

Filmed

**ANNUAL
REPORT
OF
THE
INSPECTOR
GENERAL**

Fiscal Year 1981

Office of the Inspector General
Agency for International Development
U.S. International Development Cooperation Agency

ANNUAL REPORT
OF THE
INSPECTOR GENERAL
AGENCY FOR INTERNATIONAL DEVELOPMENT

February 1, 1982

EXECUTIVE SUMMARY

This is the fourth annual report to the Administrator by the Inspector General of the Agency for International Development (AID). Until 29 December 1981, these annual reports were required by Section 624(g) of the Foreign Assistance Act of 1961, as Amended. On 29 December 1981, the President signed into law the International Security and Development Cooperation Act of 1981, which established the Office of the AID Inspector General under the Inspector General Act of 1978 instead of the Foreign Assistance Act of 1961, as Amended. In compliance with the terms of the 1978 Inspector General legislation, my reports on the activities of this office will henceforth be on a semiannual basis. The first semiannual report, covering the period from 1 October 1981 through 31 March 1982, will be submitted to you by 31 April 1982.

I am pleased to report that in FY 1981, despite decreased staffing and inadequate operational travel funds, the accomplishments of the Office of the Inspector General were substantial.

The audit function issued more reports and provided greater audit coverage than in FY 1980. More importantly, audit planning surveys enabled us to direct audit efforts to problem areas within Agency programs and operations. As a result, very significant benefits were achieved through Agency implementation of Inspector General audit recommendations.

The Office of Investigations and Inspections made substantial progress in focusing its investigative effort on cases involving significant issues and offering high potential returns to the Agency. The office also initiated or continued several innovative programs designed to detect and prevent fraud, waste, and abuse. During the course of the year, IG investigative work resulted in a wide range of benefits, including assessment of \$1,561,879 in fines, penalties, and Agency demands for payment, and \$627,607 in actual monetary recoveries.

- . In response to the continuing high level of international terrorism and threats against U.S. Government employees, the Inspector General's Office of Security took strong actions to strengthen the Agency's overseas security program. These actions included implementation of a unique hostage survival program, which I believe represents a major contribution to the well-being of AID employees serving overseas. At the same time, improvements in the domestic physical security and personnel security programs resulted in major 1981 accomplishments in those areas.

To a significant extent, these accomplishments reflect increasing support for Inspector General activities, both within and outside the Agency.

- . During FY 1981, our audit and investigative efforts received vigorous support from the President's Council on Integrity and Efficiency, the Department of Justice, and AID's Office of the General Counsel.
- . The Agency's new audit recommendation follow-up system, which was fully implemented in FY 1981, has focused increasing Agency attention on audit recommendations, and has provided a mechanism for assuring that corrective action is taken as the result of audit recommendations.
- . The Regional Office for Investigations and Inspections/ Near East and South Asia, which had been closed in November 1979, was finally re-established in Karachi, Pakistan in June 1981.
- . In FY 1981 AID was authorized to establish a Regional Inspector General Office for West Africa in Abidjan, Ivory Coast. The Regional Inspector General for Audit has been at post since September 1981, and the balance of the staff is scheduled to arrive at post in FY 1982.

Despite our accomplishments in FY 1981, this report details a number of ways that the Agency's audit, investigative, and security programs can be strengthened in FY 1982. One of these is relocation of the Inspector General's Regional Office for the Near East and South Asia. The current location of that office, Karachi, Pakistan, is simply not conducive to efficient or cost effective coverage of AID's operations in that part of the world.

ANNUAL REPORT
OF THE
INSPECTOR GENERAL
AGENCY FOR INTERNATIONAL DEVELOPMENT

CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
MAJOR EVENTS AND ISSUES AFFECTING INSPECTOR GENERAL (IG) OPERATIONS	1
Inclusion of the IG Under the 1978 Inspector General Act (Public Law 95-452)	1
IG Office Locations	1
Audit Recommendation Follow-Up	2
IG Audit Rights with Respect to Private Voluntary Organizations (PVOs)	3
IG Operational Travel Funds	3
IG Staffing Levels	3
President's Council on Integrity and Efficiency	4
OVERVIEW OF THE OFFICE OF THE INSPECTOR GENERAL	5
Responsibilities	5
Organization	5
Staffing	8
Budget	10
JOINT AUDIT AND INVESTIGATIVE EFFORTS	11
FY 1871 Activity	11
Prospects for FY 1982	11
AUDITING	13
FY 1981 Activity	13
Highlights of FY 1981 Audit Findings Unresolved as of 30 September 1981	14
Agency Response to Audit Recommendations	17
Benefits From Audit	18
IG Management Initiatives	21
Prospects for FY 1982	22
INVESTIGATIONS AND INSPECTIONS	24
FY 1981 Activity	24
Summary of Matters Referred to Prosecutive Authorities	28
Highlights of Investigative Findings and Resulting Benefits	29
IG Management Initiatives	32
Prospects for FY 1982	33

CONTENTS (Cont'd)

	<u>Page</u>
SECURITY	35
FY 1981 Activity	35
IG Management Initiatives	37
Prospects for FY 1982	38
APPENDIX: Audit Reports Issued in FY 1981	39

MAJOR EVENTS AND ISSUES AFFECTING
INSPECTOR GENERAL (IG) OPERATIONS

Inclusion of the IG under the 1978 Inspector General Act
(Public Law 95-452)

The International Security and Development Cooperation Act of 1981 (Public Law 97-113), which was signed by the President on 29 December 1981, amended the Inspector General Act of 1978 by bringing the Agency for International Development (AID) IG under the aegis of that 1978 legislation. The duties, responsibilities, and authorities of the IG under the 1978 Act are, in every substantive aspect, identical with those mandated by the previous authorizing legislation (Section 624(g) of the Foreign Assistance Act of 1961, as Amended). However, certain changes in IG operations are necessary to comply fully with the requirements of the 1978 Inspector General Act. For example:

- . my report to you on the activities of this office will henceforth be on a semiannual rather than an annual basis;
- . the audit function must be restructured to accommodate the appointment of an Assistant Inspector General for Audit; and
- . in collaboration with the General Counsel, we will need to develop procedures to ensure IG review of existing and proposed laws and regulations that bear on the economy, efficiency, effectiveness, and/or integrity of Agency operations.

IG Office Locations

Last year I reported to you that no progress had been made in implementing an AID, State Department, and Office of Management and Budget (OMB) agreement on IG office locations. That agreement called for (i) establishing an IG Regional Office in West Africa, (ii) moving the IG Regional Office for Latin America from Panama to Washington, D.C., and (iii) moving the IG Regional Office in Karachi to a location more conducive to providing coverage of AID's operations in the Near East and South Asia. I am pleased to report that, over the past 12 months, there has been substantial movement on two of these fronts.

- . In February 1981, the State Department agreed to the establishment of an IG Regional Office for West Africa in Abidjan, Ivory Coast; and the Regional Inspector General for Audit has been at post in Abidjan since September. Subject to the availability of office space and residential accommodations, the balance of the staff (consisting of four auditors and two investigators) is scheduled to arrive in Abidjan between April and June of 1982.
- . The IG Regional Office for Latin America was moved to Washington, D.C. in June of 1981.

I regret to report that there has still been no progress in relocating the Karachi Office. On 16 January 1981, the State Department designated New Dehli as the new office location. However, that designation was withdrawn shortly after it was made, and no further alternatives have been offered.

The fact remains that the Karachi location is not conducive to efficient or cost effective coverage of AID operations in the Near East and South Asia. In my judgment, we should, as a matter of priority, press for relocation of the Regional Office to New Delhi. My judgment in this matter is based on two considerations: New Delhi offers far superior proximity and access to AID's workload in that region of the world; and the IG currently has three Foreign Service National auditors stationed in New Delhi. Consolidation of the staff in New Delhi would therefore mean decreased travel time and costs, increased supervisory effectiveness, and greater efficiency in the deployment of IG Regional Office staff.

Audit Recommendation Follow-Up

FY 1981 was the first full year of operation for the Agency's new audit recommendation follow-up system. Designed to comply with both the intent and the letter of OMB Circular A-73, the system requires central tracking of all IG audit recommendations; referral of recommendations remaining open for six months to the Inspector General and the respective Assistant Administrators; referral of significant disputed recommendations to the Deputy Administrator; and closure of recommendations only upon completion of corrective actions.

In my judgment, the system has been very successful in focusing Agency attention on audit recommendations and assuring that corrective action is taken as the result of audit recommendations. While further improvement will be necessary to bring the Agency into full compliance with OMB Circular A-73 and Public Law 96-304 (governing monetary audit findings), Agency management and this office made great strides in FY 1981 toward the timely and meaningful resolution of all IG audit recommendations.

IG Audit Rights with Respect to Private Voluntary Organizations (PVOs)

Last year I reported that AID had decided to abrogate the IG's right to audit foreign subgrantees under matching grants to private voluntary organizations. Audits of these foreign subgrantees were instead to be carried out by independent auditors under arrangements made by the grantees. While the IG has curtailed audit coverage in accordance with this decision, implementation of the alternative audit coverage is still under discussion by AID and the PVO community.

At the same time, the Private Voluntary Organizations concerned with AID's disaster assistance program have requested exemption from IG audit coverage. Although certain modifications to AID's standard grant provisions may be warranted under disaster relief conditions, I do not view abrogation of AID's audit rights to be among them; and I have consistently opposed the PVOs' overtures in that direction.

IG Operational Travel Funds

AID operated under a Continuing Resolution throughout FY 1981; and, as in previous years, the result was an Agency-wide shortage of operating expense funds. In terms of operational travel, the IG's budget actually increased (from \$747,000 to \$839,800), but it was still far from adequate to our needs. The FY 1981 level of funding required (i) cancellation of the IG's annual audit and investigative planning conference; (ii) cancellation of planned supervisory visits to audit and investigative sites; and (iii) denying Mission requests for assistance--unless Mission funding for the IG travel costs was made available. In my view, these measures seriously hampered IG operations and effectiveness.

The IG's 1982 operational travel budget has yet to be fully determined. However, based on the operational expense funding that has been made available to the Agency for FY 1982, I am hopeful that we will be able to resume some supervisory travel and convene a central IG planning meeting.

IG Staffing Levels

As I have detailed in a subsequent section of this report, IG staffing levels--especially in the audit function--have decreased substantially over the last few years. This situation has come about because of retirements and resignations at a time when new hiring has been constrained by Agency and Government-wide freezes in employment.

While I believe that the achievements of this office in FY 1981 reflect our commitment to "do more with less", I want you to be aware that IG resources are now stretched very thinly. A comparison of AID's FY 1982 appropriations with the number of IG auditors available for reviewing that program, yields a ratio of approximately two auditors per \$100 million in appropriations. I understand that this is one of the least favorable ratios in the Federal Government. When one considers further the high-risk overseas environment within which most AID operations occur, the IG's decreased staffing offers particular cause for concern.

