

Agency for International Development

Federal Managers' Financial Integrity Act Report

Fiscal Year 1992



Management Control Staff
Washington, D.C. 20523

Agency for International Development

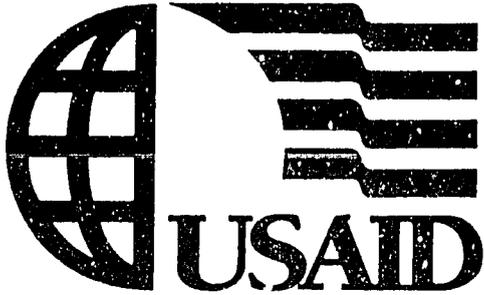
Federal Managers' Financial Integrity Act Report

Fiscal Year 1992

DOO →
M. J. ...



Management Control Staff
Washington, D.C. 20523



*Federal Managers'
Financial Integrity Act*

Fiscal Year 1992
Report to

The President
&
The Congress

U.S. Agency for International Development
320 Twenty-First Street NW, Washington DC 20523

Agency for International Development
Washington, D.C. 20523

December 22, 1992

*Office of
the Administrator*

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We are pleased to report that, as of September 30, 1992, the management control and financial systems of the Agency for International Development (A.I.D.) provided reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) have been achieved.

Our current implementation of the FMFIA is being conducted within the context of the Agency's ongoing Management Improvement Plan. That plan involves a set of time-phased, prioritized management and program reforms to improve the way in which foreign assistance funds are administered.

Over the past year, A.I.D. has accomplished the following:

- o instituted an Audit Management and Resolution Program which outlines specific responsibilities for audit processes involving planning, implementation and resolution;
- o developed and approved a new five-year Management Control Plan which provides for testing a functional approach that will concentrate more expertise on the assessment and correction of operating weaknesses;
- o completed an Action Plan to implement the Joint A.I.D.-OMB "SWAT" Team Report's 30 recommendations; (This Action Plan has become the core of A.I.D.'s Management Improvement Plan, which is being expanded to incorporate recommendations from other studies, e.g., the GAO Management Review and the President's Commission on the Management of A.I.D. Programs.)
- o undertaken an In-Country Presence Assessment to examine alternatives for more efficient and effective configurations of A.I.D.'s overseas staff;
- o issued its first Financial Management Status Report and Five Year Plan (known as the CFO Annual Report) that provides for bringing the Agency into compliance with the Chief Financial Officers Act;

- o initiated development of an Information Systems Plan (ISP) to provide Agency-wide architectures for information, technology, systems, and information resources organization; (The Agency will implement this plan over the next 3 to 5 years.) and
- o converted and successfully tested the overseas computer-based accounting and financial management system to reduce costs and to take advantage of local computer hardware support resources. A.I.D. will begin deployment of the converted accounting systems to field missions in FY 1993.

These and other reforms support management's goals of excellence in: (1) obtaining development results from our program investments; and (2) the administration of the public funds entrusted to the Agency.

Additional details are provided in the enclosures to this letter.

Enclosure A provides a statistical summary of the Agency's management control performance. Of the thirty-two material management control weaknesses found since the program began in 1982 through the end of FY 1992, fifteen have been corrected.

Enclosure B provides a progress report on the four "High Risk" areas.

Enclosure C lists the seventeen pending material weaknesses in priority order. It separately describes each management control weakness and the corrective action planned, including tentative completion dates. Also included are descriptions of the two material weaknesses corrected this year.

Enclosure D describes the one material nonconformance and the corrective action planned, including the tentative completion date.

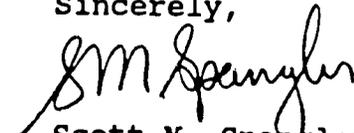
In addition to the four high risk areas identified jointly by A.I.D. and OMB in Enclosure B, the Agency is proposing two additional high risk areas as follows:

1. **New Independent States (NIS) Authority and Role -** Overlapping authority and broad participation by outside agencies not directly accountable to A.I.D. contribute to the potential for vulnerability. Coordination problems and inter/intra-agency relationships need to be addressed so that the NIS program will operate in an efficient and effective manner.

2. **Host Country Contributions** - The Agency needs to establish policy and strengthen the controls for host country contributions, in order to determine the status of required host country project contributions, why delinquencies have occurred, overall compliance assessment and recommendations to remedy any shortfalls.

