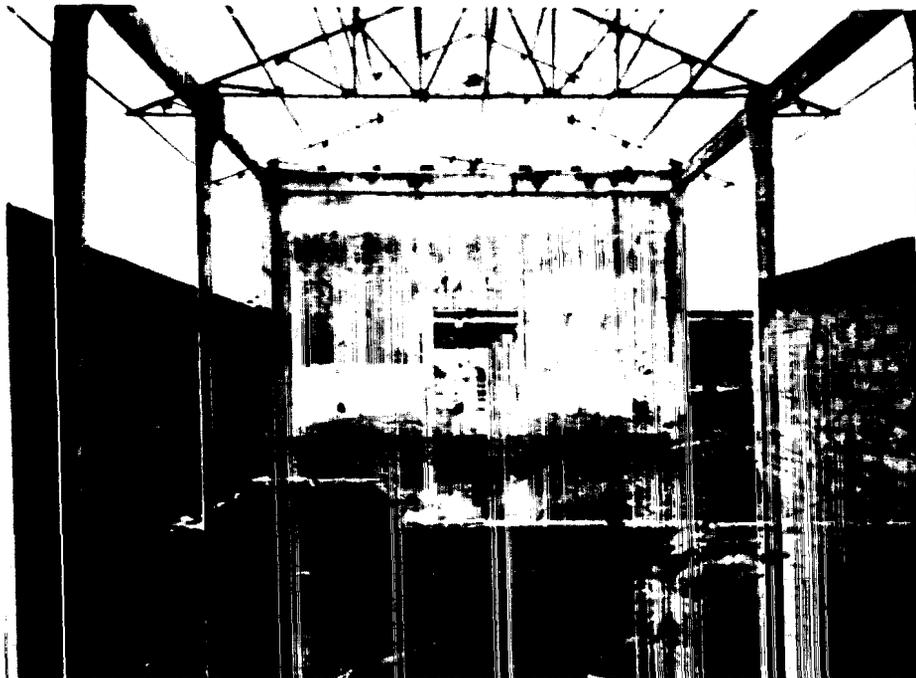
Through May 1986 A.I.D. had transferred \$108.8 million under Economic Support Fund (ESF) grant agreements to help the Government of the Philippines meet balance of payments and foreign exchange needs. As part of the transfer agreement, the Philippine Government was to provide an equivalent amount of local currency (pesos) for implementing construction projects in the Philippines. The projects included public markets, schools, roads, slaughterhouses, bridges, hospitals and similar structures.

The audit found that management controls and monitoring procedures instituted by the Philippine Government did not fully protect the interest of the U.S. Government and several construction projects were not effectively implemented. ESF-financed structures visited exhibited numerous design and construction defects. Over 90 construction deficiencies were noted at 24 of the 38 selected subprojects. While most were minor, some defects seriously degraded the integrity of the structures, making them dangerous to occupants and users, and threatening the health and safety of residents in their vicinity. Also, significant delays in construction occurred and costs increased as remedial action was undertaken to correct numerous deficiencies.



Improperly designed splitway collects debris at intakes.

These problems resulted because the Philippine Government did not establish adequate procedures to ensure that acceptable designs were developed and effectively review designs before the commencement of construction. Also, the Government did not ensure that standard design contracts clearly assigned responsibility for ensuring design quality and enforcing the "utmost care" contract clause for subproject construction contracts.



The interior of this slaughterhouse will require extensive redesign as roofbeams were incorrectly attached to concrete stantions.

The report recommended that A.I.D. and Philippine Government officials establish a system for technical review of subproject specifications and designs, modify design contracts to specify designer responsibility and liability, and establish an enforcement mechanism to ensure design and engineering firms are held accountable and liable for faulty or poor design work. In response to our recommendations, A.I.D. management agreed to assist the Philippine Government in establishing a system for technical review of subproject specifications and designs, but stated no amount of modification of contract language would overcome the difficulties of contract enforcement in the Philippines. (Audit Report No. 2-492-87-8, July 15, 1987)

REVIEW OF MAJOR MANAGEMENT SYSTEMS/PROGRAMS

REVIEWS OF THE EFFICIENCY AND EFFECTIVENESS OF MAJOR AGENCY-WIDE SYSTEMS AND PROGRAMS

The reviews of major management systems are designed to determine the efficiency and effectiveness of foreign assistance programs or the systems used to administer assistance dollars in a broad, Agency-wide context. Highlights of significant audits performed this reporting period follow:

—THE PARTICIPANT TRAINING PROGRAM—

AUDITS OF PARTICIPANT TRAINING PROGRAM IDENTIFY \$17.1 MILLION IN SAVINGS

The A.I.D. Participant Training Program is a vital element of foreign assistance. The goal of the program is to assist in upgrading the educational and human resources of developing countries, particularly in skills related to economic development, by providing technical and academic training for foreign nationals. A.I.D. provides approximately \$200 million per year for participant training. During fiscal year 1986, 15,330 participants were receiving training in the United States.

The Agency's Bureau for Science and Technology, Office of International Training, administers the participant training program. This office is responsible for participant training policy and procedures, oversight of the Participant Training Program, and direct management of one participant training contractor and three U.S. Government offices which provide training. The placement and oversight of participants during their training program is largely performed by private sector firms and nonprofit organizations under contract with A.I.D. These contractors usually assume full responsibility for the management of participants in accordance with A.I.D. training regulations and procedures.

Two audits were made of A.I.D.'s Participant Training Program during this reporting period. These audit reports made recommendations which would save the Agency approximately \$8.2 million per year and require the deobligation of \$8.9 million in excess training monies.

The first Participant Training Program audit report, issued April 17, 1987, found that:

- A.I.D. had not established effective procedures for identifying unused training funds. Excess participant training monies of \$8.9 million had accumulated over several years which could have been used to reduce A.I.D.'s training budget requests or reprogrammed to relieve budget constraints in other A.I.D. operations.
- Training expenditures were made for participants who were not enrolled in school. A.I.D. records showed that approximately \$6

million was paid to universities and other training institutions on behalf of 555 participants who were not recorded in the participant training information system files. Furthermore, according to our verification of university records, payments of approximately \$1.1 million were made on behalf of 127 students who were not registered at the universities shown on the contractor or Agency records.

- Short-term or "technical" participants were not monitored adequately. A.I.D. spends \$50 million annually to train approximately 6,700 technical students with no assurance that the participants are attending classes regularly, performing satisfactorily or even completing the training courses.
- A.I.D. made payments of \$2.3 million on the behalf of participants whose student visas, according to Agency records, had already expired. Many of these payments were made for two or more years following the expiration of the visa.

The second audit report, issued September 29, 1987, showed that:

- Contrary to program objectives, participants who had completed their training were not always returning to their home countries and applying their training. Specifically, A.I.D. had an overall participant nonreturn rate of seven percent, with almost one-half of the countries reviewed having nonreturn rates from 10 to as high as 34 percent. As a result A.I.D. is paying about \$4.1 million per year in educational costs to train participants who do not return to their home countries.
- A.I.D. paid approximately \$2 million more than necessary in tuition fees for 921 academic participants currently in school. A.I.D. paid higher, out-of-state tuition rates even though lower, in-state rates were available for A.I.D.-sponsored participants. The higher rates were paid because A.I.D. had not communicated cost reduction opportunities to contractors who place participants in academic programs.
- Contrary to Agency policy which states "with few exceptions, A.I.D. support for academic training in U.S. institutions will be limited to three calendar years," A.I.D. spent about \$9 million on behalf of 252 participants who were in the U.S. in training from five to as long as nine years. For example, one participant had been working on his doctorate degree in the U.S. for seven years at a cost of over \$100,000. Furthermore, the audit showed that over 20 percent of these participants had completed training but had not returned to their home countries. As a result, these participants were not contributing to their home countries' development goals as planned.

The two audit reports made nine recommendations to establish more effective procedures and controls over the Program. Agency management did not directly respond to the recommendations in the April 1987 report and advised they would provide revised comments. No comments had been received as of the end of this reporting period. Agency management was generally responsive to the recommendations in the September 1987 report indicating corrective measures would be initiated to implement the recommended action. (Audit Report Nos. 9-000-87-5, April 17, 1987; and 9-000-87-7, September 29, 1987)

—ACCOUNTABILITY FOR LOCAL CURRENCY IN AFRICA—

AUDIT SHOWS THAT ANNUAL LOCAL CURRENCY PROCEEDS OF \$1 BILLION ARE NOT ADEQUATELY MANAGED

In Africa, an estimated \$1 billion of local currency accrued annually through various A.I.D. non-project assistance programs, such as Public Law 480 (PL 480) Title I sales agreements; PL 480 Title II Section 206 and Emergency Food grant agreements; PL 480 Title III agreements; Economic Support Fund Commodity Import Programs and Cash Transfer grants. Most local currency proceeds result from the sale of U.S.-provided commodities (e.g., wheat, machinery, fertilizer, etc.) or dollars to private sector businesses within the receiving countries. Although these proceeds are actually owned by the recipient governments, Federal law, A.I.D. regulations, and written agreements between A.I.D. and the recipient governments require that the proceeds be used to fund mutually agreed upon development initiatives.

The implementation and day-to-day operations of each of the local currency programs differed from country to country and specific legislative and A.I.D. regulatory requirements differed among programs. However, the programs had two major areas in common. First, the programs accrued local currency proceeds to be used for development activities agreed upon between A.I.D. and the recipient governments. Second, A.I.D. had responsibility for ensuring the local currency proceeds were used for agreed to purposes.

This audit covered local currency accountability in 10 African countries by reviewing A.I.D. missions' and recipient governments' accounting and internal controls over local currency proceeds accruing through the various A.I.D. programs. The specific objectives were to evaluate A.I.D. missions' and recipient governments' accounting and internal control systems for local currency proceeds and the agreement provisions requiring local currency deposits.

The audit disclosed that A.I.D. missions and recipient governments could improve accounting and internal controls for local currency in 9 of 10 countries covered by this audit. The audit showed that (1)

local currency equivalent of \$107 million had not been accounted for, (2) significant delays had occurred in collecting local currency valued at \$113.4 million, and (3) A.I.D. had forfeited the use of the local currency equivalent to \$9.4 million. In addition, millions of dollars of development impact may have been lost because some PL 480 agreement provisions were not clear as to the exact amount of local currency proceeds to be deposited for development activities and/or did not contain provisions for interest bearing accounts.

To correct these problems, the report recommended that A.I.D. mission controller personnel play a greater role in evaluating and establishing local currency accounting and internal control systems. The report also recommends that A.I.D. improve both PL 480 agreement provisions for determining the amount of local currency proceeds and the financial management controls over these proceeds. (Audit Report No. 3-000-87-10, September 17, 1987)

—CONTROLS OVER THE SPECIAL ACCOUNT IN EGYPT—

Between 1979 and 1986 the United States provided Egypt with more than \$1.7 billion in grant funds under the Commodity Import Program and the Production Credit Project. Local currency generated from these activities was to be used for mutually agreed upon purposes. In accordance with these requirements, the Government of Egypt established a Special Account in the Central Bank for the local currency deposits. As of December 1986 there was a reported \$325 million in the account.

**AUTHORIZATION OF
FUNDS TO EGYPT COULD
BE REDUCED BY MORE
EFFECTIVE USE OF
AVAILABLE LOCAL
CURRENCY PROCEEDS**

The audit showed that local currency collections and deposits into the Special Account were not adequately recorded and reconciled; local currency available in the account was not effectively programmed and used; and Special Account funds were retained on a noninterest-bearing basis at the Central Bank.

A.I.D. management in Egypt made a concerted effort between 1984 and 1986 to improve the processes for verifying and reconciling collections and deposits. These efforts enabled the mission to gain some assurance that controls over the account were being exercised. Nevertheless, A.I.D. could not fully resolve the problems noted in prior audits mainly because the Government of Egypt did not implement the agreed upon accounting system for collections and deposits. The report recommends that if the Government of Egypt does not implement agreed-upon procedures in a timely and effective manner, A.I.D. require immediate deposit of all required proceeds based on official reports of Commodity Import Program disbursements maintained by A.I.D. The mission replied that other ways to solve the problem would be explored.

Special Account funds, totaling about \$325 million at December 1986, were not effectively programmed and used to support A.I.D. projects and other development activities in Egypt. Considering the large amount of unprogramed local currencies in the special account, A.I.D. requested that an additional \$190 million of local currencies in the special account be programed in fiscal year 1986. Despite this, the Government of Egypt reduced A.I.D.'s request to \$39 million.

While most of the funds remained in the Special Account, A.I.D. was spending millions of U.S. appropriated dollars to purchase local currency for its projects. The audit identified three A.I.D. projects in which \$131.5 million was used to purchase local currency during the same period excess, unprogramed local currencies were idle. The report recommends that Agency officials maximize the use of Special Account funds, explore new development areas with the Government of Egypt and establish a system for transferring funds directly to projects. The mission commented that initiatives were being taken to improve Special Account programming and use, but stated that the need for detailed tracking of Special Account funds to projects was not a necessity.

Local currency proceeds were deposited into a noninterest-bearing Special Account at the Central Bank of Egypt. If the Special Account balance on deposit in December 1985 had accrued interest at 9 percent for one year, additional funds totaling about \$19.5 million could have been generated for developmental uses. Over the life of the Commodity Import Program grants in Egypt the additional funds would have been many times this amount. The report recommends that A.I.D. officials confer with the Government of Egypt regarding the desirability of placing Special Account funds into interest-bearing accounts at public and private sector banks. A.I.D. management replied that the payment of interest on the Special Account could increase inflationary pressures, and Special Account balances were ample for mission requirements. (Audit Report No. 6-263-87-9, June 25, 1987)

—CONTROLS OVER GOVERNMENT CONTRIBUTIONS TO A.I.D.-FINANCED PROJECTS IN SRI LANKA—

EFFECTIVENESS OF AGENCY PROGRAM IN SRI LANKA HINDERED BY LACK OF HOST COUNTRY CONTRIBUTIONS

Section 110 of the Foreign Assistance Act of 1961, as amended, provides that no assistance should be furnished to a country under Sections 103 through 106 of the Act until the country provides assurances to the President that it will provide at least 25 percent of the cost of the entire program or project for which such assistance is to be furnished. The Congress enacted this requirement concerning Development Assistance funds in order that recipient governments demonstrate their interest and support in the development efforts financed by A.I.D.