President's Council on Integrity and Efficiency

As Inspector General, I represent AID on the President's Council on Integrity and Efficiency, which was established in April 1981. There is no doubt that this Council is becoming an increasingly important force in focusing and coordinating the efforts of the Inspectors General to combat waste, fraud, and mismanagement throughout the Federal Government.

During FY 1981, AID's participation entailed collaboration in a Government-wide Council project, data gathering for the Council, and attendance at the regular monthly Council meetings. We were also the recipients of various benefits flowing from the Council. The most important of these have been better liaison with and support from the Department of Justice, and vastly improved channels of communication and exchange of information among the Inspectors General and with the Office of Management and Budget.

FY 1982 will undoubtedly see a higher level of my office's resources devoted to Council projects and support. While I fully expect that we will derive benefits commensurate with the extent of our Council participation, that participation will, given present staffing constraints, necessarily restrict the IG's ability to respond to Agency requests for audit and investigative assistance.

OVERVIEW OF THE OFFICE OF THE INSPECTOR GENERAL

Responsibilities

The Inspector General conducts a comprehensive program of audits and investigations relating to the operations of the Agency for International Development. The IG also directs and supervises all AID security activities, including the Agency's personnel and physical security programs. In addition to providing these services for the Agency, the IG is required by statute to provide audit, investigative, and security services to the Overseas Private Investment Corporation and the International Development Cooperation Agency.

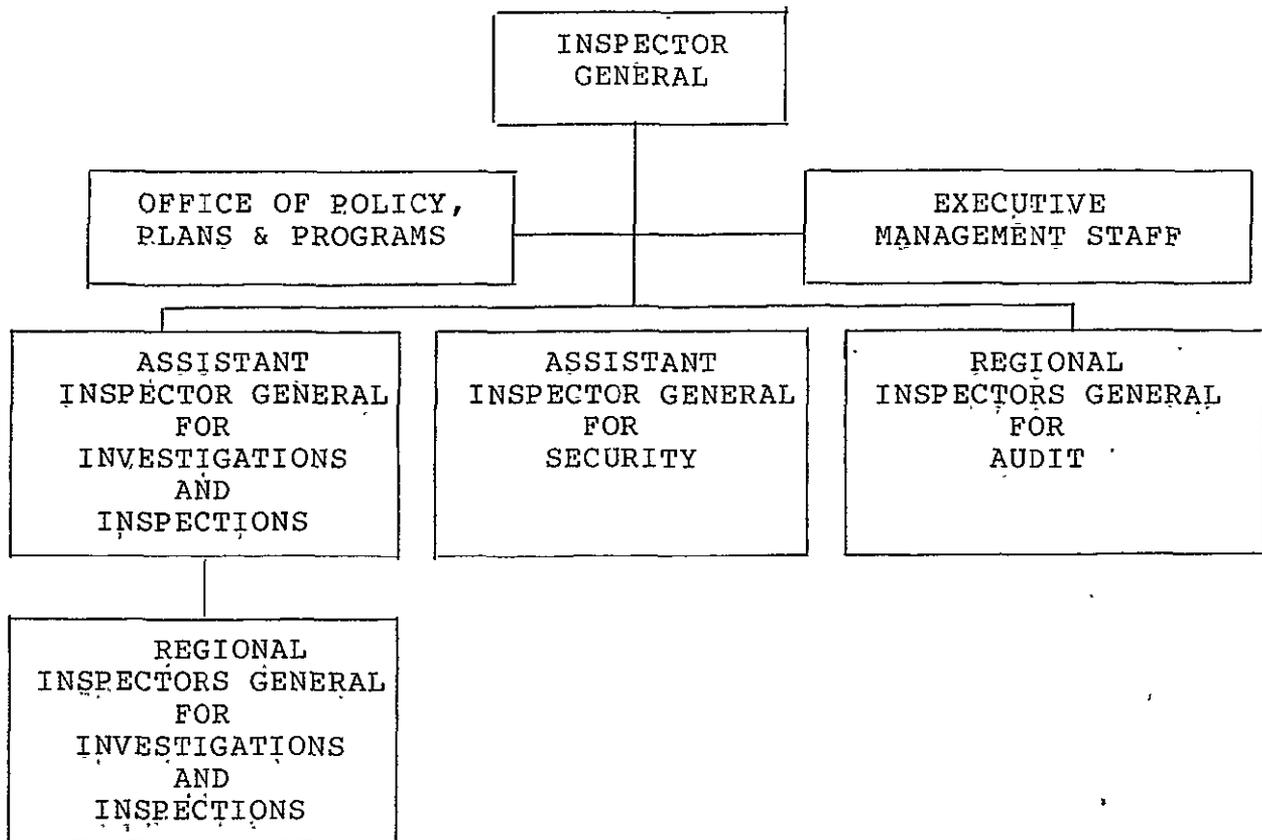
In carrying out his responsibilities, the IG acts as advisor to Agency management in all matters bearing on the efficiency, effectiveness, integrity, and security of Agency programs and operations. Further, he is responsible for coordinating AID's audit, investigative, and security activities with those of other agencies, including the General Accounting Office, the Department of Justice, the Department of State, and the Office of Management and Budget.

The Inspector General's workload encompasses:

- . project assistance programs with obligations of \$10 billion, consisting of approximately 1,600 active projects in 76 countries;
- . Commodity Import Programs amounting to \$250 to \$300 million annually;
- . a portfolio of housing loan guarantees valued at approximately \$975 million;
- . P.L. 480 food programs (Titles I, II and III) amounting to \$1.61 billion per year; and
- . approximately 5,400 AID employees, including U.S. and foreign national direct-hire staff.

Organization

During 1981 the Office of the Inspector General was organized as follows.



- The Inspector General (IG): reports directly to the Administrator and advises him and other AID officials on the integrity, efficiency, and effectiveness of Agency operations; recommends Agency action on problem areas; proposes standards for Agency compliance with laws, regulations, and policies; and directs all IG activities.
- Office of Policy, Plans and Programs (IG/PPP): formulates policy and guidance for all IG offices; coordinates regional audit plans; evaluates IG operations; coordinates IG activities; and maintains liaison with the General Accounting Office.
- Executive Management Staff (IG/EMS): provides personnel, budget, administrative management, and logistic support for all IG units.

-- Assistant Inspector General for Investigations and Inspections (AIG/II): investigates activities and personnel directly or indirectly financed by AID in relation to improper and/or illegal conduct. In carrying out this function, the AIG/II directs and supervises Regional Inspectors General for Investigations and Inspections (RIG/IIIs), who have responsibility for assigned geographical areas. During FY 1981 the locations and responsibilities of the RIG/IIIs changed as the result of (i) the relocation of the IG's Regional Office from Panama City, Panama to Washington, D.C., and (ii) the re-establishment of a Regional Office of Investigations and Inspections in Karachi, Pakistan. These changes resulted in the following office structure and geographical responsibilities.

<u>Office</u>	<u>Geographical Responsibility</u>
RIG/II/Africa/ Washington, D.C.*	Africa
RIG/II/Cairo	Egypt
RIG/II/Karachi	Near East and South Asia
RIG/II/Manila	East Asia
RIG/II/Washington	U.S. and Latin America

*Located in Washington, D.C., pending stationing of staff in Abidjan, Ivory Coast.

-- Assistant Inspector General for Security (AIG/SEC): in accordance with law, Executive Orders and regulations, conducts the Agency's programs for physical security, personnel security, and protection of classified documents. The Office of Security, which is located in Washington, D.C., does not maintain regional offices overseas.

-- Regional Inspectors General for Audit (RIG/As): conduct comprehensive programs of audit for assigned geographical areas. These programs include surveys; audits of financial integrity, operational efficiency and economy, and program results; and follow-up on audit findings and recommendations. During FY 1981, the locations and geographical responsibilities of the RIG/As changed as the result of (i) the relocation of

the IG's Latin America Office from Panama City, Panama to Washington, D.C., and (ii) the establishment of an IG Regional Office in Abidjan, Ivory Coast. The current structure is as follows.

<u>Office</u>	<u>Geographical Responsibility</u>
RIG/A/Abidjan	West Africa
RIG/A/Cairo	Egypt
RIG/A/Karachi	Near East and South Asia
RIG/A/Latin America/ Washington, D.C.	Latin America
RIG/A/Manila	East Asia
RIG/A/Nairobi	East Africa
RIG/A/Washington	United States

Staffing

As part of the Agency's program to accomplish a mandated reduction in staffing, the IG's office operated under a hiring freeze throughout FY 1981. In addition, in April of 1981, IG positions were reduced to the level of IG on-board strength. As is detailed in Table 1 below, the overall effect of these policies was a reduction of 17.1% in the number of authorized IG positions (from 218 to 180.8), and a reduction of 11.2% in the IG's on-board strength (from 195 to 173.2).

The brunt of the reduction in IG staffing has been borne by the audit offices, where the number of authorized U.S. direct-hire positions has decreased by 20.9% (from 96 to 76). This reduction means, *inter alia*, that we will not be able to resume full staffing of the Regional Audit Office for the Near East and South Asia. Since the Pakistan evacuation in November of 1979, the Karachi Office has been forced to operate with a total complement of five U.S. auditors--a level of staffing that, in my judgment, provides wholly inadequate audit coverage of AID's operations in that part of the world.

After the FY 1981 reductions, the IG's complement of U.S. auditor and investigator positions totalled 105. At the present time, we are authorized to station only 44 or 42% of this staff overseas.

TABLE 1

IG Staffing Levels as of September 30, 1980 and
September 30, 1981

	<u>1980</u>		<u>1981</u>	
	<u>Positions</u>	<u>Vacancies</u>	<u>Positions</u>	<u>Vacancies</u>
<u>Professional Staff</u>				
Office of The Inspector <u>1/</u> General (U.S.)	3	1	2	1
Office of Policy, Plans and Programs (U.S.)	6	-	6	-
Executive Management Staff (U.S.)	2	-	3	-
Office of Investigations and Inspections				
U.S.	25	2	23	1
Foreign National	2	-	3	1
Office of Security (U.S.)	15	1	12	-
Office of Audit				
U.S.	96	15	76	-
Foreign National	<u>15</u>	<u>-</u>	<u>14</u>	<u>4</u>
Total Professional Staff (U.S. & Foreign National)	164	19	139	7
<u>Support Staff</u>				
U.S.	41 <u>2/</u>	4	31.8 <u>3/</u>	(2.4)
Foreign National	<u>9</u>	<u>-</u>	<u>9</u>	<u>3</u>
Total Support Staff (U.S. & Foreign National)	50	4	40.8	.6
<u>International Development</u>				
<u>Interns</u>	4	-	1	-
Total Staff (U.S., Foreign National, & International Develop- ment Interns)	<u>218</u>	<u>23</u>	<u>180.8</u>	<u>7.6</u>

1/ "U.S." means U.S. direct-hire employees, both foreign service and civil service.