Finally, we are concerned about a significant conflict between program demands and available resources. The Agency has a serious imbalance between the demands of an expanding program workload and the supply of financial and human resources to manage responsibly our operations. The problem is caused, in part, by a significant increase in new programs and an increase in oversight and accountability requirements for all organizational units. One manifestation of this concern is the diversion of personnel to new priorities, e.g., NIS and environmental programs, leaving existing programs vulnerable from lack of management continuity. At the same time, serious consideration must be given to whether these additional tasks are themselves sustainable without additional financial and human resources. We look forward to early discussion of this concern with the Office of Management and Budget in connection with ongoing deliberations concerning existing "High Risk Area Number 4, Inadequate Program Monitoring and Oversight".

Sincerely,



Scott M. Spangler
Acting Administrator

Enclosures: a/s

ENCLOSURE A

STATISTICAL SUMMARY OF PERFORMANCE

Section 2, Internal Control

	Number of Material Weaknesses		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending:
Prior Years	17	11	6
1990 Report	3	2	1
1991 Report	2	2	0
1992 Report	10	0	10
Total	32	15	17
Of the total number corrected, how many were corrected in 1992? <u>2</u>			

Section 4, Financial Management Systems

	Number of Material Non-Conformances		
	Number reported for the first time in:	For that year, number that have been corrected:	For that year, number still pending
Prior Years	1	1	0
1990 Report	1	0	1
1991 Report	-	-	-
1992 Report	-	-	-
Total	2	1	1
Of the total number corrected, how many were corrected in 1992? <u>0</u>			

NOTE: The listed 1990 Material Non-conformance is the primary accounting system (FACS) which is listed as an Agency "high risk" area and a "material weakness" (see Enclosure C).

ENCLOSURE B

PROGRESS REPORT ON HIGH RISK AREAS

Listed below are the Agency's four high risk areas. Since these high risk areas are made up of one or more material weaknesses, the corrective action plans are provided in Enclosure C.

1. High Risk Area: Financial Management Systems and Operations

This high risk area consists of two material weaknesses: (1) A.I.D.'s Primary Accounting System and (2) AID/Washington Payments Operation. These weaknesses are described, with the appropriate corrective action schedules, in Enclosure C.

2. High Risk Area: Audit Coverage of A.I.D.'s Contractors and Grantees

This weakness was previously described as "inadequate coverage of A.I.D.'s programs and administrative operations". However, it can be more accurately described as "inadequate audit coverage of A.I.D.'s contractors and grantees. This weakness is described, with the appropriate corrective action schedule, in Enclosure C.

3. High Risk Area: Management of Sensitive Information

Pursuant to the requirements of the Computer Security Act of 1987, A.I.D. identified 17 systems which contain sensitive information; three of these are identified as critical systems, requiring protection of confidentiality and integrity of data. This weakness is described, with the appropriate corrective action schedule, in Enclosure C.

4. High Risk Area: Inadequate Program Monitoring and Oversight

This area was described as "agency staffing levels" in last year's report; however, it has been determined that the Agency's major vulnerability is the inadequate program monitoring and oversight due to staffing levels. This weakness is described, with the appropriate corrective action schedule, in Enclosure C.

ENCLOSURE C

**SUMMARY/TABLE OF CONTENTS
OF MATERIAL WEAKNESSES**

TITLE	YEAR FIRST REPORTED	TARGET DATE FOR CORRECTION IN 1991 FMFIA REPORT	CURRENT TARGET DATE FOR CORRECTION	PAGE
AID/Washington Primary Accounting System	1988	1995	1995	7
AID/Washington Payments Operation	1988	1995	1995	10
Program Monitoring and Oversight	1984	-	1995	13
Audit Coverage of Contractors and Grantees	1990	1993	1993	15
Management of Sensitive Information	1991	1993	1993	18
Monitoring and Evaluation of Projects	1991	1993	1993	20
Housing and Other Credit Guarantee Programs	1992	NEW	1995	23
Private Sector Investment Program	1992	NEW	1995	25
Review of A.I.D.'s Unliquidated Obligations	1992	NEW	1993	27
Non-Expendable Property	1992	NEW	1995	30
Master Disbursing Account	1992	NEW	1995	33
Pay and Performance	1992	NEW	1993	36
Policy Development and Dissemination	1992	NEW	1994	38
Policy Guidance - Project Development Documentation	1992	NEW	1994	40
Strategic Planning and Direction	1992	NEW	-	42
Local Currency Accountability	1987	1992	1993	44
Advances to Host Country Governments and Institutions	1992	NEW	1993	46
Evaluation of Host Country Contracting Agencies	1983	1992	1992	48
Accountability for Food Aid Program Resources	1991	1992	1992	50