As of April 1, 1987, there were 11 active projects in Sri Lanka requiring Government of Sri Lanka contributions of about \$203.2 million. This was 45 percent of the overall estimated project costs of approximately \$453.4 million. Our audit of A.I.D.'s controls over the financial contributions being made by the Government of Sri Lanka showed that contributions to A.I.D.-funded projects were not always made, especially in funding project staffing. The lack of adequate contributions resulted in the inefficient use of A.I.D. funds and loss of economic benefits to the Government and people of Sri Lanka. A.I.D. management in Sri Lanka was not in a good position to solve these problems because an adequate monitoring system and related controls to identify and resolve host country contribution problems had not been established. The report recommends that A.I.D. establish policies and procedures in specific areas for better control over host country contributions. A.I.D. management in Sri Lanka has concurred in only one of the four parts of the recommendation to date. (Audit Report No. 5-383-87-6, September 3, 1987)

—MANAGEMENT SYSTEMS AND CONTRACTING PROCEDURES IN SOMALIA—

The Office of the Regional Inspector General for Audit, Nairobi, Kenya made a review of procurement procedures and actions conducted by the A.I.D. mission in Somalia. The objectives of the review were to determine if the mission was complying with: (1) Agency fund control procedures, (2) Federal Acquisition Regulations (FAR) in the award and administration of contracts, and (3) requirements concerning the award of contracts based on unsolicited proposals. The review included 28 contracts or leases totaling approximately \$1.3 million.

AGENCY PROCUREMENT SYSTEM NEEDS IMPROVEMENT IN SOMALIA

The audit showed that the mission had made administrative violations of fund control regulations and had not complied with procurement regulations concerning award and administration of contracts. In addition, the mission had not complied with Agency regulations concerning the award of contracts based on unsolicited proposals. The review found that contracts and lease agreements were signed or amended prior to certification of funds availability and contracts were awarded without documenting the basis for award and justifying less than full and open competition. Also, salary histories were not verified and unsolicited proposals were not processed in accordance with Agency procedures.

The report recommends that guidance and procedures be prepared for policing and ensuring that Agency regulations are adhered to with regard to procurement practices. A.I.D. management concurred with the report recommendation and has begun to implement corrective action. (Audit Report No. 3-649-87-16, July 29, 1987)

MANDATED AND MISCELLANEOUS AUDITS

There are six specific subjects which the IG has been mandated to audit on an annual basis. These mandated subjects include, among others, reviews of reporting on consultant contracts, internal control systems and year-end spending. These reviews, as well as audits of miscellaneous topics, such as the Housing Investment Guaranty and American Schools and Hospitals Abroad Programs, are conducted to assess the effectiveness of program implementation, determine compliance with applicable laws, and/or review the propriety of the use of Agency funds. Highlights of the review of the Housing Investment Guaranty Programs in Zimbabwe and Panama performed by the Regional Inspectors General for Audit, Nairobi, Kenya and Tegucigalpa, Honduras, follow:

—HOUSING INVESTMENT GUARANTY SHELTER PROJECT IN ZIMBABWE—

AGENCY ACTION NEEDED TO AVOID LOSS OF \$1.3 MILLION IN FUTURE INTEREST EARNINGS

In September 1980, A.I.D. approved a \$50 million housing guaranty loan project for Zimbabwe. The purpose of the Zimbabwe Shelter Project was to improve the living conditions of the urban poor by providing low-cost housing. This was accomplished by providing housing construction loans to eligible low-income families.

The project was divided into two phases of \$25 million each. Phase I objectives included the construction of approximately 10,000 low cost housing units and community facilities, i.e., schools and clinics. Phase II objectives included the construction of 6,000 low cost housing units and community facilities. All project housing sites were to be fully serviced with roads, stormwater drainage, security lighting, water, sewer and domestic electricity supply. Our review showed that although project objectives were being accomplished, two problems needed resolution.

First, the audit found that an estimated \$1.3 million in future interest earnings were not programmed in the current project delivery plan for the project. The escrow agreement required that all earnings accrued on funds held in the escrow account be used for the benefit of the project. Both Agency and Government of Zimbabwe officials stated that they did not know the escrow agreement required the use of interest earnings in the project. If interest earnings are not used as required, the project will lose \$1.3 million that could be used toward project goals. The report recommends that A.I.D. management program interest earnings in the project delivery plan or make a formal decision on how these funds will be used. Agency management has disagreed with this recommendation, but has not provided evidence to support its position.

Second, the audit disclosed that many of the community facilities at the housing sites did not have an electricity supply. The project delivery plan required the Government of Zimbabwe to service all project sites with a domestic electricity supply. The sites were not supplied electricity because the Government did not provide the project with the funds needed to import required electrical components. Even though the project was adequately funded in U.S. dollars, the Government did not allocate any of these dollars to use as foreign exchange for the purchase of \$2.1 million of electrical components. As a result, a significant decrease occurred in project results, including degradation of security, educational and health care facilities. The report recommends that Agency management not authorize further loan disbursements for the procurement of electrical components. Management concurred with this recommendation. (Audit Report No. 3-613-87-17, August 10, 1987)

—A.I.D.-ASSISTED SHELTER SECTOR ACTIVITIES IN PANAMA—

The Office of the Regional Inspector General for Audit, Tegucigalpa, Honduras made an audit of the Housing Guaranty Program in Panama. A.I.D.'s Housing Guaranty Program provides U.S. investors with a full-faith U.S. Government all-risk guaranty for loans made to authorized borrowers in less developed countries. The loan package of \$75 million was to be authorized in three equal tranches of \$25 million each. A total of 5,699 housing "solutions" had been delivered as of November 30, 1986, at a cost of \$28.7 million. Also, 7,422 home improvement sub-loans had been granted for a total of \$8.3 million.

Overall, the Housing Guaranty Program in Panama had accomplished A.I.D.'s primary objective of providing or improving over 13,000 units of low-cost housing. The Regional Housing Office encouraged the Government of Panama to pass several policy reform laws, strengthening the financial position of the National Mortgage Bank, motivating institutional changes at the Ministry of Housing and most importantly, providing housing "solutions" for low-income Panamanian families.

A.I.D.-guaranteed housing program benefits should be available impartially to all Panamanian citizens whose gross family income falls below the local median. Audit results disclosed that the beneficiary selection criteria employed by the Government of Panama included political party affiliation and inaccurate calculation of family incomes. This occurred because neither the Regional Housing Office nor USAID/Panama had approved or even reviewed Housing Guaranty Program beneficiary selection criteria. In certain instances, persons not otherwise eligible for A.I.D.-guaranteed housing program benefits were selected as program beneficiaries. More importantly, however, persons equally deserving of obtaining housing assistance were denied

NUMEROUS DEFICIENCIES FOUND IN HOUSING GUARANTY PROGRAM IN PANAMA

equal access to that benefit because they lacked political support. We recommended suspension of disbursements of loan funds until approved beneficiary selection criteria are established.

Pertinent provisions of the Housing Guaranty Program agreements having to do with beneficiary eligibility limited participation in the program to families whose gross income fell below the local median. In addition to the previous finding, three other deficiencies prevented this key selection criterion from operating as planned. First, median income levels for the various localities in which the program was to operate were not periodically updated as required. Second, income figures alleged by candidates in their home applications frequently remained unverified by government authorities. And finally, income limits were simply ignored in certain cases and locations. These shortcomings existed because of lax Government program oversight and control. As a result, persons who did not qualify for housing guaranty loan-financed units obtained program benefits while other equally or more deserving applicants await a solution to their housing needs. We recommended revision of the income tables, verification of incomes and assurance that loan recipients met income criteria.

The implementation agreements required the borrower to maintain adequate books and records. The audit found that the National Mortgage Bank had not maintained separate accounting records to segregate program financial resources. Although the establishment and maintenance of separate accounting records by the bank was a condition precedent to A.I.D.'s initial disbursement of A.I.D.-guaranteed loan funds, the Regional Housing Office did not obtain compliance. The absence of separate accounting for program financial resources denied management timely and reliable information needed for decision making, reporting, and monitoring. We recommended suspension of further disbursements until separate accounts and records are established. The Mission noted that separate accounts had been planned and disbursements have been suspended until they are implemented. The recommendation is considered resolved and will be closed by receipt of evidence of a functioning separate accounting system.

The project implementation agreements required that the implementing agencies carry out the program in conformity with sound financial practices. The audit found that the delinquencies for mortgage sub-loans were excessive. The high rate of delinquencies had been caused by the absence of an effective system for managing and monitoring the A.I.D.-guaranteed sub-loan portfolio. This situation, if left uncorrected, could adversely affect the bank's cash flow, jeopardize the recovery of the capital investment needed to replicate low-cost housing "solutions," and thus adversely affect the institution-building objectives of the program. We recommended that the bank improve monitoring of sub-loan delinquencies.

**SEMIANNUAL REPORT
TO THE CONGRESS
April 1, 1987—September 30, 1987**



U.S. Agency For International Development

B/

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A.I.D. management provided written comments to the report, agreeing with and implementing action on most recommendations. (Audit Report No. 1-525-87-29, April 30, 1987)

REVIEWS OF CONTRACT/GRANT INCURRED COST, OVERHEAD OR TERMINATION CLAIMS

The Office of the Regional Inspector General for Audit, Washington, D.C. performs financial audits of A.I.D. contracts/grants to determine compliance with Agency contract/grant provisions and Federal procurement regulations. In addition, this Office receives several requests from A.I.D.'s Office of Acquisition and Assistance Management for audits of contract termination claims. These reviews are required by the Federal Acquisition Regulations when the termination settlement proposal is \$25,000 or more. During this reporting period, 13 reviews of contract/grant costs and one contract termination claim were performed. These reviews resulted in costs of \$2.2 million being recommended for recovery and a reduction of \$0.2 million in proposed costs.

**CONTRACT/GRANT COST
AUDITS RECOMMEND
RECOVERIES OF \$2.2
MILLION**

PREAWARD REVIEWS OF CONTRACTS/GRANTS

During the last six months of fiscal year 1987, several significant preaward reviews of proposed Agency contracts and grants were issued. Preaward reviews are vitally important to the Agency because the validity of estimated costs and potential problem areas can be identified before contracts/grants are awarded. During this reporting period, we performed nine preaward reviews. These reviews resulted in reductions of \$10.0 million in proposed costs.

**PREAWARD REVIEWS
REVEAL POTENTIAL
PROBLEM AREAS
BEFORE CONTRACTS
ARE AWARDED**

NON-FEDERAL AUDITS

The Office of Audit is rapidly expanding a worldwide program for using non-Federal auditors to conduct financial and compliance audits of Agency projects, contracts, or grants. During this reporting period, 31 non-Federal audit reports were issued through the Regional Inspectors General for Audit located in Tegucigalpa, Honduras; Dakar, Senegal; and Nairobi, Kenya.

**NON-FEDERAL AUDITS
RECOMMEND \$400,000
IN COST RECOVERIES**

The objectives of the non-Federal audits were to express opinions on the auditees' compliance with A.I.D. agreements, the adequacy

of the auditees' internal controls and the fairness of the auditees' financial statement presentation. Of the 31 audits this period, the non-Federal auditors gave 22 qualified, adverse or disclaimed opinions regarding the auditees' compliance with A.I.D. agreements; the auditees' internal controls were found to be less than satisfactory in 23 of the audits; and in 10 of the audits, the non-Federal auditors disclaimed an opinion on the auditees' financial statements because of inadequate records.

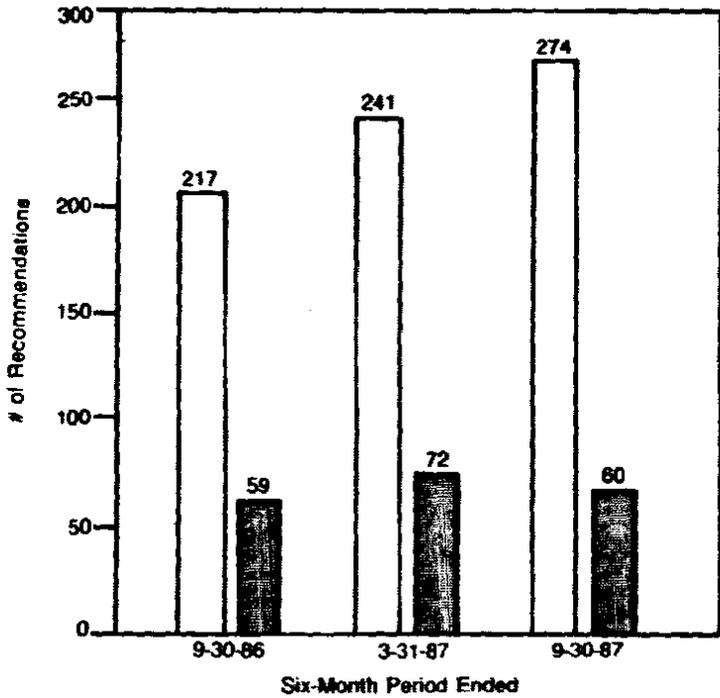
These audit reports included recommendations for the recovery of costs totaling over \$400,000, as well as 337 procedural recommendations to improve Agency projects, contracts, and grants. Four of the non-Federal audits detected matters of fraud and were referred for further investigation to the IG's Office of Investigations or host governments, where appropriate. We believe these audits reflect our longstanding concern over the financial management practices and capabilities in lesser developed countries.

AUDIT RECOMMENDATIONS, FOLLOW-UP AND RESOLUTION

—COMPARISON OF STATUS OF OPEN RECOMMENDATIONS—

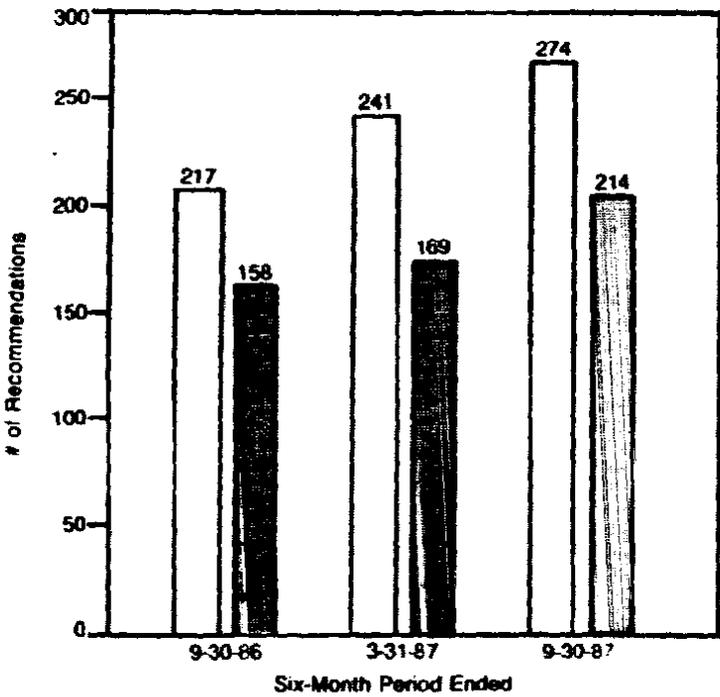
The total number of open recommendations at the end of the reporting period increased by 14 percent (241 to 274) from the prior period. The number of recommendations open in excess of six months, however, decreased by 17 percent (72 to 60) from the prior period.