2/ Includes 15 part-time staff positions. Full-time positions totaled 26.

3/ Includes the full-time equivalent of part-time staff positions. In FY 1981, part-time staff were permitted to work no more than 32 hours per week.

Budget

The IG's FY 1981 budget totalled \$12,449,200, an increase of \$1,776,200 over the FY 1980 budget. This increase resulted almost exclusively from mandated adjustments in personnel compensation. Table 2 below details the allocation of the FY 1981 budget among the component IG offices.

TABLE 2
Inspector General Budget
FY 1981

<u>IG Component Office</u>	<u>FY 1981</u> <u>Budget Allocation</u>
Office of Security	
Operations	\$1,126,870
Overseas Security Equipment	<u>1,593,000*</u>
Subtotal	\$2,719,870
Office of Investigations and Inspections	
Washington	\$ 739,725
Overseas Operations	<u>1,365,170</u>
Subtotal	\$2,104,895
Audit Offices	
Washington	\$2,912,960
Overseas Operations	<u>4,051,127</u>
Subtotal	\$6,964,087
Management Offices	
Inspector General	\$ 130,408
Executive Management Staff	153,246
Policy, Plans and Programs	<u>376,694</u>
Subtotal	\$ 660,348
 Total Budget FY 1981	 <u>\$12,449,200</u>

*Includes a special allocation of \$1 million for the installation and monitoring of security equipment purchased in FY 1980.

JOINT AUDIT AND INVESTIGATIVE EFFORTS

FY 1981 Activity

FY 1981 saw extensive communication and collaboration between the IG's audit and investigative staffs:

- . 18 investigations were initiated as the result of audit referrals;
- . information developed in six investigations was referred for audit follow-up;
- . auditors and investigators collaborated in 16 joint reviews which yielded, among other benefits, \$300,000 in monetary recoveries;
- . the Washington Audit Office devoted a full 8% of its audit resources to assisting IG/II in various investigations; and
- . perhaps most importantly, it became routine procedure for the RIG/As to review their audit plans and findings with the RIG/IIs, and for the investigative staff to solicit guidance from the audit staff on matters involving financial analysis, interpretation of contract cost provisions, and legitimacy of billing procedures.

These statistics reflect an impressive degree of cooperation between two disciplines that have traditionally operated independently of one another. I am convinced that audit/investigative collaboration is critical to an effective IG function, and I intend to make every effort in FY 1982 to continue our progress in this area.

Prospects for FY 1982

I had anticipated strengthening audit/investigative collaboration in FY 1981 through interdisciplinary training and the development of joint audit/investigative surveys. Unfortunately, both objectives fell victim to more immediate audit and investigative priorities. We are just now initiating a program of interdisciplinary training which entails (i) sending auditors to an IG/II course on The Rules of Evidence,

subpoena authorities and procedures, and relationships with U.S. Attorneys; and (ii) sending investigators to a Government-wide course on contract auditing. I also remain committed to the concept of joint audit/investigative surveys as a mechanism for reviewing areas known to have a high degree of vulnerability to fraud; and it is my intention to institutionalize this concept in FY 1982.

A third FY 1982 objective is to develop, based on the historical experience of IG investigative staff, a listing of "fraud indicators." These indicators will be provided to the audit staff as a means of heightening audit sensitivity to potentially fraudulent activities.

AUDITING

FY 1981 Activity

Despite decreased staffing and inadequate operational travel funds, the IG's audit offices issued more audit reports and provided greater audit coverage in FY 1981 than in FY 1980. More importantly, audit planning surveys conducted in FY 1980 allowed us to focus scarce 1981 audit resources on problem areas within Agency programs and operations, thus providing increased benefits to Agency management from IG audit work.

- Audit Reports and Coverage. The Regional Inspectors General for Audit issued a total of 219 audit reports in FY 1981, as compared with 196 reports in FY 1980. The 1981 audits covered programs valued at \$2.6 billion, an increase of 86% over the 1980 level of audit coverage.

- Audit Emphasis. In FY 1981 the Inspector General continued to emphasize financial reviews in the form of contract audits, preaward surveys, and supplementary work on financial audits conducted by other federal audit organizations. This emphasis is readily apparent from the comparison of IG audit reports which is presented in Table 3 below. In summary, financial reviews accounted for 39% of the IG reports issued in FY 1979; 43% of the reports issued in FY 1980; and 54% of the reports issued in FY 1981. From another perspective, the number of financial audit reports increased by 83% between FY 1979 and 1981, while the number of non-financial audit reports stayed at the same level.

TABLE 3

Comparison of FY 1979, FY 1980 and FY 1981
Audit Reports by Type of Audit

	<u>FY 1979*</u>	<u>FY 1980*</u>	<u>FY 1981</u>
Organizational Audits	10	9	10
Functional Audits	30	25	20
Project Audits	44	60	61
Sector Audits	18	15	9
Contract Audits	12	18	15
Supplementary Work on Financial Audits by Other Government Audit Organizations	41	47	72
Preaward Audits	11	19	30
Joint Audits with State/IG	0	3	2
Total	<u>166</u>	<u>196</u>	<u>219</u>

*IG reporting categories were redefined in FY 1981. This categorization of FY 1979 and 1980 reports therefore differs from that used in the FY 1980 Annual Report.

Outside the financial area, the results of audit planning surveys conducted in FY 1980 indicated a need for continuing emphasis on project audits relative to organizational, functional and sector reviews. This approach has permitted the identification of specific problems amenable to early corrective action by Agency management. It has also provided a firm basis for demonstrating the effects of the more general problems disclosed in broader-scope reviews.

Highlights of FY 1981 Audit Findings Unresolved as of
30 September 1981

- Problems with Agency Procurement Practices. A review of Agency procurement practices encompassed a sampling of transactions valued at \$3.6 million. Three major system deficiencies were identified: an absence of adequate commodity performance specifications tends to inhibit competitive offers; reliance on middlemen by authorized purchasing agents increases costs; and payment of agents' fees based on a percentage of commodity cost acts as a disincentive to obtaining the lowest prices. Savings available from adherence to improved procurement practices are estimated to run as high as 15% of commodity values, and could signify cost reductions on the order of \$30 million annually. (RIG/A/Washington 81-142)

- Viability of \$10 Million Project Questioned. In an Asian country, auditors found that a real property tax project was seriously behind schedule and having virtually no effect, due to a lack of support and commitment on the part of the host country government. In more than three years, only \$1.28 million of the \$10 million loan had been expended. Of this amount, grants to local communities accounted for \$524,000. Auditors found that the grants were not used for tax-mapping, as intended, but for the purchase of foreign-made motorcycles and tape recorders and to defray the costs of casual labor and office remodeling. Another \$550,000 was expended for project commodities that had remained in port warehouses for many months, because of disputes over payment of duties and demurrage charges. Auditors concluded that, in the absence of firm evidence of host government support and commitment, the project should be terminated and the remaining \$8.7 million in funds deobligated. (RIG/A/Manila 81-12)
- Deficiencies in Mission Accounting Practices. An audit of voucher approval and certification practices at a large AID mission in Asia revealed that almost half the limited number of vouchers sampled contained either ineligible or unsupported charges and/or computational errors totaling \$91,000. More importantly, this limited scope review disclosed certain system deficiencies and a lack of fiscal controls that have prompted the scheduling of a full-scale review of Mission Controller operations during fiscal year 1982. (RIG/A/Manila 81-14)
- Inadequate Controls over \$110 Million Project. In reviewing an ambitious cooperative development project in an Asian country, auditors found that the local project sponsor had failed to deposit millions of dollars of sales proceeds into the Special Accounts established to receive those monies. The local sponsor's use of these funds (projected to amount of \$80 million over the life of the project) was neither known to, nor sanctioned by, the AID Mission. While no wrongdoing was established, auditors found that certain disbursements made by the local project sponsor from these sales proceeds were highly questionable. Of greatest concern was the use of about \$8 million in local currency equivalents for investments in, and loans to, other entities. These transactions had not been contemplated in the AID authorizing agreement or the project work plan. AID contributions to this project have been suspended pending resolution of the various issues raised by the audit. (RIG/A/Karachi 81-6)

- Proceeds from P.L. 480 Sales Not Used for Project Purposes. In reviewing the status of funds generated from P.L. 480, Title I sales in a Central American country, auditors found that \$2.6 million had been generated but, of that amount, less than \$500,000 had been used for project purposes. The AID Mission was unaware that a host government agency had deposited the remaining \$2.1 million in a special bank account. Auditors recommended immediate reprogramming of the unutilized funds. (RIG/A/Latin America 81-15)

- Potential Cost Overruns of 200% in African Project. Cost overruns approaching 200%--more than \$3 million--were predicted as the result of a review of an AID-funded vocational training program sponsored by an American private voluntary organization in an African country. Poor budget estimates, runaway inflation and inadequate project management all contributed to this situation. In addition, the state of the local economy had deteriorated to the point where employment prospects for training program graduates were rapidly diminishing. In order to get this project back on track, auditors recommended that the Mission and the PVO work with the local government to (i) restructure the training program; (ii) develop realistic implementation plans; (iii) define the roles of local and expatriate training staff; (iv) resolve costs questioned in the audit; and (v) insure that future charges to the project are appropriate. (RIG/A/Washington 81-112)

- Questionable Expenditures under Disaster Assistance Grant. Audit of a \$323,000 disaster assistance grant to a U.S. PVO revealed that the Asian subrecipient had been reimbursed for duplicate charges, unsupported transactions, purchases from apparently non-existent vendors, and other purchases of a questionable nature. Further, the auditors were unable to determine the overall effectiveness of the grant in helping victims of a 1979 South Asian cyclone. Auditors recommended recovery of about 76% of the grant amount from the U.S. PVO, and urged that the Agency re-evaluate its accountability requirements for disaster assistance grants. Both recommendations are currently under active review by Agency management. (RIG/A/Karachi 81-7)

- Unsupported and Duplicative Charges by AID Contractor. Unsupported and duplicative charges made by an American contractor under an AID-funded poultry improvement project in a Middle Eastern country were questioned in amounts totaling \$270,000. Of this total, almost half has already been disallowed and negotiations on the remainder are continuing. Payments to the contractor have been suspended pending resolution of the issues surfaced during this audit. (RIG/A/Cairo 81-11)

- Overcharges by Host Country Government. In an African country, auditors found that AID was overcharged \$550,000 over a four-year period by the host country government. While the project agreement required that the host country government pay the salaries and other personnel costs of its complement of project staff, these costs had in fact been charged to AID funds. Auditors recommended that the Mission adjust host government billings in order to recover the \$550,000. (RIG/A/Washington 81-50)

Agency Response to Audit Recommendations

As was noted earlier in this report, AID implemented a new system for audit recommendation follow-up and resolution in October of 1980. This system changed responsibilities for audit resolution, established new tracking and response requirements, and imposed far more stringent standards for recommendation closing. (Under the new system, recommendations are generally closed only when necessary corrective actions have been fully implemented.) The initial results were predictable:

- . between 1 October 1980 and 31 March 1981, the total number of open recommendations increased by 27% (from 372 to 474); and
- . during the same period, the number of recommendations open in excess of six months increased by 57% (from 108 to 169).