1992 MATERIAL WEAKNESS

Title of Material Weakness: AID/Washington Primary Accounting System

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Weakness: The Agency's primary accounting system, FACS, was 60 percent complete by 1989. However, the discovery of serious internal control and technical problems in FACS implementation necessitated a fundamental reassessment of that plan. This will delay full integration of A.I.D.'s financial system until FY 1995, well beyond the Administration's goal of having all Agency systems integrated by 1992.

Pace of Corrective Action

Year Identified: 1988

Original Targeted Correction Date: 1995

Correction Date in Last Year's Report: 1995

Current Correction Date: 1995

Reason for Change in Dates:

Source of Discovery: A.I.D. IG audits and management reviews

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed actions/events: The procurement action for the AID/Washington Accounting and Control System (AWACS) requirements and design assessment was accomplished. The Agency adopted an Information Engineering Methodology (IEM) for this project and completed the Financial Management Enterprise Strategic Information Systems Plan (SISP). During the development of the SISP, ten business areas were identified for further analysis. The analyses for nine of these business areas are completed. One business area, payroll, is outside the scope of the AWACS effort.

- A cost-benefit analysis was performed to evaluate the following four development/implementation options; (1) custom developed for the mainframe, (2) off-the-shelf for the mainframe, (3) custom developed for a distributed environment, and (4) other-agency-software for a distributed environment. The other-agency-software, the U.S. Army Corps of Engineers Financial Management System (CEFMS) was found to be the most cost-beneficial for A.I.D. The results of our study were presented in June 1992 to the Office of Management and Budget and the Department of the Treasury. OMB concurred with the cost-benefit analysis and directed A.I.D. to continue with the evaluation of CEFMS and simultaneously solicit proposals from certified commercial off-the-shelf vendors as a fall-back strategy.

B. Planned actions/events (short-term):

- The contractor is establishing an evaluation environment in A.I.D. to allow for installation and evaluation of CEFMS software. Discussions are in progress between A.I.D. and the Corps of Engineers to establish a Memorandum of Understanding for receipt and assistance in installing/evaluating the software to see if it meets our requirements. We expect to complete our evaluation during the second quarter of FY 1993.
- A.I.D. will solicit proposals from current certified commercial off-the-shelf financial systems vendors regarding how fully their systems meet A.I.D.'s requirements. This solicitation will take the form of a letter of interest during the first quarter of FY 1993 with a due date the same as the completion of our evaluation of CEFMS.
- Concurrent with AWACS' analysis and evaluation efforts, AWACS has sponsored an effort to implement a transaction driven system by modifying the existing GL application. This effort was initiated in July 1992 and will be implemented by December 30, 1992.

C. Planned action/events (long-term):

- Pending a final GO/NO-GO decision on CEFMS, a rapid application development (RAD) techniques effort will be used to identify and implement modifications to the selected software (whether CEFMS or commercial) to meet A.I.D.'s functional and technical requirements (including the JFMIP Core Financial Management System Requirements).
- Multiple phased RAD efforts will be conducted to minimize development complexity and support incremental milestones.
- Integration testing will take place to assure that all components of the system properly interact with each other and then an overall systems test will be run to ensure that the system performs according to technical specifications.
- The above listed activities will begin during the second quarter of FY 1993 and continue until implementation. The complete system is still scheduled to be operational by the end of FY 1994.

1992 MATERIAL WEAKNESS

Title of Material Weakness: AID/Washington Payments Operation

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Material Weakness: A comprehensive audit of A.I.D. headquarters' direct payment procedures listed several recommendations to improve the payment operations. The Office of Financial Management (FM) has been actively working to upgrade this operational area and although all audit recommendations have been closed, management continues to believe that the high vulnerabilities inherent in the headquarters' payment operations require continued classification as a material weakness. Also, the Agency has not developed a quality control program for Prompt Pay Act activities as outlined in OMB Circular A-125.