**TOTAL OPEN
RECOMMENDATIONS TO
THOSE OPEN FOR MORE
THAN SIX MONTHS**



□ Total Open Recommendations ■ Recommendations Open for More Than Six Months

**TOTAL OPEN
RECOMMENDATIONS TO
THOSE OPEN FOR LESS
THAN SIX MONTHS**



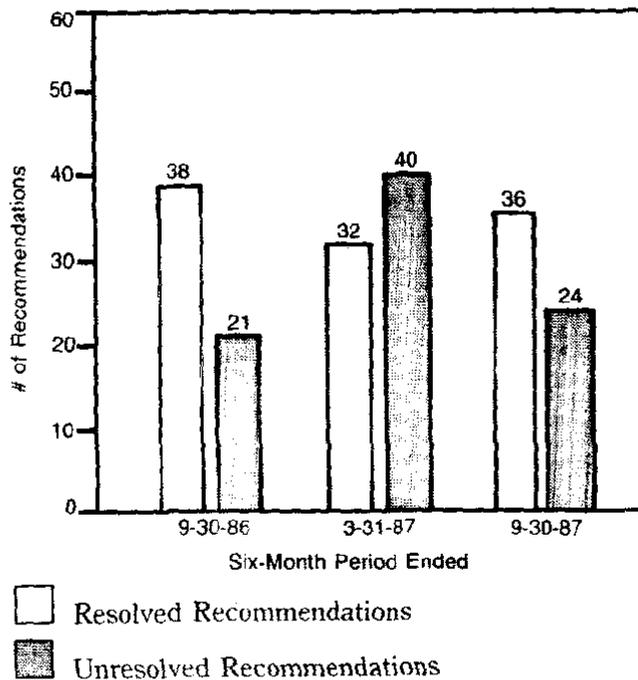
□ Total Open Recommendations □ Recommendations Open for Less Than Six Months

—COMPARISON OF STATUS OF OPEN RECOMMENDATIONS OVER SIX MONTHS OLD—

AGENCY COMPLIANCE WITH OMB CIRCULAR A-50

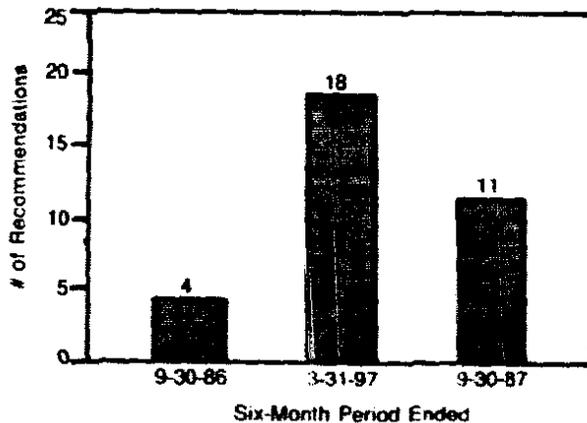
Office of Management and Budget Circular A-50 requires that recommendations be resolved within six months of issuance. In this context, resolution and closure are not synonymous terms. Audit recommendations are resolved when Agency management and the IG's Office reach agreement on firm plans of action to correct the reported deficiencies. Audit recommendations are generally not closed until corrective actions have been completed. The number of IG recommendations open over six months decreased by 12 between March 31, 1987, and September 30, 1987. Violations of the A-50 requirement for resolution also decreased during this period from 40 to 24 or by 40 percent.

STATUS OF OPEN RECOMMENDATIONS OVER SIX MONTHS OLD



—THE SUPPLEMENTARY BUDGET AND RESCISSION ACT OF 1980—

The Supplementary Budget and Rescission Act of 1980 requires that all monetary audit recommendations be resolved within six months of issuance. As the following graph shows, the number of audit recommendations in violation of this statute decreased by 39 percent from 18 to 11 over the past six months.



**AGENCY COMPLIANCE
WITH PUBLIC LAW
96-304**

**UNRESOLVED
MONETARY
RECOMMENDATIONS
OVER SIX MONTHS OLD**

—OTHER INSPECTOR GENERAL REQUIREMENTS—

OMB Circular A-50 mandates that each agency regularly evaluate its performance in complying with the scope and intent of audit recommendations. Consequently, follow-up on closed audit recommendations has been integrated into the audit effort of each Regional Inspector General for Audit as a means of evaluating Agency compliance with audit recommendations. In addition, for all recommendations, the IG's Office of Policy, Planning, and Oversight tracks activity before, during and after resolution and closure. On occasion it is determined from information available that recommendations should be reopened. During the past six months, the Inspector General reviewed three closed recommendations, none of which had to be reopened.

**FOLLOW-UP ON CLOSED
RECOMMENDATIONS**

OMB Circular A-50 also requires that the head of each agency or his designee arbitrate any disagreements between the audit and management functions on the timeliness and/or the nature of the agency's responses to audit recommendations. No recommendations were referred to the Deputy Administrator for resolution during the past six months.

**REFERRALS TO THE
DEPUTY
ADMINISTRATOR**

**REVIEW OF
LEGISLATION AND
REGULATIONS**

Section 4(a)(2) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to Agency programs and operations. During the reporting period, the Inspector General reviewed the proposed amendments to the Foreign Assistance Act and proposals set forth by the President's Council on Integrity and Efficiency. Appropriate comments were provided in each instance.

**OBTAINING REQUIRED
INFORMATION OR
ASSISTANCE**

During the reporting period, the Inspector General of A.I.D. was officially denied access to records of the International Monetary Fund (IMF). The Inspector General Act, Section 6(b)(2), requires that the refusal to provide information by an agency head be reported in this report. Even though this denial of information was not by the Administrator of A.I.D., similar access to information is mandated by Section 520 of the Foreign Assistance and Related Programs Appropriations Act, dated October 15, 1986. Specifically, Section 520 states: "None of the funds appropriated or made available pursuant to this Act shall be available to any international financial institution whose United States governor or representative cannot upon request obtain any document developed by the management of the international financial institution."

Our review of the Economic Support Fund Program in the Philippines identified a need for a document in the possession of the IMF. The IMF officially denied the IG access to that document. We believe this denial violates the intent of the IG Act and arguably the requirement of the Appropriations Act.

**STATUS OF PREVIOUSLY
HIGHLIGHTED REPORTS**

**—REPORTS WITH UNRESOLVED
RECOMMENDATIONS AS OF
SEPTEMBER 30, 1987—**

Catholic Relief Services Administration of the Public Law 480, Title II Programs in Burkina Faso and Kenya and at New York headquarters

**REVIEW RECOMMENDS
PROCEDURAL CHANGES
AND REFUNDS OF OVER
\$1.1 MILLION**

Catholic Relief Services (CRS) is a nonprofit voluntary agency used by A.I.D. to distribute food aid assistance to the needy, worldwide. During 1984 and 1985, CRS distributed approximately \$730 million in relief food on A.I.D.'s behalf. This represents about 20 percent of A.I.D.'s entire Public Law 480, Title II Program and 53 percent of the total commodities provided to voluntary agencies and the World Food Program. The audit showed that a longstanding

disagreement existed between CRS and A.I.D. over regulations governing the collection and use of recipients' contributions. CRS had made, as a matter of internal policy, the determination that A.I.D. regulations governing recipients' contributions did not apply to CRS operations and that food programs administered by CRS should be self-sustaining where possible. As a result, CRS did not comply with A.I.D. regulations governing the Title II program, clear criteria were not established for measuring recipients' ability to pay, and instances were identified during the audit where eligible recipients either did not apply for Title II food because they had no money or were denied food because they could not pay established fees. Of the seven recommendations in the report, only one has been closed. The approximately \$1.1 million due the Government remains unresolved. (Audit Report No. 0-000-86-9, September 30, 1986)

**—REPORTS IN WHICH RECOMMENDATIONS
ARE RESOLVED BUT ARE PENDING
COMPLETION OF CORRECTIVE ACTION AS
OF SEPTEMBER 30, 1987—**

• **Personal Services Contracting Practices**

A review of personal services contracts was made to determine whether the Agency had in place clearly established guidelines, procedures, and regulations governing contracts for personal services in accordance with those guidelines. The review identified several examples of poor contracting practices, including failure to withhold Federal taxes from payments to personal services contractors and other deficiencies symptomatic of an employment system in urgent need of review and corrective action. A.I.D. management has taken several steps to revise Agency regulations, report earnings of personal services contractors on appropriate forms, and implement an automated Personal Services Contractor payroll system. Once these actions are completed, the remaining open recommendation can be closed. (Audit Report No. 1-000-85-12, August 20, 1985)

**PERSONAL SERVICES
CONTRACTING
PRACTICES NEED
WELL-DEFINED
PROCEDURES**

• **A.I.D. Renewable Energy Projects**

Due to the worldwide energy crisis, the Congress, in 1977, amended the Foreign Assistance Act to fund the A.I.D. energy program. Since 1978, A.I.D. has obligated \$170 million to develop, test, and demonstrate technologies in such areas as solar, wind, biogas and small-scale hydro-electric generation. However, A.I.D. undertook projects which did not always adhere to the legislative mandate in that they were (1) not integral parts of agriculture and rural development efforts, (2) not developed and implemented in a timely manner, (3) complex and expensive to build, use and maintain, (4) not suited to intended users, and (5) lacking in replication planning and

**THE AGENCY'S ENERGY
PROGRAM IS NOT
MEETING LEGISLATIVE
OBJECTIVES**

potential. We are awaiting revision of the A.I.D. Energy Policy Paper before closing the remaining audit recommendation. (Audit Report No. 9-000-86-3, February 21, 1986)

**LOCAL CURRENCY
GENERATION OF \$146
MILLION NOT
DEPOSITED OR
ACCOUNTED FOR BY
GOVERNMENT OF SUDAN**

- Local Currency Generations of Commodity Import Programs and Cash Transfer Grants/Sudan

Since 1979, the United States has provided balance of payment support to the Government of the Democratic Republic of Sudan through A.I.D. assistance programs. Most of this support has been provided through Commodity Import Programs (CIP) and Cash Transfer Grants. CIPs are used to finance foreign exchange costs of procuring and shipping a large variety of commodities for use in factories, farms and homes of developing countries. Cash transfers are used primarily for short-term balance of payments support. Between December 31, 1979, and June 30, 1986, A.I.D. and the Government of Sudan signed eleven CIP and Cash Transfer grant agreements. These agreements had program obligations of \$511.1 million, of which \$396.8 million had been disbursed.

The audit showed that as of September 30, 1986, the Government of Sudan had not deposited or accounted for over \$146.3 million of local currencies generated by the CIP and cash transfer grants. The review showed that the Government of Sudan was not requiring governmental ministries or parastatal organizations to deposit local currencies and was not requiring the Central Bank of Sudan to establish an adequate accounting system for controlling local currencies collected from private importers. In response to the one recommendation remaining open, Agency management stated that the Government of Sudan has agreed to deposit in a special account an amount equal to its outstanding CIP local currency debt. The exact amount of this debt will not be determined until the first quarter of fiscal year 1988. (Audit Report No. 3-650-87-4, December 8, 1986)

- Audit of Cost Sharing/Bureau for Science and Technology

**ACTIVE SOLICITATION
OF GRANTEE COST
SHARING COULD SAVE
AGENCY \$21 MILLION
PER YEAR**

The Bureau for Science and Technology (S&T) centrally funded programs include basic and applied research, development and testing of technology. The programs supply technical expertise to A.I.D. regional bureaus and field missions worldwide in support of development assistance. The S&T centrally funded program requirements for FY 1986 were \$224.5 million. Of this amount, about 78 percent or \$174.6 million of the S&T program funds was identified to specific assistance award actions. Only about 18 percent of the S&T grants and cooperative agreements specifically required the recipient to share the cost burden. The sharing of costs by grant recipients is desirable because it enables S&T to achieve program results with less A.I.D. funds and ensures grantee commitment to program objectives. This is in keeping with the requirements of

the Foreign Assistance Act of 1961, which expects recipient countries to increase their commitments and reduce their dependence on A.I.D. financing. The audit showed that cost sharing grants and cooperative agreements tended to increase grantee commitments to S&T-sponsored research and helped to achieve project objectives with less A.I.D. funds. However, if cost sharing were more actively solicited from grantees, S&T could achieve savings of about \$21 million per year. As of the end of this reporting period, S&T was circulating policy guidance for clearance which addresses the problems surfaced in the audit report. The recommendation will be closed upon issuance of the policy guidance. (Audit Report No. 9-000-87-1, December 19, 1987)

- **Feeder Roads Maintenance and Improvement Project/Bangladesh**

The Feeder Roads Maintenance and Improvement Project in Bangladesh was designed to improve farm-to-market roads through a program of routine annual maintenance and development. The total estimated cost of the project was \$13.8 million, with A.I.D. providing \$9.2 million and the Government of Bangladesh \$4.6 million.