With some strong urging from the AID Administrator, this situation turned around during the second half of FY 1981. Between 1 April 1981 and 30 September 1981:

- . the number of total open recommendations decreased by 18% (from 474 to 389); and
- . the number of recommendations open in excess of six months decreased by 23% (from 169 to 131).

Table 4 below indicates that the reduction in the total number of open recommendations resulted primarily from more timely action on newly issued audit recommendations. That is, the number of recommendations open from zero to three months declined dramatically--from 190 as of 31 March, to 90 as of 30 September.

TABLE 4

Audit Recommendations Open as of 31 March 1981 and 30 September 1981, by Length of Time Open

	<u>Recs. Open 0-3 Mos.</u>	<u>Recs. Open 3-6 Mos.</u>	<u>Recs. Open 6-9 Mos.</u>	<u>Recs. Open 9-12 Mos.</u>	<u>Recs. Open Over 12 Mos.</u>	<u>Total Open Recs.</u>
3/31/81	190	115	67	70	32	474
9/30/81	90	168	60	37	34	389

Looking at FY 1981 as a whole, the Agency's inventory of open recommendations totalled 1,082 --representing 372 recommendations open as of 1 October 1981, plus 710 recommendations issued during FY 1981. By the end of FY 1981, 693 of these recommendations had been closed, leaving a balance of 389 recommendations open as of 30 September 1981. Given the stringent standards for recommendation closing that were applied in FY 1981, I consider this to be a very credible performance on the part of Agency management. I would also note that, over this 12-month period, there was not a single instance where an audit recommendation had to be referred to the Deputy Administrator for resolution. There were, of course, numerous cases where the IG's office and program officials disagreed on how audit recommendations should be addressed. However, in no case did these disagreements reach the point of impasse.

While my assessment of Agency performance in this area is generally favorable, there should be no doubt that further improvements are necessary. Of particular concern is the fact that, as of 30 September 1981, the Agency was not in full compliance with OMB Circular A-73 and Public Law 96-304. That is, as of that date:

- . 14 monetary recommendations had remained unresolved for more than six months, in violation of Public Law 96-304;*
- . 11 recommendations that were subject to a Public Law 96-304 closing deadline of 30 September 1981 remained open; and
- . 52 procedural recommendations had remained unresolved for more than six months, in violation of OMB Circular A-73.*

Benefits From Audit

We see three types of benefits flowing from audit work: monetary recoveries, program/management improvements, and deterrent effect. While deterrent effect is hard to document, IG contributions in the other two areas can readily be illustrated.

*Recommendation resolution is achieved when Agency management and my office agree on a specific plan of action to correct a deficiency. IG recommendations are normally held open beyond the point of resolution, i.e., until the corrective action has actually been implemented.

-- Monetary Recoveries. My office defines monetary recommendations as those involving a net decrease in AID's cost of doing business. (Monetary recommendations involving reflows to the same projects or programs are considered program/management improvements.) During FY 1981, IG audit work resulted in:

- . identification of \$9.1 million in potential monetary recoveries;
- . Agency determinations to recover \$3.2 million; and
- . actual recoveries (in the form of collections or offsets) of \$1.2 million.

Please note that the statistics on Agency determinations and actual recoveries relate only to recommendations open as of 1 October 1980, when the IG's new recommendation tracking system was implemented.

-- Program/Management Improvements. Program/management improvements are probably the greatest benefit flowing from IG audit work, but the value of these improvements cannot always be readily quantified. The following examples will, however, serve to illustrate the significance of the program/management improvement benefits derived from IG audit work in FY 1981.

- . In FY 1981 Agency management took a number of very strong actions in response to an IG report on accounting practices in Africa's Sahel region. Management's actions included: suspension of disbursements under all projects in which fiscal controls and accountability were lacking; reconciliation of all questioned accounts in the thirteen projects reviewed; redesign and redirection of on-going and planned projects to include more stringent financial controls and accounting; and provision of training for local officials responsible for ensuring the proper use of AID-generated local currencies. (RIG/A/Washington 81-35)
- . In 1974, a PVO-sponsored P.L. 480 food distribution program in Asia was terminated as the result of an IG audit. Restarted in 1976, the program was terminated in FY 1981 for the second time, again as the result of an IG audit that disclosed serious deficiencies in program planning, management, and monitoring. At the time of program termination, AID support for the program totalled approximately \$6 million annually. (RIG/A/Karachi 81-1)

Each year, AID hires management interns for service overseas after completion of an initial training and orientation period in Washington. During FY 1981 the Agency decided to discontinue per diem payments during this training and orientation period--because an IG audit disclosed that the interns often remained in Washington for periods in excess of six months. In fact, in some cases the interns remained in Washington for as long as two years. The Agency's decision in this matter is estimated to result in FY 1982 savings of \$280,000. Savings in future years will be a function of the number of interns employed.
(RIG/A/Washington 81-111)

An audit of a \$1.5 billion Commodity Import Program in a Middle Eastern country revealed excessive advance and progress payments to suppliers operating under AID-financed, host country contracts. The audit report also pointed out inconsistencies in the AID policies that govern advance and progress payments under host country contracts. As recommended by the auditors, Agency management decided to develop revised Agency policies and procedures in this area, in order to prevent the disbursement of U.S. funds in advance of immediate need for authorized purposes. Very significant savings--in the form of reduced interest payments on funds borrowed by the U.S. Government--are expected to result from the revised Agency policies. (RIG/A/Cairo 81-1)

In reviewing an emergency food program in the Caribbean, auditors found that some commodities were not being utilized while other commodities were not being used for project purposes. In response to the audit, the Mission issued Bills for Collection in the amount of \$181,000, deobligated \$50,000 in project funding, and reduced fertilizer procurements by 700 tons. The reduced fertilizer procurement represented a cost avoidance of \$250,000. (RIG/A/Latin America 81-6)

An audit of a \$1,600,000 grant for the establishment of a clinic in a European country raised serious questions about (i) the need for the facility, and (ii) the propriety of the grantee's proposal that \$600,000 of the AID funds be used to make 18 years of advance rental payments to a hospital that had been constructed with AID funds. In response to the audit, AID suspended disbursements under this grant. (RIG/A/Washington 81-72)

- . In auditing a major P.L. 480 Title II program in Africa, auditors found that Mission control and monitoring of the program was seriously deficient. A principal cause was that the sponsoring PVO was calling forward commodities without advising the Mission or seeking Mission concurrence. As the result of the audit report, Agency and Department of Agriculture procedures were revised to insure that commodity calls forward are filled only with explicit Mission concurrence. (RIG/A/Nairobi 81-7)
- . In 1980, an IG audit disclosed a number of problems with a Housing Guaranty Program in Africa, including a high level of arrearages in payments by homeowners; pervasive subletting for individual economic gain; and inadequate provision of public services. The Agency vigorously pursued these issues with the local government. As the result, in FY 1981 the local government implemented a program to address the arrearage problem, changed its policy on subletting, and agreed to provide all necessary public services in the project from general government revenues. (RIG/A/Nairobi 80-19)

IG Management Initiatives

In terms of management objectives, the top audit priority for FY 1981 was implementation of the Agency's new system for audit recommendation follow-up and resolution. As noted earlier in this report, we were successful in meeting that objective. We also addressed three other audit management priorities: the need for a structured system to ensure Agency compliance with General Accounting Office recommendations; the need for language training for auditors assigned to the Latin America and West Africa offices; and the need for word processing equipment in the IG/Washington offices.

- . On July 16, 1981, the Assistant to the Administrator for Management approved an IG recommendation that the Agency establish a formal system of follow-up on audit recommendations issued by the General Accounting Office. The system, which is administered by the IG's Office of Policy, Plans and Programs, was fully in place by 30 September 1981.
- . In FY 1981 the Inspector General established a policy whereby all staff in the Latin America and West Africa Offices must meet minimum levels of proficiency in Spanish and French, respectively. As the result of this policy, ten auditors were enrolled in foreign language training by the end of FY 1981; and the balance of the Latin America and West Africa staffs will receive foreign language training in FY 1982. While foreign language capability is critical to effective IG functions in Latin America and West Africa, I must point out that developing this capability is a costly proposition: the normal period of required training is 20 weeks.

In March of 1981, at the IG's request, Agency management undertook a study to determine IG/Washington's need for word processing equipment. As the result of that study, the IG now has a word processing system, composed of ten workstations and seven printers, which is being used to facilitate management functions common to all IG offices, as well as functions unique to individual IG offices. Within the audit function, the system has resulted in reduced audit report production time and improved secretarial morale.

Prospects for FY 1982

In terms of federal audit focus and responsibilities, perhaps the most significant development since passage of the 1978 Inspector General Act occurred with the recent issuance of OMB Circular A-123 on the subject of "Internal Controls." I personally welcome OMB's renewed emphasis on the importance of internal management controls and the inclusion of an Inspector General role in the implementation of this Executive Office directive. Given our diminished staffing levels, participation with Agency management in carrying out vulnerability assessments and in monitoring the effectiveness of established internal controls holds out the promise of substantial returns for the investment of our scarce audit resources. Recent IG work in the area of Agency procurement, voucher approval, and cash management practices will be supplemented as the current year progresses by a review of Agency debt collection procedures--all in accordance with priorities identified by the President's Council on Integrity and Efficiency, and in line with the OMB emphasis on internal controls.

On the management side, my top priority for FY 1982 is to convene a meeting of the Regional Inspectors General for Audit for the purpose of jointly analyzing the audit issues before us, and developing a common audit focus for FY 1983. As mentioned earlier in this report, travel funding restrictions precluded my convening an audit planning conference in FY 1981.

In FY 1982 I also intend to change our system for gathering data on audit benefits. As presently constituted, this system does not permit total quantification of benefits in the area of program and management improvements. That information is, however, a key performance indicator in OMB's Semiannual Consolidated Reports on the Inspectors General; and we must therefore revise our system to provide it. Nonetheless, given the many subjective elements involved in quantifying benefits from program and management improvements, I intend to proceed with some caution.