Pace of Corrective Action

Year Identified: 1988

Original Targeted Correction Date: 1989

Correction Date in Last Year's Report: 1995

Current Correction Date: 1995

Reason for Change in Dates: Final correction is tied to the implementation of the AID/Washington Accounting and Control System (AWACS), which is to be completed in FY 1995. The Prompt Pay quality control program should be completed in 1993.

Source of Discovery: A.I.D. Inspector General's audit and FM managers' review of operations.

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

The implementation of the AWACS will strengthen the payment processing operations through improved timeliness and accuracy. The Agency system will then conform with all GAO, JFMIP, and OMB financial systems requirements.

Procedures are being developed and training continues for all divisional personnel that will address sound voucher examination practices and define job authorities and responsibilities. FM now has a solid cadre of payment processing personnel with a high level of performance.

A. Completed Actions/Events:

- FM has taken an aggressive posture in requiring administrative approval on all vouchers in a timely manner. (August 1990)
- Changes in policy and procedures have been forwarded to all personnel and are documented. (1990)
- Regular staff training programs have been established to ensure properly trained staff in examination functions. Continued emphasis in hiring qualified contract voucher examiners also ensures enhanced performance. (1990 and 1991)
- The AID/W core accounting system (FACS) has been modified to prevent duplicate entry of invoices and payments. Past duplicate payments have been identified and collection efforts are underway. (1991)
- There have been significant procedural improvements in the area of document control within the division. Staff is keenly aware of document routing and the sensitivity of its actions. (August 1991)

B. Planned Actions/Events (short term - next 12 months):

- Draft generic desk-top procedures to address examining and certifying claims that are generic to most agencies will be distributed. (November 1992)
- Divisional staff continues to educate project officers in their responsibilities through one-on-one discussions and group briefings. (On-going effort)
- Initial plans for AID/W quality control program will be developed. (January 1993)
- Quality control program for AID/W will be operational. (June 1993)

- Personnel are actively pursuing outstanding travel and grantee advances. An effort has begun to reconcile subsidiary advance ledgers to the general ledger. (August 1993)
- Field mission guidance will be issued. (December 1993)

C. Planned Actions/Events (longer term):

- Personnel placements must be approved, candidates selected and personnel trained, to staff the quality unit which was established in FY 1992. Staffing to provide for internal quality studies is not anticipated for FY 1993 due to budgetary and FTE constraints.
- Final desk-top procedures are planned to address processing of A.I.D. unique claims. Specific procedures are planned, but will require resources not currently available for this effort. (December 1994)
- The implementation of AWACS in FY 1995 is expected to enhance current internal controls, ensure that the Agency meets legislative mandates, adapts more quickly to regulatory change and minimizes potential risk.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Program Monitoring and Oversight

Name of Responsible Program Manager: Richard C. Nygard

Responsible Bureau/Office: Finance and Administration, Office of Budget (FA/B)

Description of Material Weakness: Proper assurances do not exist that A.I.D.'s program is being properly monitored and that appropriate controls are in place to insure that expected standards are being met for control of, and accountability for, A.I.D.-managed funds. Last year this material weakness was classified as "Agency Staffing Levels"; however, the most serious deficiency that the Agency encounters due to inadequate staffing levels is insufficient program monitoring and oversight.

Pace of Corrective Action

Year Identified: 1984

Original Targeted Correction Date: NONE

Correction Date in Last Year's Report: NONE

Current Correction Date: 1995

Reason for Change in Dates:

Source of Discovery: Internal management reviews

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- Draft of Overseas Presence Study. (November 1991)

- Workforce skills planning process started. (June 1992)
- OMB/A.I.D. "SWAT" Team review completed. (August 1992)

B. Planned Actions/Events (short term - next 12 months):

- Concentrate programs in fewer countries. (September 1993 & yearly)
- Concentrate programs on fewer sectors. (September 1993 & yearly)
- Task force will begin development of workforce allocation methodology for AID/W positions. (September 1993)