**PROJECT EXTENDED
ALTHOUGH
ACCOMPLISHMENTS
WERE MINIMAL**

The audit showed that after five years and \$7.8 million in A.I.D. expenditures, little measurable accomplishment had been made toward the project goal. The Government of Bangladesh had not complied with critical elements of the Project Agreement. Also, A.I.D. had not effectively managed project implementation to ensure compliance with the terms and conditions of the Project Agreement and proper use of A.I.D. funds. All report recommendations have been resolved. The IG is awaiting sufficient documentary evidence of implementation before closure of the recommendations. (Audit Report No. 5-388-87-1, December 23, 1987)

- **Private Voluntary Organization Co-financing Programs/Southeast Asia Region**

Beginning in 1977, A.I.D. Missions in Thailand, Indonesia and the Philippines instituted "umbrella" projects to help Private Voluntary Organizations (PVOs) design and implement innovative, small-scale development activities. Such activities cover a wide range of operations, from reforestation to prisoner rehabilitation. The umbrella projects consist of many small grants (generally less than \$500,000) to both American and local PVOs. In the aggregate, these projects provided over \$24 million for about 160 grants through 1984. All grants activities are "co-financed" by the PVO, which must provide at least 25 percent of project funding from non-A.I.D. sources. The audit revealed that mission approval and review systems did not operate effectively to ensure that PVO grant proposals conform to Agency project design policy. Further, mission

**PROCEDURAL
IMPROVEMENTS NEEDED
TO MAKE PVO
CO-FINANCING
PROGRAMS MORE
EFFECTIVE**

monitoring systems did not operate effectively to ensure that proposals, once approved, were efficiently implemented. In response to the report's recommendations, Agency management has drafted a cable to be sent to A.I.D. missions managing PVO co-financing programs. The finalized cable, which contains instructions to implement the action recommendation in the report, will allow the IG to close this recommendation. (Audit Report No. 2-498-87-5, February 9, 1987)

- **Export Development and Services Project/Honduras**

**PROJECT GOAL OF
INCREASING HONDURAN
NON-TRADITIONAL
EXPORTS NOT ACHIEVED**

The purpose of the Export Development and Services Project was to increase non-traditional exports. It was expected that a minimum of 10,000 full-time jobs would be created directly through the project, while an additional 10,000 persons could be employed in support areas for exporting firms. The total budget for this five-year project, begun in September 1984, was \$31.6 million, of which \$23.5 million would be provided by A.I.D. (\$16 million loan, \$7.5 million grant), \$2.5 million by the Government of Honduras, and \$5.6 million by the Honduran Private Sector. In addition, the Government of Honduras would also make available \$24 million in local currency generated through Economic Support Funds, to provide working capital and investment loans to non-traditional exporters.

The audit found that the Government of Honduras had not fully implemented export promotion activities as required by the project agreement. The audit showed that the activities had not been implemented due to: (1) a lack of agreement among government officials on implementation procedures; (2) a lack of government policy decisions; (3) the duplication of effort with other activities; and (4) the high cost of certain activities. All recommendations have been implemented except one. The remaining recommendation will be closed when it has been shown that a substantial increase in loans has been made by the Honduran banks involved in the project. (Audit Report No. 1-522-87-17, March 10, 1987)

- **Audit of Cost Sharing/Matching Grants With Private Voluntary Organizations**

**IMPROVED AGENCY
MONITORING OF PVO
GRANT ACTIVITY COULD
SAVE \$2.5 MILLION**

The development assistance goals of Private and Voluntary Organizations (PVOs) in many ways reflect those of A.I.D. These shared goals form a basis for A.I.D. to provide limited funding, when appropriate, to PVOs meeting A.I.D.'s registration criteria. When a registered PVO submits a proposal showing that it will contribute private funds toward a program that furthers A.I.D. objectives, A.I.D. on a competitive basis, will grant them partial funding depending upon the availability of resources. In this process, referred to as a cost-sharing grant or agreement, the PVO share represents a degree of commitment on its part towards the

A.I.D./PVO program. At the time of our audit, FVA/PVC was managing a grant portfolio of approximately \$107 million.

The audit showed that although grantees were contributing non-Federal funds, these funds and A.I.D. funds were used, in some instances, for purposes not within the scope of the grant. Other PVOs had received A.I.D. funding but either had not provided the agreed upon non-Federal share of program funding or had not properly valued in-kind contributions claimed as cost sharing. The audit also found that PVOs were submitting late or inaccurate financial reports to A.I.D. The report recommended that procedures be established requiring effective PVO program management and monitoring and that appropriate corrective action be taken when grant terms and conditions are not met. Agency management is currently taking action on the one recommendation remaining open. (Audit Report No. 9-000-87-3, March 23, 1987)

OFFICE OF SECURITY

SECURITY RESPONSIBILITY

The Office of Security is responsible for a security program designed to protect classified material from unauthorized disclosure and A.I.D. employees and facilities from acts of violence, terrorism, and espionage. The program includes an investigative function to determine the suitability for employment of direct-hire employees, Foreign Service Nationals, and U.S. citizen and Foreign National contractors.

SUMMARY OF ACHIEVEMENTS

During this reporting period, the Office of Security continued to increase the level of physical security protection provided Agency employees overseas, expanded our counterintelligence program, increased the number of security awareness presentations on protection of national security information, and increased the number of personnel security investigations. Security policies concerning the armored vehicle program, residential security, emergency radio program, and physical security standards were updated and promulgated. The worldwide A.I.D. emergency radio program has been continuously maintained and upgraded.

THREAT TO A.I.D. OVERSEAS MISSIONS

31 OF 79 CITIES IN WHICH A.I.D. IS LOCATED ARE HIGH THREAT POSTS

A.I.D. has missions in 79 cities throughout the world. Nearly half of those cities (31) are considered as high threat posts by the Bureau of Diplomatic Security. In the highest threat category, A.I.D. is represented in four cities in which post personnel are authorized danger pay. The humanitarian intent of A.I.D. programs does not exclude A.I.D. facilities from being subjected to terrorist actions. An A.I.D. warehouse has twice been the target of terrorists. On both occasions, the warehouse door was blown apart by explosive devices. At the same post early this year, the A.I.D. office building had over sixty windows blown in as a result of a car bomb detonated roughly 80 meters from the building. The target of the bombing was a nearby local government office. There were no injuries resulting from the blast. The photograph is of one of the windows that was blown in by the explosion. The shatter-resistant safety film on the window kept the glass intact.

A.I.D. FACILITIES SUBJECT TO EFFECTS OF TERRORIST ACTS

IMPLEMENTATION OF THE OMNIBUS DIPLOMATIC AND ANTITERRORISM ACT OF 1986 WITHIN A.I.D.

DIPLOMATIC SECURITY ACT REQUIRES INTERAGENCY COOPERATION AND SECURITY STANDARDS

The Diplomatic Security Act requires that the Secretary of State consult with other Federal Agencies to develop and implement policies

and programs. This also includes construction security guidelines, funding levels and standards to provide for the security of United States Government operations of a diplomatic nature.

The Agency for International Development and Department of State Overseas Security Agreement was consummated on August 19, 1987. The new agreement supersedes a 1968 agreement and implements the authorities and responsibilities assigned to the Secretary of State by the Diplomatic Security Act as well as those confirmed upon the Inspector General under the Inspector General Act of 1978. The agreement clearly defines the lines of responsibility and accountability for the security of U.S. employees serving overseas as recommended by the Inman Panel.

**NEW A.I.D. STATE
OVERSEAS SECURITY
AGREEMENT REACHED**

The Office of Security developed physical security standards applicable to A.I.D. operations in consonance with those established by the Diplomatic Security Service for embassies and consulates. The five basic A.I.D. physical security standards are designed to provide: (1) protection against explosive effects via adequate building *setback* from vehicle access (minimum 100 feet); (2) protection at the *perimeter* against bomb-laden vehicle attack via adequate barriers, static and operable (gates); (3) protection from forced entry and rifle ballistic attack at *building exterior* via walls, doors and windows built to a required standard; (4) protection from forced entry and rifle ballistic attack in *public access control* area via walls, doors and windows built to a required standard; (5) *safehaven* (protected area) provided to safely await assistance preventing forced entry and rifle ballistic attack via walls, doors and windows built to a required standard.

**A.I.D. PHYSICAL
SECURITY STANDARDS
DEVELOPED**

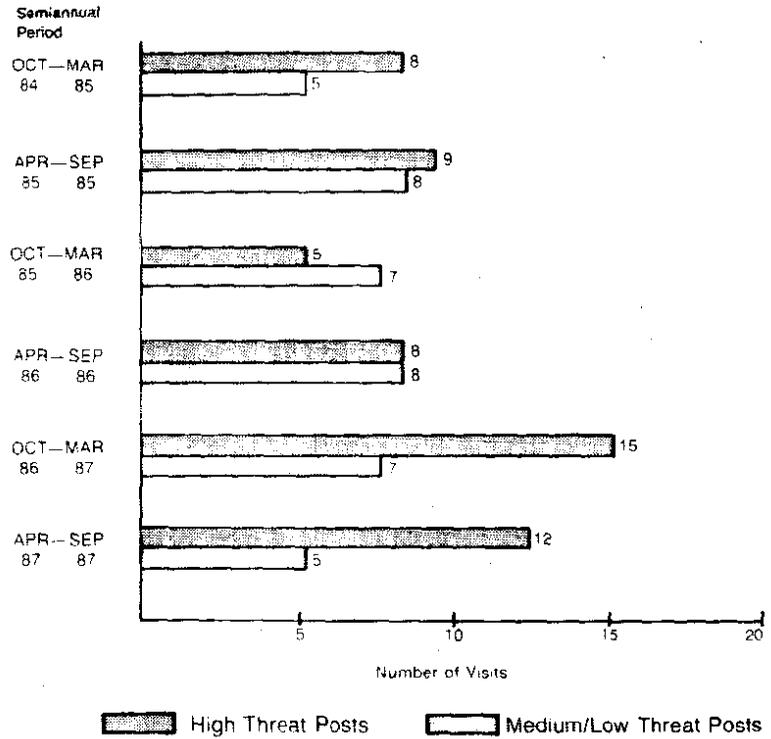
The Office of Security makes inspections of A.I.D. overseas facilities to determine whether the protection provided A.I.D. employees from acts of violence and terrorism meets established standards. These inspections also include a review of A.I.D.'s compliance with requirements to protect national security information from unauthorized disclosure and measures to detect and preclude espionage. The Office of Security conducted 12 inspections of overseas facilities during this reporting period. As reflected in the graph below, emphasis continues to be placed on inspecting those A.I.D. posts subjected to the highest threat as defined by the Bureau of Diplomatic Security.

**SECURITY STANDARD
COMPLIANCE
INSPECTIONS
CONDUCTED AT A.I.D.
OVERSEAS FACILITIES**

Security enhancement projects implemented at A.I.D. facilities continue to increase the level of protection provided to Agency personnel. The Office of Security's inspections of A.I.D. facilities have identified security enhancement projects needed at the majority of our overseas posts. *In the past two fiscal years, funding increases have made possible a dramatic increase in the level of protection provided Agency personnel.* As reflected on the graphs below, the number of A.I.D. facilities which meet physical security standards has increased during each of the preceding four reporting periods.

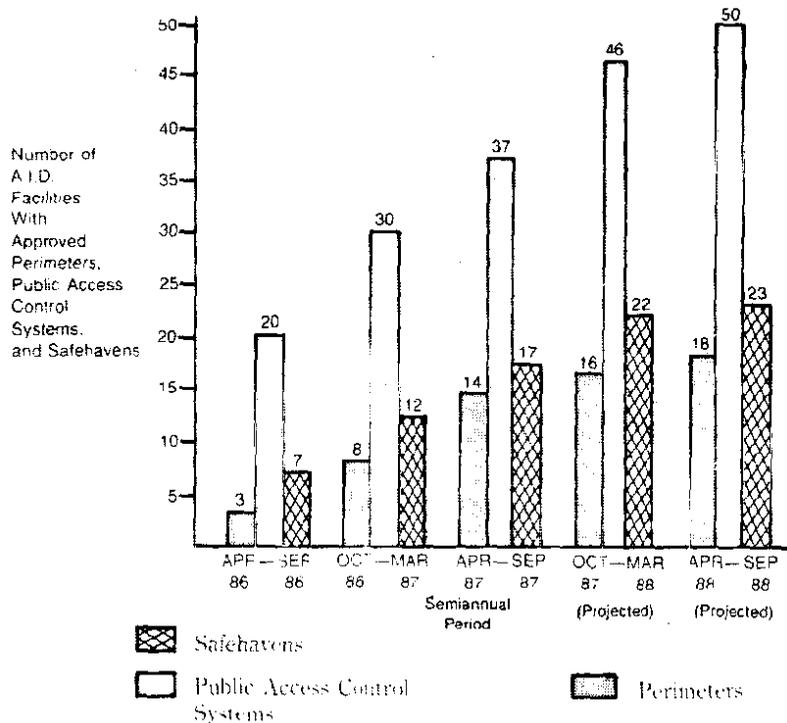
**SECURITY
ENHANCEMENT
PROJECTS
IMPLEMENTED TO MEET
SECURITY STANDARDS**

**SECURITY INSPECTIONS
OF A.I.D. OVERSEAS
MISSIONS**



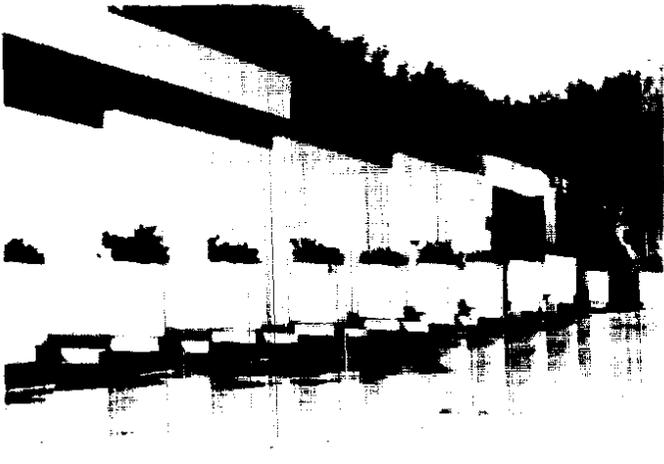
There is a total of 79 cities in which A.I.D. has a mission, 31 of which are considered as high threat by the Bureau of Diplomatic Security.

**A.I.D. FACILITIES
MEETING SECURITY
STANDARDS**





Before and after photographs depicting completed A.I.D. pedestrian and vehicle gate project which now meets security standards.



Examples of Perimeter Security using bollards to prevent vehicle entry into compound

A construction security policy including an A.I.D. security classification guide has been established and provided to Bureau of Diplomatic Security. The policy document meets the requirements for controlling sensitive information regarding construction of diplomatic facilities as established by the Diplomatic Security Act and meets A.I.D. operational requirements. The policy also requires that the U.S. contractor personnel involved in the installation of technical security equipment at A.I.D. facilities have an appropriate security clearance.