Finally, it is clear to me that in FY 1982 we will have to redouble our efforts to develop the computer capabilities of IG audit staff. Although a substantial amount of computer training was provided in FY 1981, our capability to conduct systems analysis and automated data processing audits remains very limited. As you are aware, computer systems are an area involving high potential for fraud and abuse; and adequate audit coverage of these systems has therefore become a matter of increasing concern throughout the Federal Government.

INVESTIGATIONS AND INSPECTIONS

FY 1981 Activity

Like the audit function, operations of the Office of Investigations and Inspections (IG/II) were hampered in FY 1981 by decreased staffing and inadequate operational travel funds. However, IG/II confronted several additional handicaps: (i) the Regional Office for Investigations and Inspections/Near East and South Asia, which had been closed in November 1979, was not re-established in Karachi, Pakistan until June 1981; and (ii) 1981 marked another full year without any permanent IG/II presence in West Africa. As I noted earlier in this report, the Regional Inspector General for Investigations and Inspections (RIG/II)/ West Africa is now scheduled to be at post in Abidjan, Ivory Coast between April and June of 1982.

Despite these handicaps, IG/II continued to enhance its effectiveness and proactive posture toward the prevention and detection of fraud, waste and abuse in AID programs and operations. In FY 1981, a concerted effort was again made to focus investigative effort on areas of greater materiality and potential benefit to the Agency. In pursuing this objective, we received substantial support from the AID Assistant General Counsel for Contracting and Enforcement, the Department of Justice (DOJ), and the Federal Bureau of Investigation (FBI).

- . In addition to his normal responsibility for handling IG/II referrals to prosecutive authorities, the Assistant General Counsel for Contracting and Enforcement provided extensive advice and counsel to IG/II during the course of active investigations. The result was marked improvement in the evidentiary quality of cases referred to prosecutive authorities.
- . IG/II also worked very closely with the Department of Justice, Fraud and Anti-Trust Sections, and the U.S. Attorneys. During the year, four inspectors and one auditor were assigned to work with those offices, in further pursuit of IG/II investigative referrals. One investigator was assigned full-time for the entire fiscal year; two other investigators were assigned full-time for periods of three and eight months; and an investigator and an auditor were assigned full-time for five months.

- . Finally, in FY 1981 IG/II participated in nine investigations with the FBI and other Federal investigative organizations.

-- Special Efforts to Prevent and Detect Fraud, Waste and Abuse. IG/II initiated or continued a number of special efforts to prevent and detect fraud, waste and abuse.

- . Sensitizing AID and Contractor Employees to the Potential for Fraud, Waste and Abuse. IG/II continued the Briefing/Debriefing program that was established in FY 1980. Under this program, IG/II inspectors interview AID employees and AID-financed contractor employees passing through (or reassigned to) Washington, for the purpose of briefing them on the IG/II function and eliciting their concerns about fraud, waste or mismanagement in AID operations. In FY 1981, IG/II conducted over 150 of these interviews.
- . IG/II Inspections. As I reported to you last year, inspections are a critical element in any comprehensive program to prevent and detect fraud, waste and abuse. In FY 1981, by reorganizing the IG/II Washington office and assigning one inspector full-time to the effort, we succeeded in getting the IG/II inspectional program off the ground. Implementing policies and procedures were developed, and one pilot inspectional survey was conducted. This survey, designed to detect fraud in the shipment of household goods (especially in the area of packing, crating and billing rates), resulted in initiation of a substantive investigation.
- . Communicating "Lessons Learned" to Agency Management. IG/II continued its efforts to derive "lessons learned" from investigative findings, and to communicate those lessons to Agency management. In FY 1981, six investigations resulted in IG/II recommendations to Agency management for systemic changes in Agency operations. In one case, the lessons learned were forwarded to another Federal agency, as they concerned a program under that agency's jurisdiction.
- . Operation Disclosure. Operation Disclosure, instituted in FY 1979, is a proactive program which involves detailed IG/II examination of reports filed with the Securities and Exchange Commission by U.S. corporations doing business abroad. The purpose of the program is to identify possible improper or

illegal activities involving AID financing. The remaining ten IG/II cases resulting from this effort were closed in FY 1981. One case, involving a major U.S. corporation, resulted in identification of excessive freight charges to AID of \$81,547.52. We have now completed our review of these matters, and anticipate no further investigative effort in this area.

-- Investigative Focus and Caseload. I reported to you last year that IG/II had instituted caseload management procedures which were geared to focusing scarce investigative resources on cases with potential for high return, either financially, administratively, or in terms of deterrent effect. The impact of those new procedures is documented by Table 5 below. In summary, between 30 September 1979 and 30 September 1981, the number of pending IG/II cases decreased by 51% (from 136 to 67). This decrease in overall caseload was almost entirely attributable to a dramatic increase in case closings, which jumped from 121 in FY 1980 to 174 in FY 1981. Behind these statistics is a determined effort to purge the IG/II workload of cases where (i) the required investment of investigative resources outweighs the anticipated benefits, and/or (ii) the matters are found, after preliminary inquiry, to fall within the normal administrative responsibilities of Agency management. The 67 cases that remained in the IG/II workload as of 30 September 1981 involved issues of potential consequence to this Agency, and I expect that their resolution will entail substantial investment of investigative resources.

TABLE 5

IG/II Caseload: FYs 1979, 1980 and 1981

<u>Fiscal Year</u>	<u>Cases Opened</u>	<u>Cases Closed</u>	<u>Cases Pending as of 30 September</u>
1979	148	111	136
1980	97	121	112
1981	129	174	67

The following table summarizes the character of the IG/II cases opened in FY 1981.

TABLE 6

IG/II Cases Opened in FY 1981

<u>Character of Investigation</u>	<u>No. of Cases Opened</u>
Special Inquiry	15
Preliminary Inquiry	34
Fraud Against the Government	35
Bribery	9
Diversion of AID-Financed Commodities	5
Conflict of Interest	4
Embezzlement	5
Local Procurement Irregularities	7
Theft of Government Property	2
Forgery	1
Reciprocal Investigations	4
Blackmarket	1
Inspections	3*
Misappropriation of AID Funds	1
Non-Delivery, P.L. 480, Title II Commodities	3
Total	<u>129</u>

Table 7 below, which categorizes the 67 cases pending as of 30 September 1981, provides a good basis for projecting the nature of IG/II's investigations in FY 1982.

TABLE 7

IG/II Cases Pending as of 30 September 1981

<u>Character of Investigation</u>	<u>No. of Cases</u>
Special Inquiry	8
Preliminary Inquiry	16
Fraud Against the Government	21
Bribery	7
Diversion of AID-Financed Commodities	5
Embezzlement	2
Procurement Matters	2
Theft of Government Property	2
Forgery	1
Inspections	2*
Misappropriation of AID Funds	1
Total	<u>67</u>

*Includes one pilot inspectional survey.

Summary of Matters Referred to Prosecutive Authorities

During FY 1981, IG/II referred a total of 13 cases to the Department of Justice (Criminal and Civil Divisions) and to U.S. Attorney Offices. Of these 13 cases, eight were categorized as Fraud against the Government; two were categorized as Special Inquiries; and the balance were categorized as Civil Fraud, Embezzlement, and Procurement Matters. In content, the cases centered around supplying sub-standard commodities, misapplication of Government funds, kickbacks, charging for commodities not shipped, questionable commission payment procedures, diversion of shipped commodities, overbilling and inflated pricing.

As of 30 September 1981, the status of these referrals was as follows:

- . two of the cases were referred as matters of interest, and the Department of Justice was conducting its own inquiry into them;
- . one case was under Grand Jury investigation;
- . two cases were under active investigation by the Department of Justice;
- . one case resulted in conviction of a direct-hire employee who received a fine and a suspended sentence, and was put on probation (this employee resigned from the Agency);
- . The Department of Justice declined prosecution on one case; and
- . the other six cases were still under review by the Department of Justice to determine appropriate action.

IG/II also referred 31 cases to the AID General Counsel, with the following results as of 30 September 1981:

- . Bills for Collection were issued in five cases, and three of the Bills had been paid by the end of FY 1981;
- . monetary recoveries were accomplished in eleven cases through means other than Bills for Collection;
- . one referral was of an informational nature and therefore did not result in General Counsel action.;
- . the General Counsel determined to take no action on ten of the cases referred; and
- . as of the end of FY 1981, four of the 31 cases were pending action by the General Counsel.

Highlights of Investigative Findings and Resulting Benefits

-- Investigative Findings Involving Monetary Recoveries. In FY 1981, IG/II investigations resulted in the assessment of \$1,561,879 in fines, penalties, and Agency demands for payment. During the same period, actual monetary recoveries resulting from IG/II work totalled \$627,607. This amount represented:

- . \$179,939 in voluntary payments and disallowances; and
- . \$447,668 in recoveries resulting from judgments, settlements, and Bills for Collection.

The following examples will serve to illustrate the nature of IG investigative findings involving monetary recoveries.

- . Potential Refund of \$81,548. As noted previously, IG/II has conducted a series of investigations into possible violations of the Foreign Corrupt Practices Act. One of these investigations involved a company that had been awarded a \$1.7 million contract for the provision of underground cable to a foreign government. IG/II investigation revealed that the company had made a commission payment of 2% or \$30,629, but had failed to list the payment on documentation submitted to AID. Also, investigators discovered that the actual ocean freight charge was \$50,919 less than the amount included in the bid. As of 30 September 1981, the AID General Counsel was arranging with company attorneys for refund of \$81,548, representing the excess ocean freight charge and the unreported commission payment.
- . Public Integrity Case. An investigation of an AID employee suspected of having accepted "kickbacks" involved extensive IG/II effort in several Far Eastern countries. In the United States, the investigation was joined by the FBI. The employee was finally charged with accepting a substantial sum of money in return for certain official acts he performed in connection with his responsibilities for a refugee relief program. However, due to the high cost anticipated for the transport of witnesses from overseas and other technical reasons, the Department of Justice, to whom the case was ultimately referred, urged the court to follow the Government's recommendation in plea agreement. As a result, in FY 1981 the employee agreed to resign his position with AID, pay a \$10,000 fine, and make a \$30,000 civil claims settlement. In addition, he received a two-year suspended prison sentence and was placed on probation for five years.

- . Excessive Labor Charges by AID Contractor. Investigators discovered that a contractor involved in restoring electrical power generation and transmission in a South American country had falsified time and attendance records. Although the contract required 13 hour workdays seven days a week, the investigation showed that actual hours worked did not approach those set forth in contract specifications. Consequently, AID denied payment of \$107,000 in charges made by the contractor in excess of approved contract limits. As the result of an appeal by the contractor and subsequent negotiations between the contractor and AID, a reduction of contractor charges by \$60,000 was achieved. Additional savings of \$95,000 are estimated over the remainder of the contract period.

- . Double Billing under the Commodity Import Program. Another investigation involved the foreign agent for a U.S. supplier of refrigeration equipment under the AID-financed Commodity Import Program. Investigators found that the agent billed the importers for authorized commodity-related services in dollars, having the U.S. supplier draw the amount from AID Letters of Credit. At the same time, the agent collected for the commodity-related services in local currency. Further, the commodities related to the agent's services were not delivered to the importers, but were kept by the agent. After extensive investigation, this case was referred to the Department of Justice for prosecution. As of 30 September 1981, the case was pending action by the Department of Justice.

- . Voluntary Refund by Contractor of \$185,986. An audit referral to IG/II revealed that an AID contractor may have committed fraud by claiming, under a cost reimbursement contract, \$225,805 in expenses prior to their being incurred. Investigation disclosed that the contractor may also have billed AID for an additional \$525,551 in expenses that had not been incurred. During the investigation, the contractor voluntarily refunded \$185,986 to the Agency. As of the end of FY 1981, the investigation was continuing and had been referred to the Department of Justice for review and possible prosecution.

- . Improper Agent Fees. Information was developed by IG/II from several sources that a U.S. contractor had made an illegal payment to a foreign official to obtain a contract financed by AID. The IG/II investigation confirmed that one of the highest bidders had been awarded the contract; and it revealed that there was a special relationship between the contractor personnel and the foreign official charged with making the award. Further investigation developed

information about a "middle man/agent" who collected a fee that was not authorized under the contract. A special IG audit was then initiated to examine the records of the contractor's home office. As a result, several fees and commissions were identified as having been paid to an agent and charged to the overhead account of the AID-financed contract. Armed with this information, IG/II continued its investigation and interviewed the "agent". His receipt of the monies was confirmed. However, he would not permit a complete examination of his records to document his expenses and disbursements. Further, investigators could find very little information on what the agent did in exchange for the monies received. In light of the unauthorized commissions and fees (\$120,000) and other irregularities under this contract, the Agency determined to issue a Bill for Collection in the amount of \$198,000.

. Joint Investigative Effort with other U.S. Agencies at State and Federal Levels. IG/II initiated an investigation of a U.S. supplier because of suspicions that he had short-shipped earth moving equipment to a recipient country. Although that issue was resolved in the supplier's favor, investigators learned that the supplier had submitted a performance bond for \$43,000 that was reported to be forged. While only this one transaction involved AID, it turned out to be part of a larger criminal effort to pass forged contract bonds. IG/II provided support and cooperation to FBI, U.S. Attorney and State of New Jersey authorities in developing evidence in the foreign country that received the forged bond. The IG/II work played a key role in supporting the Federal Government investigation into what is believed to be a major bond forging operation.

. Joint IG Audit and Investigative Effort. A joint audit/investigation of an AID-financed road building project disclosed that the contractor had submitted deficient plans, designs, and calculations. Correction of these deficiencies cost the United States Government \$254,169. The case was referred to the Department of Justice, Civil Division; and a judgment was handed down by the Federal Court, St. Louis, in September of 1981. AID obtained a settlement of \$190,000.

-- Other Benefits from Investigations. Not all IG/II investigations are conducted for the purpose of criminal prosecution. As illustrated by the following examples, some investigations provide valuable information collection/verification services, which permit appropriate Agency resolution of non-criminal matters.

- . A serious trade complaint involving almost \$1 million in AID financing was referred to IG/II by Agency management. IG/II in Washington and Cairo provided investigative support to document the transaction, inspect the commodities, and interview various parties to the matter. The completed investigative report served as the basis for Agency management's resolution of the complaint.
- . Under a local development project, \$4.9 million in AID-financed local currency was deposited in a trust fund administered by a political subdivision of the host country. The funds were to be used for specific development purposes. However, IG/II learned--as the result of a spot check--that host country officials had diverted the funds into 73 interest-bearing accounts, and the interest earned was being used for purposes not consistent with project goals. For example, interest income had been used to purchase several luxury cars for family members of a host government official, and to make a "business loan." After IG/II surfaced the problem, the AID Mission took strong action resulting in establishment of proper controls over the \$4.9 million. Further, AID and the host country implemented new procedures to prevent a recurrence of this situation.

IG Management Initiatives

In FY 1981, IG/II took a number of management initiatives to improve the overall quality of IG/II work, and to better support the changed focus of IG/II efforts.

- . Perhaps most importantly, IG/II/Washington was reorganized to provide for the establishment of a Regional Inspector General for Investigations and Inspections/Washington. This new organizational structure has enabled IG/II to deal effectively with its expanded investigative workload in the U.S. Also, with the establishment of RIG/II/Washington, we are seeing faster response time on domestic investigations and closer daily supervision of investigative work.
- . In order to tighten up oversight of investigative activity from a resource standpoint, IG/II instituted a requirement that inspectors report the number of investigative staff hours expended on each case. Prior to institution of this requirement, IG/II workload was measured only in terms of the number of cases. As mentioned earlier, inspectors may devote months of continuous effort to some cases, whereas other cases are completed after investments of only 40 or 50 hours. Yet, under the previous system, each case had a factor of one.

We continued to emphasize training for the IG/II inspectors. In FY 1981, 12 inspectors attended training programs in areas of investigation ranging from white collar crime to computer and contracting practices. In addition, IG/II arranged for the Department of Justice (Criminal Division, Public Integrity Section) to conduct a one-day training program for 15 inspectors. Finally, two inspectors were enrolled full-time in language training for a total of 60 weeks, and two other inspectors were in language training for four hours a week over an eight-month period.

The IG/II training program was formalized in FY 1981 with the issuance of a Procedure Directive that established a definite training schedule.

As anticipated in the 1980 Annual Report, IG/II implemented a program to reduce the volume of documentary material in the IG/II file room. All non-substantive material dated prior to January 1, 1979 was reviewed and destroyed, with concurrent action taken to screen references to the same items from the indices. Hereafter, all non-substantive documents over three years old will be screened in a similar manner. This procedure will reduce IG/II's Freedom of Information Act (FOIA) and Privacy Act (PA) workload, since elimination of references obviates FOIA and PA releases. IG/II also reviewed and sent to permanent storage 115 closed case files, plus three boxes of administrative files, thereby lessening the office's file maintenance burden and providing more space in the office vault.

Prospects for FY 1982

In FY 1981, IG/II made a concerted effort to cull from its pending workload all cases not clearly warranting the investment of scarce investigative resources. This has enabled us in FY 1981 to increasingly focus investigative effort on cases involving significant issues and offering high potential returns. I expect that the quality of IG/II's investigative coverage will be further strengthened in FY 1982 by (i) the establishment of a Regional Office for Investigations and Inspections/West Africa, (ii) full implementation of the Inspectional Survey Program that was initiated in FY 1981, and (iii) the increasing support our investigative work is receiving from the Department of Justice.

I would also note that I am encouraged by the support, encouragement, and oversight being provided to us through the President's Council on Integrity and Efficiency. The most important and far-reaching of the Council's initiatives has led to explicit recognition, among all parties, of the need for closer cooperation among and joint investigative efforts by the

Department of Justice, the Federal Bureau of Investigations, and the Inspectors General. As the result, on 3 June 1981 the Department of Justice issued a revised "Policy Statement of the Department of Justice on its Relationship and Coordination with the Statutory Inspectors General of the United States." Among the key provisions of this Statement are (i) a general requirement that DOJ be notified whenever there is reason to believe a Federal crime has occurred; and (ii) a specific requirement that DOJ be notified upon receipt of any allegation involving bribery, conflict of interest, fraud against the Government by Federal employees, or organized crime activities. This statement required a change in IG/II operations, since the previous practice had been to test all complaints before notification to DOJ. The result in FY 1982 may well be an increase in the number of operations conducted jointly by IG/II and the FBI.

On the management side, four major FY 1982 initiatives are already underway or completed:

- . An investigative management information system utilizing the IG's word/list processing equipment is in the process of being developed. We intend to use this system as an aid in the management of investigations, and as a means of identifying patterns, trends and modus operandi in fraud and abuse matters. The system is expected to be fully operational by the Spring of 1982.
- . The IG/II Handbook is being revised to reflect streamlined policies and procedures relating to the case suspense system, report writing, a reduction in the number of reports requiring exhibits, etc. We also anticipate publication of a Handbook chapter on Inspectional Surveys during FY 1982.
- . To continue upgrading personnel and to improve the quantity and quality of the IG/II investigative product, an in-service training program is being implemented in FY 1982. This program calls for a two-day (16-hour) classroom course each quarter, complemented by several short workshops on specific operational problems. The first quarter course was directed toward fraud investigations, with material being presented by Department of Justice; and the second quarter course will address AID and host government contracts. My primary objective here is to improve the operational capabilities of IG/II staff in specialized areas of investigative concern.
- . On 5 November 1981, the AID Administrator approved an Inspector General recommendation that IG/II establish an Agency "hotline" to receive complaints and allegations involving Agency programs and operations. As of this writing, the AID hotline is fully operational.

SECURITY

FY 1981 Activity

The Office of Security (IG/SEC) directs and controls all security activities relating to the programs and operations of the Agency for International Development, the Overseas Private Investment Corporation, and the International Development Cooperation Agency. The IG/SEC mission encompasses personnel, procedural, and physical security programs. However, in FY 1981--in response to a continuing high level of international terrorism and threats against U.S. Government employees--the Office again placed particular emphasis on the physical protection of Agency staff serving overseas. At the same time, IG/SEC implemented innovative measures to reinforce its personnel security program.

-- Overseas Physical Security Program. IG/SEC's emphasis on overseas physical security resulted in the formulation of a unique hostage survival program, as well as expanded activities under the Office's counterterrorism and emergency voice radio programs.

The design and implementation of an AID hostage survival program was an especially important FY 1981 development. By training employees not only to survive but also to provide leadership during hostage incidents, this program is making a very significant contribution to the well-being of the Agency's staff overseas. To date, specialized training has been provided to 12 AID officials and spouses who are stationed in high-risk locations such as El Salvador, Costa Rica, and Honduras.

The counterterrorism program was strengthened in FY 1981 through extensive IG/SEC field reviews of Mission physical security programs. On site inspections and evaluations were conducted in Ghana, Ivory Coast, Liberia, Senegal, Mauritania, Niger, Kenya, Zimbabwe, Zambia, Botswana, Maseru, Pakistan, Egypt, Yemen, Italy, Portugal, Panama, Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, and Haiti. Recommendations for improvements to office and residential security resulted in the expenditure of \$470,450 for equipment and \$501,100 for local construction and installation costs. IG/SEC also set aside \$325,000 for the procurement of three vehicles, armored and equipped with sophisticated materials for use in high threat areas.