In accordance with the accountability section of the Diplomatic Security Act, the justification permitting occupancy of office space not meeting established security standards must be fully documented. The documentation is prepared in the form of a waiver and must be

**A.I.D. SECURITY
CONSTRUCTION
GUIDANCE ESTABLISHED
AS REQUIRED BY
DIPLOMATIC SECURITY
ACT**

**DIPLOMATIC SECURITY
ACT PROVISIONS FOR
ACCOUNTABILITY
ENACTED WITHIN A.I.D.**

approved by the Assistant Secretary for Diplomatic Security. The waiver request includes a security plan which is designed to compensate for inability to comply with all security standards. During the reporting period, seven A.I.D. missions have submitted waiver requests and assembled the requisite documentation. With assistance provided by the Office of Security, physical security plans for the new facilities were developed and submitted to the Bureau of Diplomatic Security. Of the seven waivers submitted, five were approved and two are awaiting final determination.

**SECURITY FUNDING
REQUIREMENTS FOR
A.I.D. IDENTIFIED AND
FORWARDED TO
DEPARTMENT OF STATE
FOR FY 1989 BUDGET
SUBMISSION**

The Diplomatic Security Act requires that Agency funding requirements for protection of personnel stationed overseas be identified and submitted to the Secretary of State. During the reporting period, the Office of Security identified an Agency security funding requirement for FY 1989 of \$4,155,000. This requirement has been documented and forwarded to the Department of State for inclusion in their FY 1989 budget submission. *In FY 1987*, the Department provided *no funds* to A.I.D. for security enhancement; none are expected to be provided in *FY 1988*.

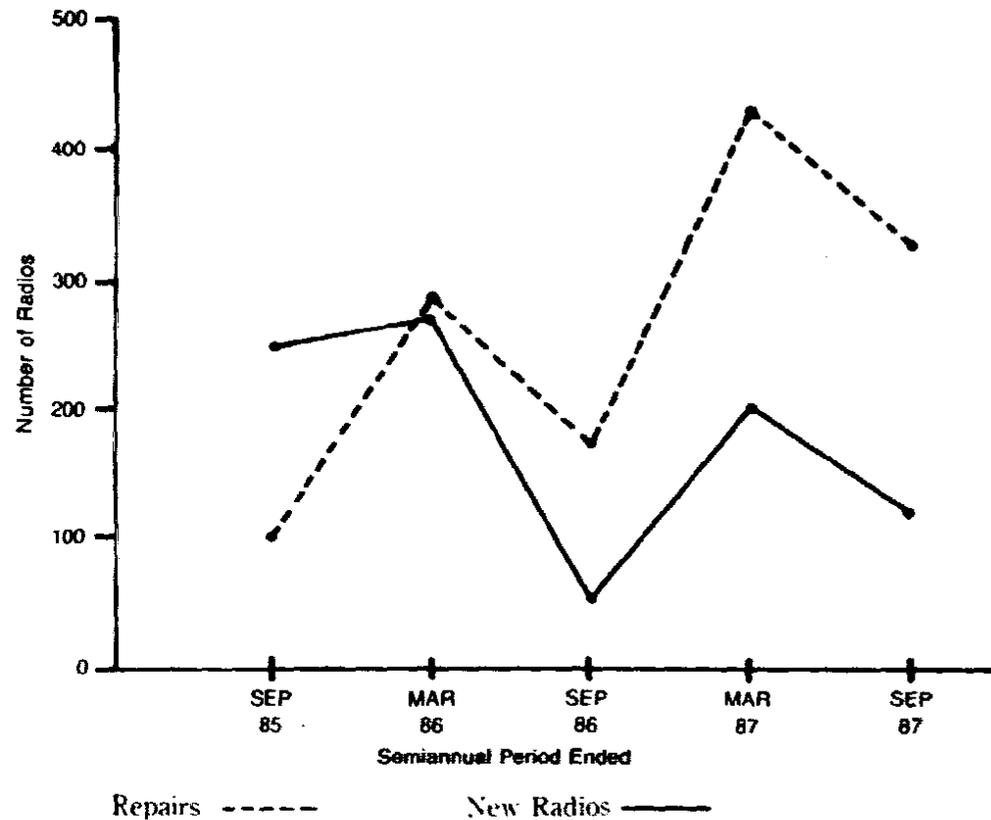
A.I.D. EMERGENCY RADIO PROGRAM

**EXPENSE REDUCTION
AND DELAY AVOIDANCE
IN RADIO PROGRAM**

The Office of Security has received authority from the A.I.D. Administrator to allow project-funded radios to be returned to the Agency upon termination of the contract. This process, as authorized under Section 605 of the Foreign Assistance Act, will reduce expenses and avoid delays in new procurements. Office of Security radio communications personnel visited 13 A.I.D. overseas facilities during the reporting period and recovered \$50,000 of radio equipment improperly allocated to one post and replaced \$37,000 of radio equipment appropriated by the the embassy.

**COST SAVINGS
RESULTING FROM VISITS
TO POSTS**

RADIO REPAIRS/NEW RADIOS ISSUED



A total of 321 radios were repaired and 110 new radios were bench tested and forwarded to A.I.D. missions overseas.

VEHICLE ARMORING PROGRAM

The Office of Security procured 16 Heavy Armored Vehicles (HAV) under the 1985/86 Security Supplemental. During this reporting period, five were dispatched to high threat posts. Only one HAV remains to be shipped overseas and this HAV is being altered to right-hand drive prior to shipment overseas. Three vehicles were provided light armoring and prepared for shipment overseas during this reporting period.

**FIVE HEAVY ARMORED
VEHICLES AND THREE
LIGHT ARMORED
VEHICLES SHIPPED
OVERSEAS**

SECURITY TRAINING

The Office of Security conducted ten training courses during the reporting period. A total of 197 personnel received training on subjects ranging from A.I.D. Unit Security Officer Duties presented to future A.I.D. management personnel to a presentation on Terrorism to U.S. Naval Academy Midshipmen.

**TRAINING CONDUCTED
TO INCREASE SECURITY
AWARENESS IN A.I.D.
AND OTHER FEDERAL
AGENCIES**

COUNTERINTELLIGENCE AND PERSONNEL SECURITY PROGRAMS

**COUNTERINTELLIGENCE
PROGRAM IS
REEMPHASIZED**

A renewed and aggressive security education program was initiated by the Office of Security. Heavy emphasis was placed on counterintelligence education and security briefings. The new program included a counterintelligence briefing of the A.I.D. Administrator and senior staff. Using actual case histories, the Office of Security combined a security up-date briefing with counterintelligence education and conducted a series of briefings to the Agency's largest overseas mission in Cairo, Egypt, in June 1987.

**INCREASED
INVESTIGATIONS AND
EMPHASIS ON SECURITY
EDUCATION**

During this reporting period and for FY 1987, the Office of Security significantly increased the number of personnel security investigations. The largest increase occurred in Up-Date investigations (up 196 percent) and Full-Field investigations (up 134 percent). Also the Office of Security reemphasized the need to conduct scheduled re-investigations of all personnel in critical sensitive positions. The result was not only an increase in the number of investigations conducted, but also the resultant number of counterintelligence and suitability cases. While actual statistics for the period reflect a decrease, this is the result of a redefinition of what constitutes a counterintelligence or suitability case. Only cases which fit the tighter definition were included in the total number shown on the following bar graph. The increased effort resulted in a strengthening of the overall security posture of the Agency.

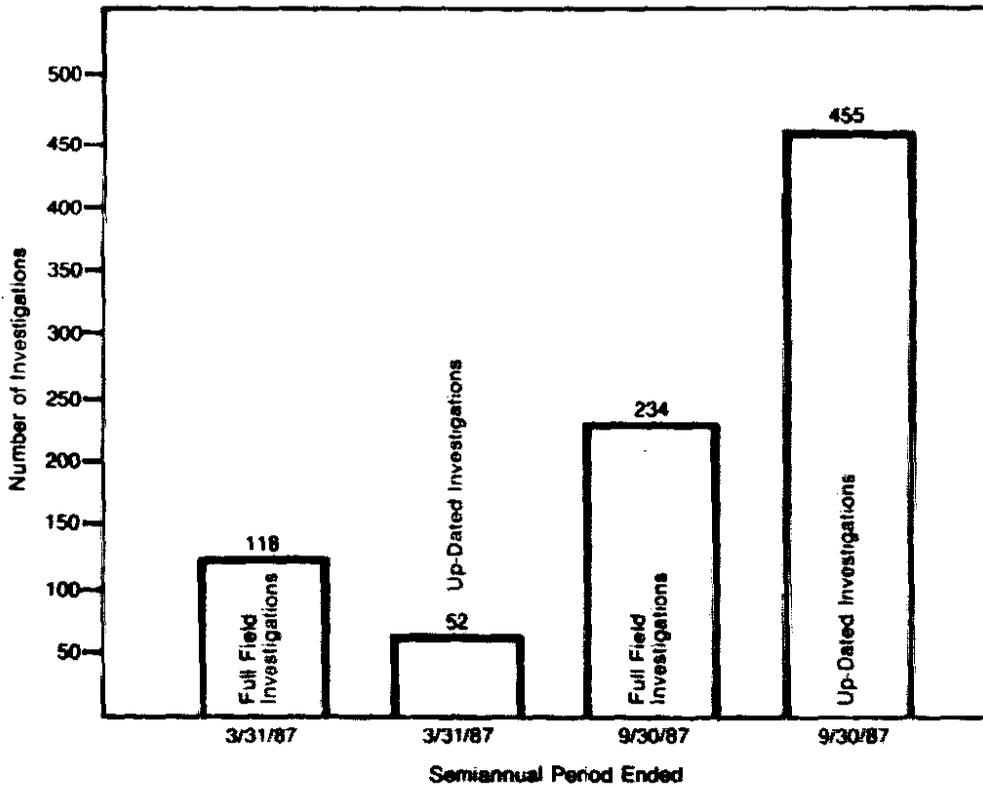
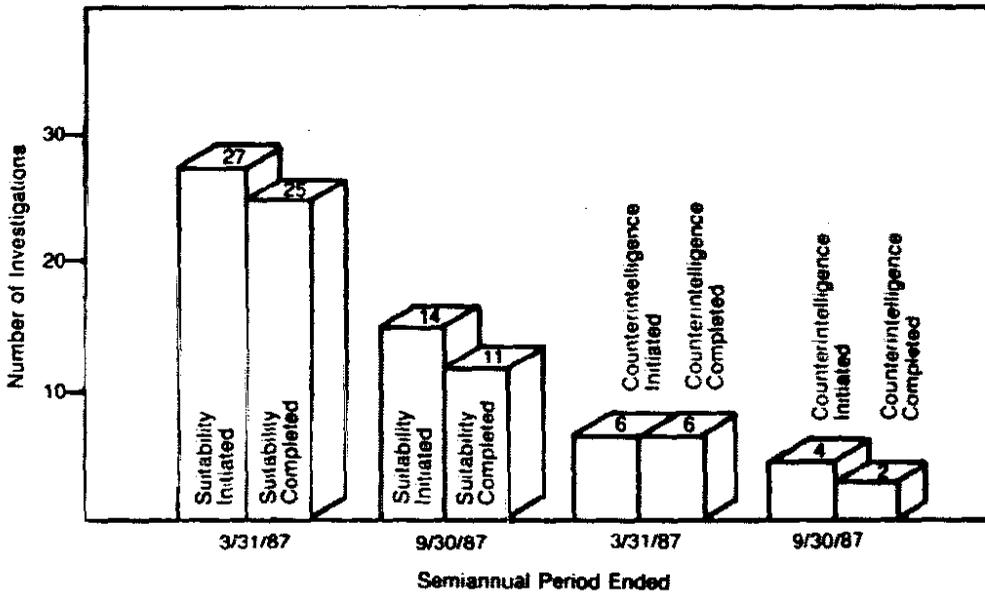
**UP-DATE
INVESTIGATIONS
RESULT IN STRONGER
AGENCY SECURITY
POSTURE**

The increased effort in investigations is best illustrated in a comparison of the total number of investigations by category conducted in fiscal years 1986 and 1987:

	FY 1986	FY 1987	% Increase or Decrease
ALL EXCEPT COUNTERINTELLIGENCE INVESTIGATIONS REFLECT HIGH PERCENTAGE INCREASE			
Full-Field Investigations	150	352	+ 134.7%
Update Investigations	171	507	+ 196.5%
Special Suitability Investigations	26	32	+ 23.1%
Counterintelligence Investigations	18	5	- 72.2%

Graphic representation of the different security investigations and continuing actions is depicted on the following graphs.

**SUITABILITY AND
COUNTERINTELLIGENCE
INVESTIGATIONS**



**PERSONNEL SECURITY
INVESTIGATIONS
CONDUCTED**

Full Field: Complete background investigation includes national and local agency checks

Up-Date: Conducted every five years—same as full field investigations

A.I.D. TEMPEST PROGRAM

A.I.D. TEMPEST PROGRAM EVALUATED

The Agency's TEMPEST program is currently being evaluated to determine its effectiveness in processing National Security Information. Several A.I.D. offices received TEMPEST-approved automated data processing equipment in the initial phase of the program last year.

A.I.D. PARTICIPATION IN SECURITY COMMUNITY

A.I.D. BECOMES MEMBER OF SAES

In August 1987, the Office of Security became a member of the *Security Awareness Education Subcommittee (SAES)*, Personnel Security Committee, Intelligence Community Staff. Additional memberships for the Office of Security on other committees and subcommittees are expected in the future.

NATIONAL SECURITY INFORMATION PROGRAM

A.I.D. COMPLIANCE WITH EXECUTIVE ORDER 12356 REVIEWED

The Office of Security reviews A.I.D. compliance with Executive Order 12356. This is accomplished through management of the Classified Documents Center which serves as a repository of classified documents generated within the Agency. The Office of Security conducts reviews of the material to determine whether personnel are properly classifying information and whether the material is then marked as required by the Order. The reviews have reflected an increased awareness of the Executive Order.

OFFICE OF INVESTIGATIONS

The Office of the Assistant Inspector General for Investigations has investigative oversight responsibility for A.I.D. projects and resources located in over seventy countries. Operating out of one domestic and six overseas regional offices, 24 U.S. and 7 foreign national inspectors conduct investigations of criminal, fraud and serious administrative violations involving Agency programs and operations.

INVESTIGATIVE RESPONSIBILITY

International investigations require extensive foreign travel, coping with language and cultural differences, mediating varied administrative and judicial requirements, and understanding differing political and security sensitivities. Within this often difficult environment, we have achieved significant investigative results.