Under the emergency voice radio program, IG/SEC issues new voice radios; repairs existing units; and provides for radio systems design, installation and management review. Although administered by only two communications specialists, the accomplishments of this program in FY 1981 were substantial.

- . Three hundred and forty-one new emergency voice radios valued at \$721,795 were issued.
- . One hundred and ninety-three radios were repaired at the Washington-based IG/SEC repair facility--in less time and at lower cost than would have been possible through commercial alternatives.
- . Field inspections were conducted of radio systems in Senegal, Gambia, Liberia, Kenya, Tanzania, Zambia, Somalia, Sudan, Guyana, Panama, Dominican Republic, Haiti and Guatemala.
- . New radio systems were installed in Liberia and the Dominican Republic.
- . Existing radio systems were expanded in Tanzania, Kenya, Somalia and Sudan.

I am particularly pleased to report to you that the Office of Security anticipated the deteriorating security situations in Nairobi, Kenya and Dar es Salaam, Tanzania. Early procurement of communications equipment and the provision of residential security measures have frustrated the last four attempts on the residences of AID employees in Nairobi.

-- Domestic Physical Security Program. For the first time in recent years, IG/SEC's domestic security program was successful in reversing a pattern of ever-increasing losses of AID/Washington office equipment. Security surveys were made of the buildings occupied by AID; and, with the cooperation of Agency management, a comprehensive program of locking device installation was implemented. No office equipment losses have been reported since implementation of that program.

-- Personnel Security Program. In the area of personnel security, IG/SEC conducted 393 full-field background investigations. Of particular note was the very rapid turnaround of security clearances during the period of transition in Agency administration. IG/SEC was able to average 10 days for security clearances for senior management positions, thus smoothing the orderly assumption

of responsibility by the new administration. This was accomplished with no diminution in the quality of the investigations. In fact, during FY 1981 an effort was made to enhance the coverage of our security investigations by including an interview of each applicant. Many investigative techniques that were efficacious in previous years no longer yield sufficient information; and a personal interview now seems to be a necessary way to obtain all relevant information.

In addition, the Office of Security initiated a reinvestigation program for existing employees. Our previous lack of a comprehensive program in this area constituted a serious weakness in the overall personnel security program. We have moved to address that deficiency by updating all security clearances which are over five years old.

- Procedural Security Program. During FY 1981 IG/SEC adjudicated 127 violations of security regulations; provided orientation briefings for 507 employees; and issued 1,296 Agency identification documents. Also, 1,073 security files were retired, reflecting IG/SEC's continuing commitment to effective records management.

It should be noted that the Information Security Oversight Office conducted an inspection of AID's procedural security program in FY 1981. The overall results of the inspection were favorable; and IG/SEC has already moved to improve the quality of classification/declassification briefings, in order to correct the one major criticism resulting from the inspection.

IG Management Initiatives

An earlier section of this report noted that steps were taken during FY 1981 to assess and meet the IG's need for word processing equipment. For IG/SEC operations, this represented a very significant management initiative. The equipment, which combines list processing and word processing capabilities, is being used to help manage the personnel investigative program and to keep track of counterterrorism equipment distributed to AID posts overseas. The benefits, in terms of improved inventory management and budget surveillance, are expected to be substantial.

Also, the Office of Security was reorganized in FY 1981 to strengthen the overseas physical security program. Two new employees joined the staff, allowing us to create three new desk officer positions dedicated to the upgrading of physical security in Africa, Latin America, and Near East/Asia. In an effort to better manage and account for the multimillion dollar security equipment program and to ensure the orderly disbursement of specially authorized Congressional funding, an additional Administrative Assistant position was reprogrammed from other IG resources.

Prospects for FY 1982

During 1982, the efforts of the Office of Security will be directed at maintaining the present levels of security support and activity, both here in the United States and abroad, with the diminished resources available to the Office of the Inspector General. There is no relief in sight for the problems of overseas security and terrorism; indeed, we anticipate that more and more of our AID programs will be conducted in threatening environments.

AID's security program has been aggressive in directing its efforts toward protection of our direct-hire employees overseas, both in the office and in the home. We intend to maintain this aggressive approach during the next year, and to be even more active in conducting field reviews to ensure compliance with good security practices and the proper use of AID-supplied security equipment. On the domestic side, we will continue to secure AID workspaces with the intention of maintaining the very fine loss prevention record achieved in FY 1981.

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Country</u>	<u>Subject of Report</u>
<u>Cairo</u>			
81-1	11/20/80	Egypt	Financial Procedures and Controls of the Commodity Import Program (CIP) in Egypt
81-2	12/21/80	Egypt	Internal Operating Procedures for Project-Like Activities of the CIP
81-3	01/29/81	Egypt	Internal Operating Procedures Applicable to Durable and Non-Durable Commodities of CIP
81-4	10/09/80	Egypt	Informal Urban Housing Sector Study
81-5	12/30/80	Egypt	Internal Operating Procedures for Arrival Accounting and End-Use of CIP
81-6	02/26/81	Egypt	Agents' Commissions Financed Under the CIP of Egypt
81-7	Cancelled		
81-8	03/22/81	Egypt	Canal Dredging Equipment
81-9	03/30/81	Egypt	Urban Health Delivery System Project
81-10	06/15/81	Egypt	Alexandria Sewerage Top Priority Project
81-11	06/16/81	Egypt	Poultry Improvement Project
81-12	09/30/81	Egypt	Housing and Community Upgrading for Low-Income Egyptians Project
<u>Karachi</u>			
81-1	10/09/80	India	Church World Service/Lutheran World Relief PL 480 Title II Program
81-2	10/16/80	Nepal	Radio Education Teacher Training Project
81-3	10/27/80	Jordan	Jordan Valley Authority Activities
81-4	10/28/80	Jordan	Mission Operating Budget
81-5	11/25/80	Pakistan	AID Loan to the GOP for Fauji Fertilizer
81-6	02/12/81	India	USAID Assistance for the Cooperative League of the USA Programs in India
81-7	02/19/81	India	OFDA Grant to Catholic Relief Services for Cyclone in South India During 1979
81-8	02/25/81	Bangladesh	Review of Selected Agricultural and Rural Development Projects
81-9	04/27/81	India	Gujarat Medium Irrigation Project
81-10	04/30/81	India	WG Forge & Allied Industries Limited
81-11	05/18/81	Yemen	Selected Rural Development Activities in Yemen
81-12	05/21/81	Nepal	Review of Selected Agricultural Projects in Nepal
81-13	05/27/81	Yemen	Taiz Water and Sewerage Construction Project
81-14	08/11/81	India	Procurement of Gunny Bags for PL 480 Title II Wheat
81-15	08/17/81	India	Malaria Control Program
81-16	08/19/81	Sri Lanka	Review of Selected Water Resource Projects

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Country</u>	<u>Subject of Report</u>
<u>Karachi (Cont'd)</u>			
81-17	09/09/81	India	International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)
<u>Latin America</u>			
81-1	10/20/80	Chile	Preaward Survey of Centro de Investigaciones y Desarrollo de la Educacion-CIDE
81-2	10/30/80	Peru	PL 480, Title II - Peru
81-3	11/18/80	Guatemala	Pan-American Health Organization
81-4	12/12/80	Costa Rica	Agricultural Commodity Systems Project
81-5	12/31/80	Panama	Rural Cooperative Development Project
81-6	01/07/81	Haiti	Emergency Food Production Project
81-7	02/19/81	Honduras	Coopers and Lybrand Contract With Banco Nacional de Desarrollo Agricola
81-8	02/24/81	Honduras	Hurricane Rural Reconstruction/Recovery II - Agricultural Credit and Access Roads Reconstruction
81-9	02/25/81	Honduras	Hurricane Rural Reconstruction/Recovery II - Rural Primary Schools
81-10	03/31/81	Guatemala	Guatemala Earthquake Disaster Relief Program
81-11	03/31/81	Panama	Grain and Perishable Marketing System
81-12	04/10/81	Chile	Follow-up on Review of CIDE
81-13	04/24/81	Panama	Mission Operating Expense Budgets (FY 1979 and FY 1980)
81-14	05/15/81	Guatemala-ROCAP	Agricultural Research and Information System
81-15	05/18/81	Nicaragua	Review of Emergency Food Assistance Provided to Nicaragua
81-16	05/22/81	Honduras	National Nutrition Planning Project
81-17	05/28/81	Bolivia	Cashier Operations, USAID/Bolivia
81-18	05/29/81	Peru	AID Housing Guaranty Program
81-19	06/30/81	Ecuador	Small Business and Employment Generation
<u>Manila</u>			
81-1	10/06/80	Philippines	Bicol Program - Philippines
81-2	11/10/80	Philippines	Rural Electrification Program
81-3	11/19/80	Philippines, Thailand, Indonesia	Administrative Approval of Vouchers Under Host Country Contracts
81-4	11/24/80	Indonesia	Local Procurement Practices
81-5	12/02/80	Indonesia	PVO Co-Financing Project
81-6	12/29/80	Philippines	Disaster Rehabilitation

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Country</u>	<u>Subject of Report</u>
<u>Manila</u> (Cont'd)			
81-7	02/09/81	Indonesia	Rural Electrification Project
81-8	Cancelled		
81-9	03/30/81	Philippines	Local Procurement Practices
81-10	03/30/81	Indonesia	Controller's Operation
81-11	04/27/81	Indonesia	Population Planning Projects
81-12	04/30/81	Philippines	Real Property Tax Administration
81-13	05/18/81	Indonesia	Luwu Area and Transmigration Development Project (Irrigation Equipment)
81-14	05/28/81	Indonesia	Memorandum Audit of the Administrative Approval and Certification of Project Vouchers
81-15	05/28/81	Thailand	Regional Educational Development
81-16	09/08/81	Indonesia	Resources Management International
<u>Nairobi</u>			
81-1	10/22/80	Portugal	AID Shelter Activities in Portugal
81-2	12/09/80	Kenya	Preaward Survey of African Cooperative Savings and Credit Association
81-3	12/16/80	Lesotho	Land and Water Resources Development
81-4	12/30/80	Botswana	Housing Guaranty Loan
81-5	01/28/81	Tanzania	USAID/Tanzania Operating Expenses
81-6	03/31/81	Botswana	Southern Africa Manpower Development Project
81-7	03/31/81	Lesotho	PL 480, Title II Activities in Lesotho
81-8	04/30/81	Tunisia	Special Problems in the Administration of Maisons Tunisiennes Carnoy S.A.R.L.
81-9	05/22/81	Tunisia	PL 480, Title II Program
81-10	05/26/81	Tunisia	Housing Guaranty Loan Project - Caisse Nationale d'Epargne Logement (CNEL)
81-11	06/19/81	Ethiopia	PL 480, Title II Program in Ethiopia
81-12	06/30/81	Kenya	Agriculture Systems Support
81-13	07/29/81	Seychelles	PL 480, Title II Food Program
81-14	08/14/81	Tunisia	Nutrition Planning Project
81-15	09/24/81	Tanzania	Limited Review of the PL 480, Title II Program in Tanzania