During the past six-month period, the following results were achieved:

INVESTIGATIVE RESULTS

Convictions	2
Administrative or Disciplinary Sanctions	38
Organizational Suspensions/Debarments	20
Investigative Recoveries	\$976,028
Savings and Avoidance of Unnecessary Expenses	\$649,698

SIGNIFICANT INVESTIGATIONS

The following investigations reflect the diversity of the Office of Investigations' world-wide efforts during the reporting period.

- The director of U.S. Materials, Inc., pled guilty to charges of defrauding A.I.D. The president of the New York firm was charged with misrepresenting his company's ability to fulfill a \$266,000 contract for 2.8 million packets of oral rehydration salts for use in Peru, and that some packets contained excessive potassium, resulting in the deaths of four infants. The firm was suspended from government contracts at the outset of the investigation. The investigation involved cooperation of the Food and Drug Administration, the FBI and the Public Health Service's Centers for Disease Control.

DIRECTOR OF U.S. MATERIALS, INC. PLEADS GUILTY IN ORAL REHYDRATION DEATH CASE

Oral rehydration treatment, widely used in the Third World, has been credited with reducing infant mortality by combating dehydration caused by malnutrition and diarrhea. Some 200 million packets are produced annually, and this was the first instance of a problem mixture in the six years the Agency has been distributing the product. Stricter controls and procurement procedures, such as inspection of contractors by the Food and Drug Administration, have been adopted to prevent such mishaps in the future.

**SENEGALESE
SENTENCED IN
ABSENTIA**

- A Third Country National, a Senegalese, in charge of the Self-Help Program in Mauritania embezzled \$49,333 from 14 projects. He fled to Senegal. A Mauritanian Tribunal sentenced him in absentia to three years in prison and a fine of \$800, in addition to the amount he had stolen.

**CIVIL SERVICE
EMPLOYEE PLEADS
GUILTY TO THEFT OF
PUBLIC MONIES**

- An Agency timekeeper pled guilty to one misdemeanor count of theft of public monies amounting to \$1,600. The employee admitted to changing her time and attendance cards so that she would not be charged sick and annual leave. She also fabricated a doctor's statement to cover a 40-hour absence. The employee received one year of supervised probation and was ordered by the court to make full restitution. The case was referred to the A.I.D. Office of Personnel for administrative action. The employee resigned pending adverse administrative action.

**EMBEZZLEMENT
SCHEME UNCOVERED**

- USAID/Mauritania officials discovered an attempt to embezzle approximately \$4,000 in self-help funds through the forgery of the signatures of two American Embassy officers on a purchase order (PO). Investigation disclosed that this effort and additional successful embezzlements totaling \$3,000 were the work of a foreign service national procurement specialist with the complicity of two other local employees and various local vendors. The scheme consisted of fabricating fictitious POs through the forgery of USAID or Embassy officers' signatures.

The POs were then processed for payment to local vendors with the assistance of the two USAID/employees working in the Controller's Office. The three employees were dismissed by A.I.D. and arrested by local authorities. A search of their residences revealed additional invoice forms and evidence that efforts were underway to master the forgery of signatures of other American supervisors. The three are awaiting trial.

**EMBEZZLEMENT
SCHEME STOPPED,
EMPLOYEES
TERMINATED**

- Investigation in Liberia revealed that two foreign national employees responsible for clearing air and sea freight had been regularly altering petty cash advance request forms in order to obtain and pocket extra cash. Under interrogation, the two employees admitted altering the forms after they had been approved and signed by the general services officer and the controller. In preparing the forms for signatures, the employees left "white space" in the section in which vouchered items were to be listed. After the signed forms were returned to them, they added additional charges and inflated those originally listed. They then produced fraudulent receipts to support these charges. The scheme involved an average of \$500 per month in losses to A.I.D. The employees were immediately terminated and IG-recommended financial controls were implemented.

- An investigation at USAID/Egypt disclosed that an American employee working as a project officer on an A.I.D.-financed contract attempted to buy a project vehicle from the A.I.D. contractor whose work he oversaw. When the A.I.D. contractor resisted the employee's (project officer's) request that he be allowed to purchase the project vehicle, the project officer in the heat of anger threatened to make life difficult for the contractor. The employee admitted that he had tried to persuade the contractor to sell him the vehicle, but denied making any threats. The results of the investigation were referred to A.I.D./Washington's Office of Personnel Management and a letter of official reprimand was issued to the employee.

**CONFLICT OF INTEREST
BRINGS U.S. EMPLOYEE
LETTER OF REPRIMAND**

- A Foreign Service National in Sri Lanka with 12 years of service was terminated for submitting false claims for travel expenses not incurred. The employee was assigned duties as the Mission Director's driver when the fraud occurred. The same employee had been a suspect in a previous investigation concerning the theft of fuel from the Director's vehicle and the motor pool.

**MISSION DIRECTOR'S
DRIVER TERMINATED
FOR FRAUD**

- A General Services Office (GSO) supervisor in the USAID/Kenya mission was fired after an investigation disclosed he had colluded with a gasoline station attendant to obtain false gasoline receipts which the supervisor submitted to A.I.D. for reimbursement. An examination of the receipts disclosed a per liter cost that was at variance with the official price of gasoline which has a controlled price in Kenya. As a result of this investigation, the USAID mission requested integrity awareness briefings be given to the entire GSO staff. The Regional Inspector General for Investigations subsequently gave briefings both in English and in Swahili. As a result, several additional GSO employees have come forward with information on possible irregularities.

**SUPERVISOR FIRED FOR
SUBMITTING FALSE
GASOLINE RECEIPTS**

- A senior American employee assigned to Mauritania accepted free air fare, valued in excess of \$2,200 for himself and his wife, and diverted additional government funds to his personal use. When confronted by IG inspectors, the employee said that he had no idea that the tickets he accepted were free, although they were clearly marked as "no fare." At the conclusion of the investigation, he stated "I accept the charge of naivete; unethical behavior—never!!" The Office of Personnel Management suspended the employee for ten days without pay, and this action remains an official part of his record for two promotion board cycles.

**SENIOR EMPLOYEE
SUSPENDED FOR
ACCEPTING FREE
AIRLINE TICKETS**

- A senior Foreign Service National data management supervisor in the A.I.D. Regional Financial Management Center in Nairobi was fired after an investigation disclosed he had permitted non-A.I.D. personnel to have access to and to be trained on A.I.D. computers. In addition, he illegally obtained an A.I.D. training certificate and forged the name of the A.I.D. personnel officer on the certificate.

**DATA MANAGEMENT
SUPERVISOR FIRED FOR
TRAINING
UNAUTHORIZED
PERSONNEL ON A.I.D.
COMPUTERS**

**PVO EMPLOYEE ADMITS
\$40,000 COMMODITY
THEFT**

- A local employee of a private voluntary organization (PVO) in burkina Faso was discovered to have stolen PL 480 commodities valued at \$40,000. On being found out, he prepared a written confession and then attempted suicide. He has recovered, was arrested, and is awaiting trial.

XEROX PAYS \$805,000

- Xerox Corporation has paid the U.S. Government \$805,000 in response to claims that it submitted false statements and invoices to USAID. The agreement settled the Government's claims against Xerox and University Microfilms International Inc., formerly a subsidiary company, in connection with the sale of copiers and related equipment to the Supreme Council of Universities of the Egyptian Ministry of Education (SCU).

The investigation, initially focused on the false certifications made on an Agency supplier's certificate. This certificate requires that all discounts, credits and allowances granted an importer be declared and deducted from the gross price when determining the net amount to be financed by USAID. Neither company disclosed the existence of certain "bonuses" totaling \$393,000 that each had provided to SCU. The investigation was expanded when it learned that the parent company had claimed reimbursement from USAID at prices substantially higher than its listed prices.

The company also quoted an expensive brand of one product but subsequently delivered a much cheaper replacement and failed to adjust the price. In addition to the determinations of false statements and claims and overpricing that formed the basis for the settlement, the investigation also highlighted procedural weaknesses in the procurement process.

**SOMALIA GUEST HOUSE
INSPECTION RESULTS IN
AGENCY-WIDE REVAMP
OF REGULATIONS AND
RECOVERY OF
EXCESSIVE REFUNDS**

- A proactive inspection of the A.I.D. Guest House in Mogadishu, Somalia during 1986 resulted in determination that 17 percent of the vouchers submitted by the guests were for full per diem claims. Federal travel regulations call for reduction of one-half of per diem when travelers stay in U.S. Government-financed accommodations. As a result, the guests who had claimed full per diem were requested to repay the excessive refunds. To date, \$2,084.50 of the \$3,511.25 in excessive claims have been refunded. A second issue came to light during the inspection: A.I.D. had no Agency-wide regulations governing guest house administration. As a result, A.I.D./Washington management has drafted guidelines which, when approved, will result in Agency-wide systemic changes to improve A.I.D. guest house management.

**ALTERED APPLICATION
LEADS TO SCHOLARSHIP**

- A Foreign Service National in Panama altered two scholarship applications for her daughter. On the basis of the incorrect and inflated alterations, her daughter was chosen for a scholarship valued at \$60,000 to study in the United States. The scholarship was canceled and the employee resigned.

- A local private voluntary organization (PVO) in Peru was suspended by the mission for its refusal to implement internal controls. The procurement and disbursement functions were under the PVO Executive Director's complete control. He drew extensively upon a dollar petty cash fund for personal expenditures and drew salary payments from both the PVO and USAID/funds. In June 1987, USAID/Peru deobligated \$378,000 from the original grant and all activities with the PVO were terminated.
- An investigation by the Regional Inspector General for Investigations in Nairobi into allegations of overcharges by a Zimbabwe-based supplier of tools under the Mozambique Commodity Import Program disclosed the firm had submitted altered railroad bills of lading to A.I.D. for reimbursement. Based upon the results of the inquiry, USAID/Zimbabwe issued a bill for collection in the amount of \$4,618 to recover the overcharges.
- A U.S. supplier was suspended from eligibility for future procurement contracting with A.I.D. The firm was suspended for submitting an altered and forged Manufacturer's Certificate of Warranty for motor vehicles in connection with the A.I.D.-financed commodity procurement program in Jordan.
- In the previous Semiannual Report we reported that four Bolivians had been indicted for bribery and fraud against the government in connection with A.I.D.-financed contracts in Bolivia. Trial of the four individuals is still pending in the Southern District of Florida. Following the indictments, the four Bolivians and nine Latin American and U.S. firms were indefinitely suspended from doing business with A.I.D.

**PRIVATE VOLUNTARY
ORGANIZATION
SUSPENDED IN PERU**

**ZIMBABWE FIRM BILLED
\$4,618 FOR SUBMISSION
OF ALTERED RAILROAD
BILLS OF LADING**

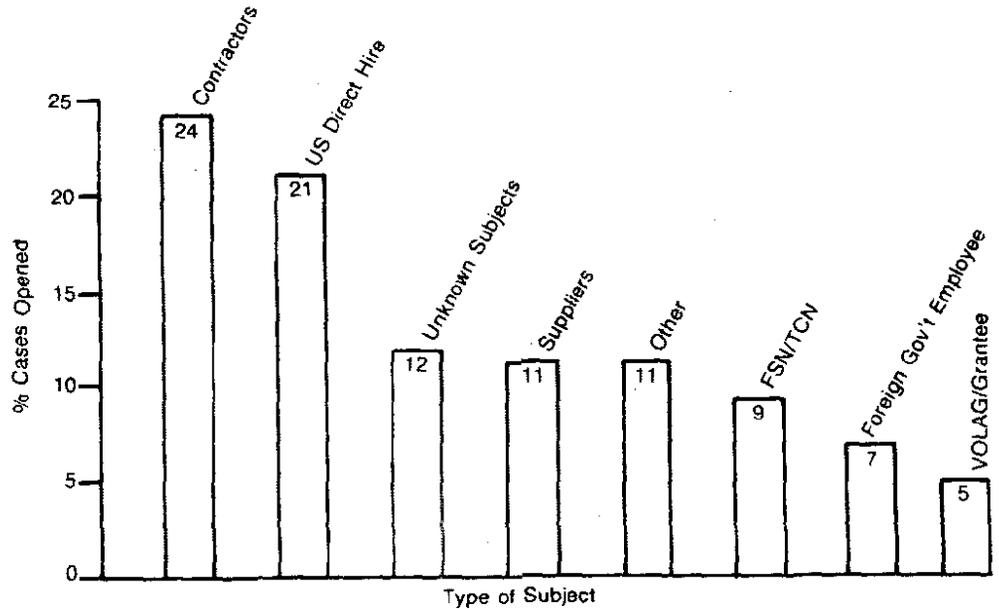
**U.S. SUPPLIER
SUSPENDED**

**FOUR BOLIVIANS AND
NINE FIRMS SUSPENDED**

STATISTICAL SUMMARY

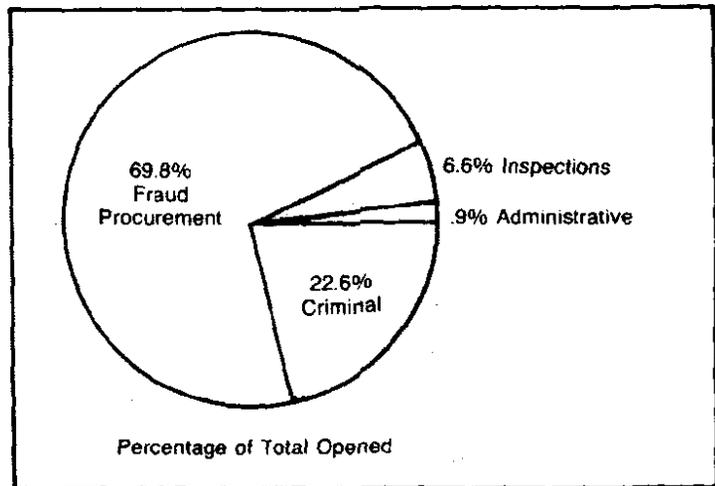
During the past six months, the Office of Investigations received and processed 106 complaints. Over a third involved A.I.D. contractors and suppliers, more than a fifth involved U.S. direct-hire employees, and less than one-tenth involved foreign service national or third country national employees.

SUBJECTS OF ALLEGATIONS



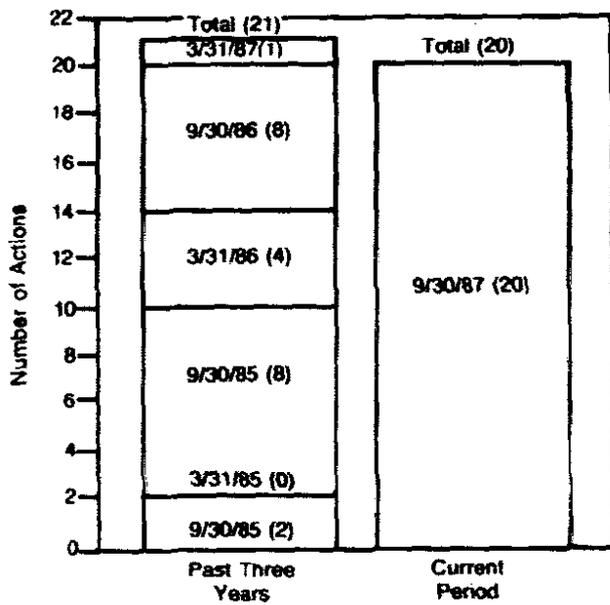
Of the complaints received, almost 70 percent concerned allegation of fraud or procurement violations. Cases in this category include false claims, conflict of interest, bribery or gratuities, embezzlement, wire or mail fraud, and false statements.

TYPES OF INVESTIGATIONS



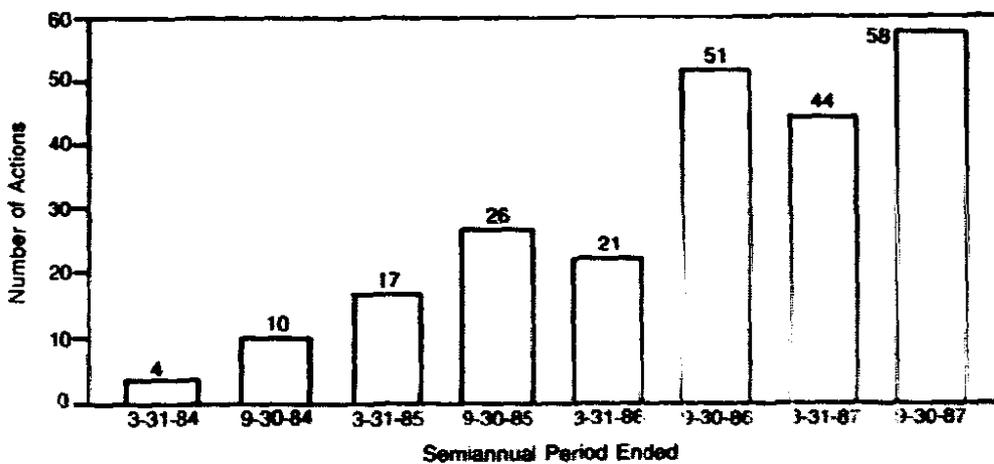
AGENCY BARS/SUSPENDS RECORD NUMBER

The Inspector General's efforts against contracting and procurement fraud led to a record number of debarments or suspensions during the second half of fiscal year 1987, with 20 individuals or companies losing their right to bid on A.I.D. contracts worldwide. This represents a significant increase over past years (see graph), and mirrors a sustained emphasis by the Office of Investigations and an increased focus by the Agency to weed out businesses that engage in criminal and unethical practices.



**DEBARMENTS/SUSPENSIONS
SIX MONTH PERIODS**

Overall disciplinary and administrative actions taken by the Agency as a result of investigations reached a record high during this reporting period.



**DISCIPLINARY/
ADMINISTRATIVE
ACTIONS**

This level of actions reflects a continued tough stance by Agency management toward criminal and unethical actions by contractors, suppliers, and A.I.D. employees throughout the world.

EXECUTIVE MANAGEMENT STAFF

ROLE OF EXECUTIVE MANAGEMENT STAFF

The Executive Management Staff (EMS) provides advice and guidance to the Inspector General, the Deputy Inspector General, the two Assistant Inspectors General, and the Legal Counsel concerning personnel management, financial and budgetary management, and logistics and administrative management for the Inspector General's Washington Office and the six overseas Regional Inspector General Offices.

ORGANIZATIONAL TITLE AND STAFF POSITION CHANGES IN EMS

A review of EMS operations to determine how these operations could be made more efficient and effective to meet the expanded administrative, personnel and financial support requirements of the IG has been completed. As a result of this review, major functional realignments of existing staff duties with a clear line of assignment responsibilities will go into effect October 1987. Additionally, the organizational title of EMS will be changed to Office of Administration (ADM) to more clearly reflect the title used in other federal IG organizations having administrative offices performing similar functions.

FOREIGN SERVICE PERFORMANCE EVALUATION SELECTION BOARDS

In August, for the second consecutive year, the Office of Inspector General established three independent IG Foreign Service Selection Boards to review the performance evaluation files of all IG Foreign Service employees. The Boards were asked to rank those employees recommended for promotion, make recommendations for meritorious step increases and identify those employees who were less than satisfactory. Additionally, for the first time, the IG Senior Foreign Service Selection Board was asked to recommend IG Senior Foreign Service employees for Performance Pay Awards and salary adjustments.

AGREEMENT BETWEEN THE AGENCY AND IG ON SUPPORT COSTS OVERSEAS

An agreement was reached with the Agency that sets forth procedures to be followed in budgeting and accounting for IG operations overseas, e.g., which support costs are to be budgeted through the Agency operating expense appropriation and which through the IG appropriation. Significantly, no charges will be made against the IG appropriation for overhead items such as for performing accounting, personnel, contract and other management functions for IG personnel.

OFFICE OF THE INSPECTOR GENERAL ORGANIZATION AND STAFFING

The Office of the A.I.D. Inspector General was established on December 16, 1980, by Public Law (PL) 96-533 which amended the Foreign Assistance Act of 1961 (FAA). On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981 which brought the Inspector General, A.I.D., under the purview of the Inspector General Act of 1978, PL 95-452 instead of the FAA.

The A.I.D. Inspector General heads an independent organization responsible for audit, investigation and fraud control relating to A.I.D.'s programs and operations. In addition, the IG directs and supervises all Agency security activities, including the Agency's investigative and physical security programs. The IG is authorized by statute to also provide these services to the Overseas Private Investment Corporation and the International Development Cooperation Agency.

Pursuant to the Inspector General Act of 1978, the Inspector General conducts and supervises audits and investigations for recommending policies to promote economy, efficiency and effectiveness, and to detect and prevent fraud and abuse in the administration of programs and operations of the Agency. In this regard, the Inspector General is responsible for keeping the Administrator and the Congress fully and currently informed about problems and deficiencies in A.I.D. programs and operations, and the necessity for, and progress of, corrective actions.

OFFICE AUTHORITY

ROLE AND RESPONSIBILITIES

ORGANIZATION AND STAFFING

The Office of the Inspector General consists of three major offices, headed by either the Deputy Inspector General or an Assistant Inspector General. These offices are the Office of Audit, Office of Investigations, and Office of Security. Reporting to their respective Assistant Inspector General are the Regional Inspectors General for Audit and Regional Inspectors General for Investigations. The Regional Inspectors General have responsibility for assigned geographical areas. The current office locations and geographical responsibilities are:

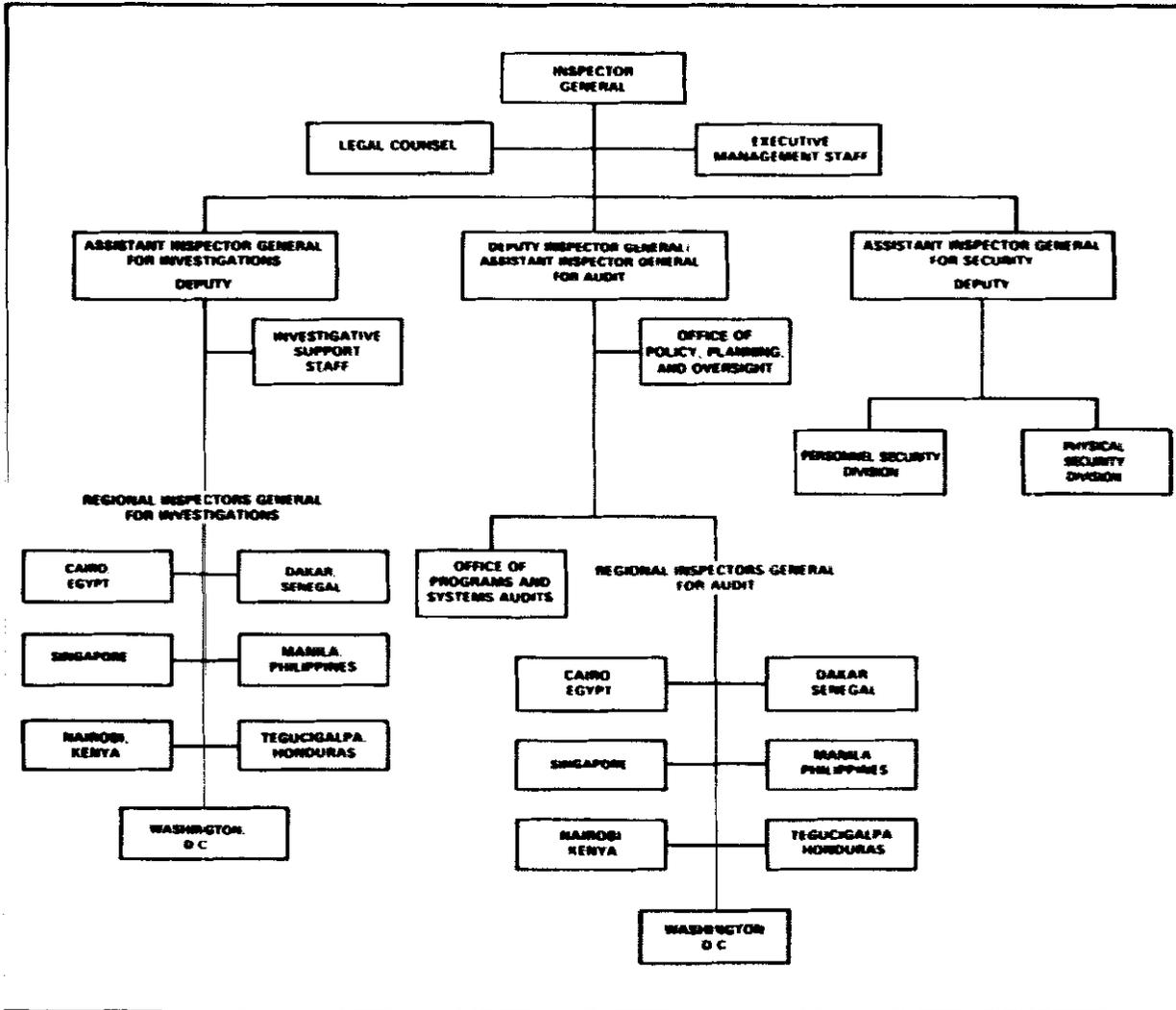
**REGIONAL
INSPECTOR GENERAL
GEOGRAPHICAL
RESPONSIBILITY**

<u>Regional Inspector General Office Location</u>	<u>Geographical Responsibility</u>
Cairo, Egypt	Egypt
Dakar, Senegal	West Africa
Manila, Philippines	East Asia
Nairobi, Kenya	North, East, and South Africa and Middle East
Singapore	Near East and South Asia
Tegucigalpa, Honduras	Central America, South America, and the Caribbean
Washington, D.C.	United States and Europe

Organization and staff distribution for the Office of Inspector General are on Tables 1 and 2.

OFFICE OF INSPECTOR GENERAL ORGANIZATION CHART

Table 1



INSPECTOR GENERAL STAFFING

As Of March 31, 1987

Table 2

<u>Professional Staff</u>	<u>Positions</u>
Office of the Inspector General	1
Legal Counsel	3
Executive Management Staff	3
Office of Investigations:	
U.S.	24
Foreign Nationals	5
Office of Security	13
Office of Audit:	
U.S.	92
Foreign Nationals	19
Total Professional Staff	160
<u>Support Staff</u>	
U.S.	32
Foreign Nationals	2
Total Support Staff	34
 Total Staff (U.S. and Foreign National)	 <u>194*</u>

*Includes full-time equivalent of part-time positions.

AUDITS REPORTS ISSUED

April 1, 1987 through September 30, 1987

INTERNAL AUDIT REPORTS

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
1-520-87-23	04/20/87	Audit of USAID/Guatemala and ROCAP Compliance with AID's Revised Payment Verification Guidelines
1-518-87-24	04/21/87	Audit of USAID/Ecuador's Emergency Rehabilitation Project (No. 518-0046)
1-532-87-25	04/27/87	Audit of USAID/Jamaica's Agro-Industrial Development Project No. 532-0081
1-532-87-26	04/27/87	Audit of USAID/Jamaica's Private Development Bank Project No. 532-0091
1-505-87-27	04/28/87	Audit of Belize's Compliance with AID's Revised Payment Verification Guidelines
1-522-87-28	05/28/87	Audit of USAID/Honduras' Compliance with AID's Revised Payment Verification Guidelines
1-525-87-29	04/30/87	Audit of AID-Assisted Shelter Sector Activities in Panama Project Nos. 525-HG-010 and 525-HG-011
1-500-87-30	05/29/87	Audit of Appropriateness of Activities Funded Under Disaster Assistance Projects in Ecuador and Peru
1-521-87-31	06/30/87	Audit of Haiti Family Planning Outreach Project No. 521-0124
1-518-87-32	07/27/87	Audit of Selected USAID/Ecuador Activities
1-518-87-33	07/27/87	Audit of USAID/Ecuador's Use of Program Development and Support Funds
1-518-87-34	07/27/87	Audit of USAID/Ecuador's Compliance with Fund Control Laws and Regulations
1-518-87-35	07/27/87	Audit of ESF Local Currency Generations Project No. 518-0058
1-518-87-36	07/27/87	Audit of USAID/Ecuador PL 480 Title I Local Currency Generations
1-505-87-37	08/19/87	Audit of AID/Belize's Portfolio and Operating Expenses
1-522-87-38	09/29/87	Audit of USAID/Honduras' Management System for Flagging Troubled Projects
2-493-87-6	06/05/87	Audit of Implementation of the Payment Verification Policy Statements by USAID/Thailand
2-492-87-7	06/18/87	Audit of Farming Systems Development Project—Eastern Visayas (Project No. 492-0356)
2-492-87-8	07/15/87	Audit of Project Assistance Under the Philippine Economic Support Fund Program—USAID/Philippines
2-879-87-9	08/18/87	Audit of the South Pacific Private and Voluntary Organization Co-Financing Project No. 879-0001