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Subject of Report</u>
<u>Washington</u>		
81-1	10/01/80	Review of Cost Proposal Submitted by Brich & Davis Association, Inc.
81-2	10/01/80	Review of Cost Proposal Submitted by McManis Associates, Inc.
81-3	10/10/80	Auburn University
81-4	10/10/80	The Rockefeller University
81-5	10/17/80	Non-Competitive Procurement Waiver for Drew Postgraduate Medical School - Kenya
81-6	10/14/80	An Assessment of Africare Activities
81-7	10/16/80	Review of Cost Proposal Submitted by Management Analysis Center, Inc., and First Washington Association, Ltd.
81-8	10/23/80	The Effectiveness of the Cooperative League of the U.S. to Develop Cooperatives in Indonesia, India and Swaziland
81-9	10/29/80	Review of Cost Proposal Submitted by Arthur Young and Company
81-10	10/30/80	Review of Cost Proposal Submitted by One America, Inc.
81-11	10/31/80	Stanford University
81-12	11/13/80	Academy for Educational Development, Inc.
81-13	11/12/80	Review of Cost Proposal Submitted by Booz, Allen and Hamilton, Inc.
81-14	11/17/80	Review of Cost Proposal Submitted by Multinational Agribusiness Systems, Inc. (MASI)
81-15	11/12/80	Review of Cost Proposal Submitted by T-CAS America, Inc.
81-16	11/18/80	American Technical Assistance Corporation
81-17	11/19/80	Auburn University
81-18	11/21/80	Curators of the University of Missouri
81-19	11/24/80	University of Missouri
81-20	11/26/80	Improvements Needed in Management of AID/W Projects
81-21	11/25/80	Survey of AID Research Projects
81-22	12/15/80	Local Currency Expenditures - OMVS Agronomic Research Project
81-23	12/16/80	Review of Cost Proposal - National Academy of Science
81-24	12/17/80	International Medical and Research Foundation
81-25	12/18/80	Experience, Inc.
81-26	12/24/80	Survey of Computer Security
81-27	12/29/80	Opportunities Industrialization Centers International
81-28	01/07/81	Cooperative for American Relief Everywhere, Inc. (CARE)
81-29	12/21/80	International Council for Development of Underutilized Plants (ICDUP)
81-30	01/19/81	Institute of International Education
81-31	01/21/81	Academy for Educational Development

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Subject of Report</u>
<u>Washington (Cont'd)</u>		
81-32	01/19/81	Termination Claim - New TransCentury Foundation
81-33	01/23/81	Stanford University
81-34	01/27/81	Metcalf and Eddy, Inc.
81-35	01/29/81	Problems in Host Country Accounting for Utilization of AID Funds in the Sahel
81-36	01/29/81	University of Minnesota
81-37	01/30/81	Review of Family Planning International Assistance at Selected Overseas Locations
81-38	01/30/81	George Washington University
81-39	01/30/81	Pacific Consultants - Addendum to Audit Report No. 80-50
81-40	02/04/81	Survey of Consulting Services
81-41	02/04/81	Claim Follow-up of India Audit Report No. 81-1, Church World Service/Lutheran World Relief - PL 480, Title II Program in India
81-42	02/09/81	Catholic Relief Services
81-43	02/11/81	South Dakota State University
81-44	02/13/81	Review of Selected AID-Financed Activities in Upper Volta
81-45	02/17/81	AID's Emergency Employee Loan Fund
81-46	02/23/81	An Assessment of AID's Public Law 480, Title II Assistance for Refugee Relief in Somalia
81-47	02/26/81	International Business Services Incorporated
81-48	02/26/81	Westinghouse Electric Corporation
81-49	03/04/81	Planning and Human Systems, Inc.
81-50	03/06/81	Review of the Senegal Rural Health Services Development Project and the Cereals Production Projects
81-51	03/10/81	International Center for Research on Women
81-52	03/10/81	Improvements Must Be Made in the Sahel Regional Development Programs
81-53	03/11/81	The Joint Administrative Office at Khartoum
81-54	03/12/81	The Joint Administrative Office at Cairo
81-55	03/13/81	Contract Review - Spectral Data Corporation
81-56	03/16/81	International Institute of Rural Reconstruction
81-57	03/16/81	University of Nebraska
81-58	03/20/81	Pacific Consultants, Inc., Has Not Demonstrated Prudent Management
81-59	03/17/81	The Population Council, Inc.
81-60	03/26/81	University of Missouri
81-61	03/27/81	Local Currency Expenditures - Food Crop Protection and Integrated Pest Management Projects in The Gambia
81-62	04/01/81	Research Triangle Institute
81-63	04/21/81	American Home Economics Association
81-64	04/21/81	Institute of Financial Education
81-65	04/22/81	Planning Assistance, Inc.

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Subject of Report</u>
<u>Washington (Cont'd)</u>		
81-66	04/22/81	Review of Cost Proposal FCH International, Inc.
81-67	04/28/81	Review of Appropriate Technology, International
81-68	04/29/81	Review of Cost Proposal Submitted by Experience, Inc., in Response to AID/RFP/SOD/PDC-50198
81-69	04/29/81	Review of Cost Proposal Submitted by Experience, Inc., in Response to AID/RFP/SOD/PDC-50199
81-70	04/29/81	University of Nebraska - Lincoln
81-71	04/30/81	Inadequate Results Being Achieved From an AID Grant to Agricultural Missions Foundation, Ltd.
81-72	04/30/81	American Schools & Hospitals Abroad Grant to American-Italian Children's Foundation
81-73	05/06/81	The Rockefeller University
81-74	05/06/81	Agricultural Development Council, Inc.
81-75	05/07/81	Morcom Systems, Inc.
81-76	05/15/81	Review of Cost Proposal Submitted by Development Alternatives, Inc.
81-77	05/19/81	Clapp and Mayne, Inc.
81-78	05/20/81	Review of Cost Proposal Submitted by Henry F. Teichmann, Inc., For the Flat Glass Project
81-79	05/20/81	University of Colorado
81-80	05/26/81	Near East Foundation
81-81	05/26/81	Survey of Management Controls Covering Year-End Buying
81-82	05/26/81	IPPF Has Strengthened Management of Its Worldwide Family Planning Programs
81-83	06/02/81	Auburn University
81-84	06/08/81	Clapp and Mayne, Inc.
81-85	06/10/81	National Planning Association
81-86	06/10/81	Review of Mathtech, Inc.
81-87	06/15/81	Review of Cost Proposal Submitted by Management Systems International
81-88	06/16/81	University of Nebraska - Lincoln
81-89	06/17/81	Review of Cost Proposal Submitted by Medical Service Consultants, Inc.
81-90	06/19/81	Stanford University
81-91	06/19/81	Near East Foundation
81-92	06/23/81	Review of AID Compliance With OMB Memorandum on IRS (W-4) Withholding Information
81-93	06/24/81	Review of Cost Proposal Submitted by Parametric, Inc.
81-94	06/24/81	Review of MSCI Indefinite Quantity Contract Cost Proposal
81-95	06/26/81	Educational Testing Service
81-96	06/26/81	Management of Operating Funds in Liberia Needs to be Improved
81-97	06/29/81	Population Reference Bureau, Inc.
81-98	06/30/81	Excess Property Boats Provided to the Pan American Development Foundation
81-99	07/08/81	Tulane University
81-100	07/08/81	University of Michigan
81-101	07/13/81	Harvard University

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Subject of Report</u>
<u>Washington (Cont'd)</u>		
81-102	07/13/81	National Institute of Health
81-103	07/13/81	Health Resources Administration - Medical Service Consultants, Inc.
81-104	07/14/81	International Voluntary Services, Inc.
81-105	07/15/81	Preaward Review of the Coverdale Organization, Inc.
81-106	07/15/81	Slatzburg Seminar in American Studies, Inc.
81-107	07/15/81	Joint Venture Proposal - ASEAN Conference
81-108	07/16/81	National Planning Association
81-109	07/22/81	Medical College of Wisconsin, Inc.
81-110	07/24/81	University of Minnesota
81-111	07/28/81	International Development Intern Travel Expenses
81-112	07/28/81	The YMCA Vocational Training Project in Senegal Needs Improved Management and Administration
81-113	08/05/81	Development Sciences, Inc.
81-114	08/06/81	Navy, Marshall and Gordon
81-115	08/06/81	The Match Institution
81-116	08/11/81	Northwestern University
81-117	08/13/81	The Oceanic Institute
81-118	08/17/81	Improvements Are Needed in Administering the Foreign Disaster Assistance Program
81-119	08/18/81	Near East Foundation
81-120	08/20/81	Review of Cost Proposal Submitted by Inter- American Legal Services
81-121	08/25/81	Devres, Inc.
81-122	08/25/81	Research Triangle Institute
81-123	08/25/81	Louis Berger International, Inc.
81-124	08/27/81	The Domestic & Foreign Missionary Society of the Protestant Episcopal Church
81-125	08/27/81	Review of Cost Proposal Submitted by the Inter- national Fertility Research Program, Inc. (IFRP)
81-126	09/02/81	Review of Cost Proposal Submitted by the Institute of International Education, Inc.
81-127	09/04/81	Review of Cost Proposal and Provisional Overhead Rate Submitted by IPPF/WHR International Planned Parenthood
81-128	09/04/81	Tippetts-Abbott-McCarthy-Stratton
81-129	09/08/81	National Academy of Sciences
81-130	09/08/81	Catholic Relief Services
81-131	09/09/81	ISI Needs to Improve Its Control Over Sub- Agreement Costs
81-132	09/10/81	International Agricultural Development Service
81-133	09/14/81	The Oceanic Institute
81-134	09/17/81	Pennsylvania State University
81-135	09/17/81	Action Programs International
81-136	09/17/81	Dimplex Associates, Inc.
81-137	09/21/81	International Agricultural Development Service
81-138	09/22/81	International Agricultural Development Service
81-139	09/24/81	Major Implementation Problems Confront Project Action Ble in Mali

AUDIT REPORTS ISSUED IN FY 1981

<u>Report Number</u>	<u>Date of Report</u>	<u>Subject of Report</u>
<u>Washington (Cont'd)</u>		
81-140	09/25/81	Partnership for Productivity Foundation/USA, Inc.
81-141	09/29/81	Caribbeana Council
81-142	09/30/81	Improvements Are Needed in AID's Procedures for Project Commodity Procurement