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
3-612-87-9	04/29/87	Audit of Malawi Fertilizer Subsidy Removal Program No. 612-0025
3-000-87-10	09/17/87	Audit of the Accountability for Local Currency in Africa
3-615-87-11	05/29/87	Audit of Regional Financial Management Center, Nairobi Compliance with AID Payment Verification Policy Statements
3-645-87-12	05/29/87	Audit of USAID/Swaziland Compliance with AID Payment Verification Policy Statements
3-615-87-13	05/29/87	Audit of USAID/Kenya's Management System
3-615-87-14	05/29/87	Audit of Local Currency Programming in Kenya
3-613-87-15	07/15/87	Audit of the Regional International Crops Research Institute for the Semi-Arid Tropics in Zimbabwe—Grant No. 613-0224-G-00-3029
3-649-87-16	07/29/87	Audit of Management Systems and Contracting Procedures—USAID/Somalia
3-613-87-17	08/10/87	Audit of the Zimbabwe Shelter Project—Project No. 613-HG-001
3-633-87-18	09/28/87	Audit of Botswana Workforce and Skills Training Project No. 633-0231
5-376-87-3	05/26/87	Audit of USAID/Nepal's Implementation of AID's Payment Verification Policy Implementation Guidance
5-376-87-4	05/28/87	Audit of the Rural Electrification Project in India Project No. 386-0462
5-383-87-5	07/07/87	Audit of USAID/Sri Lanka Reporting on Completed Projects
5-383-87-6	09/03/87	Audit of Controls Over Government of Sri Lanka Contributions to AID-Financed Projects in Sri Lanka
6-263-87-5	04/27/87	Audit of School Construction Under USAID/Egypt Basic Education Project No. 263-0139
6-263-87-6	05/31/87	Audit of Indirect Costs for the Engineering and Geological Consulting Office
6-263-87-7	05/31/87	Audit of Preward Survey of the Cooperative Agreement with Egyptian Fertility Care Society Under USAID/Egypt Project No. 263-0144
6-263-87-8	05/31/87	Audit of Property Management Under USAID/Egypt's Basic Education Project No. 263-0139
6-263-87-9	06/25/87	Audit of USAID/Egypt's Controls Over the Special Account
6-263-87-10	06/30/87	Audit of USAID/Egypt's Implementation of AID's Payment Verification Policy
6-263-87-11	06/30/87	Audit of Interest Earned on Outstanding Project Cash Advances
6-263-87-12	06/30/87	Audit of Project Advance Accounting Records
6-263-87-13	09/30/87	Audit of Cairo Sewerage II Project, USAID/Egypt Project No. 263-0173
6-263-87-14	09/30/87	Audit of Controls Over Project-Related Cash Advances of USAID/Egypt

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
7-698-87-8	04/29/87	Audit of Regional Economic Development Services Office/West and Central Africa Compliance with AID Payment Verification Policy Statements
7-631-87-9	07/06/87	Audit of the Agricultural Education Project in Cameroon
7-669-87-10	07/14/87	Audit of USAID/Liberia's Management System for Identifying and Solving Project Implementation Problems
7-685-87-11	09/30/87	Audit of AID's Assistance to Family Planning in Senegal
9-000-87-5	04/17/87	Audit of the Participant Training Program
9-000-87-6	05/26/87	Audit of Small Ruminant Collaborative Research Support Program
9-000-87-7	09/29/87	Audit of the Participant Training Program—Phase II
0-000-87-2	04/28/87	Audit of AID's Compliance with Office of Management and Budget Circular A-129: Guidelines on Managing Accounts Receivable Financial/Compliance
0-000-87-3	06/03/87	Audit of AID's Budget Clearing Accounts
0-000-87-4	07/30/87	Audit of Compliance with Indirect Cost Rates by A.I.D. Contractors and Grantees
0-000-87-5	08/31/87	Audit of AID's Compliance with Special Requirements for Consulting Services
AM-87-13	05/11/87	International Center for Research on Women
AM-87-14	05/11/87	John Hopkins Program for International Education in Gynecology and Obstetrics
AM-87-15	05/22/87	Sadat Peace Foundation
AM-87-16	05/27/87	Experience, Inc.
AM-87-17	05/27/87	Save the Children Federation, Inc.
AM-87-18	05/29/87	International Executive Service Corp.
AM-87-19	05/30/87	Bangladesh U.S. Business Council
AM-87-20	06/23/87	Thunder and Associates, Inc.
AM-87-21	06/24/87	Development Management Systems, Inc.
AM-87-22	07/20/87	Arthur Young and Company Subcontract—Antigua Water Supply Project
AM-87-23	07/20/87	J. Thomas Malatesta and Company, Inc.
AM-87-24	07/20/87	Louis Berger International, Inc.
AM-87-25	07/23/87	SES Development Corporation
AM-87-26	07/27/87	Partnership for Productivity International
AM-87-27	07/29/87	Adventist Development and Relief Agency International
AM-87-28	07/30/87	Population Services International
AM-87-29	09/10/87	Institute of Gas Technology, Inc. for the Energy Training Program
AM-87-30	07/15/87	Vietnam Claim on AID Contract 730-3670, with Nha Tien Che Cong Ty (NHATICO)

INTERNAL AUDIT REPORTS (Cont'd)

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
AM-87-31	09/22/87	The Futures Group, Inc.
AM-87-32	09/09/87	Shaare Zedek Medical Center
AM-87-33	09/25/87	Anita F. Allen, Associates, Inc.
AM-87-34	09/30/87	Institute for Resource Development, Inc.
AM-87-35	09/29/87	KT&R Laboratories, Inc.

EXTERNAL AUDIT REPORTS

Non-Federal Audits

Report Number	Date of Report	Report Title
1-520-87-10-N	04/15/87	Audit of the Haitian National Service for Endemic Diseases
1-527-87-11-N	05/13/87	Audit of the Public Law 480, Title II Program with CARE in Peru
1-527-87-12-N	05/13/87	Audit of the Public Law 480, Title II Program with Catholic Relief Services in Peru
1-527-87-13-N	05/13/87	Audit of the Public Law 480, Title II Program with the Adventist Development Relief Agency in Peru
1-527-87-14-N	05/13/87	Audit of the Public Law 480, Title II Program with Church World Service in Peru
1-511-87-15-N	05/18/87	Audit of the Public Law 480, Title II Program with Catholic Relief Services in Bolivia
1-511-87-16-N	05/18/87	Audit of the Public Law 480, Title II Program with the Adventist Development and Relief Agency in Bolivia
1-511-87-17-N	05/18/87	Audit of the Public Law 480, Title II Program with the National Community Development Service in Bolivia
1-511-87-18-N	05/18/87	Audit of the Public Law 480, Title II Program with Food for the Hungry International in Bolivia
1-511-87-19-N	05/18/87	Audit of the Adequacy of Resources of Catholic Relief Services in Bolivia—Public Law 480, Title II
1-511-87-20-N	05/18/87	Audit of the Adequacy of Resources of the Adventist Development and Relief Agency in Bolivia—Public Law 480, Title II
1-511-87-21-N	05/18/87	Audit of the Adequacy of Resources of the National Community Development Service in Bolivia—Public Law 480, Title II
1-511-87-22-N	05/18/87	Audit of the Adequacy of Resources of Food for the Hungry International in Bolivia—Public Law 480, Title II
1-511-87-23-N	05/18/87	Audit of the Public Law 480, Title II Program in Bolivia—Overview
1-515-87-24-N	05/22/87	Audit of the Tempisque River Irrigation Project with the National Service of Underground Water Irrigation and Drainage in Costa Rica—Public Law 480, Title I
1-515-87-25-N	05/22/87	Audit of the Credit Program for Rural Cooperatives with the Costa Rican Cooperative Bank in Costa Rica—Public Law 480, Title I
1-515-87-26-N	05/22/87	Audit of the Cooperative Management Improvement Project with the National Institute of Cooperative Promotion in Costa Rica—Public Law 480, Title I
1-515-87-27-N	05/22/87	Audit of the Support for the National Animal Health Program with the General Directorate of Cattle Health and Production in Costa Rica—Public Law 480, Title I
1-520-87-28-N	05/22/87	Audit of the Environmental Sanitation Component of the Community-Based Integrated Health and Nutrition Systems in Guatemala—Project No. 520-0251

EXTERNAL AUDIT REPORTS (Cont'd)

Non-Federal Audits

Report Number	Date of Report	Report Title
1-520-87-29-N	05/29/87	Audit of the Overhead Rates for the Central American Institute for Business Administration
1-515-87-30-N	07/14/87	Audit of the Agroindustrial Plan and the Program for Food Distribution with the Cooperative for American Relief Everywhere/Costa Rica
1-515-87-31-N	07/14/87	Audit of the Project for the Production of Macadamia with the Cantonal Agricultural Center of Turrialba in Costa Rica
1-515-87-32-N	07/14/87	Audit of the Program for Education and Training of Human Resources in Farming and Fishing with the National Commission of Loans for Education in Costa Rica
1-515-87-33-N	07/14/87	Audit of the Construction and Supervision of the Upala to San Jose (Pizote) Road Project with National Emergency Commission in Costa Rica
1-515-87-34-N	07/14/87	Audit of the 1984 National Census Project with the General Directorate of Statistics and Census in Costa Rica
1-515-87-35-N	07/14/87	Audit of the Program for Research and Transfer of Farm Technology with the National Chamber of Basic Grain Producers in Costa Rica
3-615-87-1-N	05/15/87	Audit of Voluntary Agencies Development Assistance Kenya Project No. 615-0236
7-636-87-5-N	07/27/87	Nonfederal Audit of the PL 480 Title II Program in Sierra Leone
7-636-87-6-N	08/10/87	Nonfederal Audit of the Family Health Initiative Project in Sierra Leone
7-660-87-7-N	08/31/87	Nonfederal Audit of the Zaire Cassava Outreach Project (660-0077) and the Zaire Applied Research and Extension Project (660-0091)
7-677-87-8-N	09/30/87	Nonfederal Audit of Chad Private Enterprise Development Project

EXTERNAL AUDIT REPORTS (Cont'd)

OMB Circular A-110 Audits

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
LTR-87-7	04/06/87	Centre for Development and Population Activities
LTR-87-8	04/07/87	Minnesota International Center
LTR-87-9	04/24/87	Private Agencies Collaborating Together (PACT)
LTR-87-10	05/18/87	Appropriate Technology International
LTR-87-11	08/20/87	Winrock International Institute for Agricultural Development
LTR-87-12	08/27/87	National Association for Equal Opportunity in Higher Education
LTR-87-13	08/27/87	Cultural Survival Inc.
LTR-87-14	09/09/87	National Association of Schools of Public Affairs and Administration
LTR-87-15	09/03/87	South-East Consortium for International Development
LTR-87-16	09/30/87	The Population Council, Inc.
LTR-87-17	09/30/87	National Rural Electric Cooperative Association

EXTERNAL AUDIT REPORTS (Cont'd)

Other Government Audit Agency Audits

Report Number	Date of Report	Report Title
TR-87-40	04/01/87	East-West Center
TR-87-41	04/03/87	University of Illinois
TR-87-42	04/14/87	East-West Center
TR-87-43	04/23/87	New Jersey Marine Sciences Consortium
TR-87-44	04/30/87	Ebasco Overseas Corporation, AEP Energy Services, Inc., and International Training and Education Company Joint Venture
TR-87-45	05/05/87	Western Carolina University
TR-87-46	05/06/87	The Pragma Corporation
TR-87-47	05/06/87	Federal Financial Assistance for the State of Emergency Services of the Commonwealth of Virginia
TR-87-48	05/13/87	Indiana University
TR-87-49	05/15/87	American Institute for Free Labor Development
TR-87-50	05/15/87	National Oceanic and Atmospheric Administration
TR-87-51	05/20/87	National Rural Electric Cooperative Association
TR-87-52	06/03/87	National Dairy Development Board/CLUSA, Oilseeds Growers' Cooperative Project
TR-87-53	06/15/87	Spectral Data Corporation
TR-87-54	06/15/87	Cornell University
TR-87-55	06/15/87	America Mideast Educational and Training Services, Inc.
TR-87-56	06/15/87	Resources Development Associates, Inc.
TR-87-57	06/17/87	Computer Data Systems, Inc.
TR-87-58	06/17/87	The Pragma Corporation
TR-87-59	06/22/87	Computer Data Systems, Inc.
TR-87-60	06/26/87	Population Reference Bureau
TR-87-61	07/01/87	Technoserve, Inc.
TR-87-62	07/01/87	University of Wyoming
TR-87-63	07/10/87	National Dairy Development Board/CLUSA, Oilseeds Growers' Co-Operative Project
TR-87-64	07/14/87	Fluor Corporation
TR-87-65	07/21/87	The Futures Group, Inc.
TR-87-66	07/22/87	Dimpex Associates, Inc.
TR-87-67	07/22/87	Research Triangle Institute
TR-87-68	07/22/87	Public Administrative Service
TR-87-69	07/22/87	Energy/Development International
TR-87-70	07/24/87	Coopers and Lybrand
TR-87-71	07/27/87	Howard University
TR-87-72	07/30/87	Helen Keller International, Inc.
TR-87-73	08/03/87	Federal Financial Assistance Programs of the State of Florida
TR-87-74	08/21/87	YMCA of the USA
TR-87-75	08/25/87	Management Science for Health, Inc.
TR-87-76	08/25/87	American Institute for Free Labor Development
TR-87-77	08/31/87	New Mexico State University

EXTERNAL AUDIT REPORTS (Cont'd)

Other Government Audit Agency Audits (Cont'd)

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
TR-87-78	08/31/87	ABT Associates, Inc.
TR-87-79	09/04/87	State of Oregon
TR-87-80	09/10/87	Checchi and Company
TR-87-81	09/10/87	University of Washington
TR-87-82	09/08/87	University of West Indies
TR-87-83	09/18/87	Executive Resource Associates, Inc.
TR-87-84	09/21/87	Research Triangle Institute
TR-87-85	09/23/87	University of Hawaii
TR-87-86	09/25/87	State University of New York
TR-87-87	09/28/87	Executive Resource Associates, Inc.
TR-87-88	09/28/87	South Dakota State University