C. Planned Actions/Events (longer term):

- Continue implementing OMB/A.I.D. SWAT Team report recommendations.
- Test Washington workforce allocation process. (May 1994)

1992 MATERIAL WEAKNESS

Title of Material Weakness: Audit Coverage of Contractors and Grantees

Name of Responsible Program Manager: John W. Koehring

Responsible Bureau/Office: Finance and Administration,
Management Control Staff (FA/MCS)

Description of Material Weakness: Audit coverage of non-U.S. contractors, grantees, and host country implementing agencies is not adequate. The Agency is developing a world-wide inventory of all contractors, grantees, and host country implementing agencies subject to audit that will more accurately determine total required audit coverage, and then take the necessary steps to schedule the necessary audits.

Pace of Corrective Action

Year Identified: 1990

Original Targeted Correction Date: 1992

Correction Date in Last Year's Report: 1993

Current Correction Date: 1993

Reason for Change in Dates: A change in the scope and emphasis from U.S. to non-U.S. contractors and grantees.

Source of Discovery: Management review

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Event:

- Payment Verification Policy Statement No. 6 was issued requiring each program design document to include an evaluation of audit needs and, if appropriate, provide program funds to support audit activities. (1983)
- The Inspector General (IG) issued procedures to implement the non-federal audit program. (1984)
- OMB Circular A-133 audit requirements were incorporated into A.I.D. Handbook 13 for grants to non-U.S., non-government grantees. (1991)
- In FY 1991, A.I.D. management conducted a review of its responsibilities in regard to audits of profit and non-profit, domestic and foreign recipients. Current policy and procedures were reviewed, and overseas missions were surveyed on problems encountered in providing adequate audit coverage. High-level discussions between management and IG officials took place, the results of which were used in developing the Audit Management and Resolution Program (AMRP).
- Specific guidance on implementing the AMRP was approved on March 31, 1992 and the AMRP was issued and sent to our field missions in April 1992. The AMRP assigns responsibility for developing and maintaining the universe of required audits and for requesting (of the IG) that financial audits of recipient organizations be performed - both domestic and foreign. The IG will also ensure that financial audits of A.I.D. recipients meet U.S. government or other acceptable and recognized auditing standards.
- The tasks assigned to each A.I.D. mission to designate an Audit Management Officer (AMO) responsible for coordinating and monitoring the overall audit program at the mission level, informing the chairperson of that organization's Management Control Review Committee of the audit status; scheduling of any corrective actions that must be performed; and developing each mission's annual Audit Management Plan in conjunction with the RIG were completed. (July 1992)
- On October 1, 1992, The Office of Procurement (FA/OP), located in Washington, D.C., assumed from the A.I.D. IG, the responsibility for monitoring the audit status of all U.S. contractors and grantees (both profit and non-profit). Each A.I.D. mission is responsible for coordinating with the Regional Inspector

General (RIG) and monitoring the overall audit program for its local (non-U.S.) contractors and grantees. Where AID/W geographic bureau's have centrally-funded grants and contracts, it is each bureau's responsibility to ensure that audit coverage is being maintained by either FA/OP or the specific mission. FA/OP will generate quarterly reports for AID/W and missions worldwide which will list all U.S. contractors and grantees and will show their audit and overhead rate status. These reports will be analyzed by the MCS beginning January 1993 to assure maintenance of complete audit coverage.

B. Planned Actions/Events (short term - next 12 months):

- A.I.D. missions have been directed in the AMRP to complete their inventories of A.I.D. recipients by July 1, 1992. The MCS will request copies of the inventories updated through September 30, 1992 which will be reviewed as they are received. A.I.D. missions will be advised of any changes or additions that need to be made. All inventories will be reviewed by the end of December 1992.
- The Agency will develop expanded guidance for auditing funds disbursed directly to host country entities that are implementing projects and programs. This guidance will be developed by March 1993.

C. Planned Actions/Events (longer term):

The MCS will continuously stress that proper audit coverage is an integral part of our management control system. This coverage will be included as a part of the MCS annual reviews of management controls for each of the approximately 70 missions (number subject to change due to political and budgetary factors) and AID/Washington offices and bureaus.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Management of Sensitive Information

Name of Responsible Program Manager: Barry Goldberg

Responsible Bureau/Office: Finance and Administration,
Office of Information Resources Management (FA/IRM)

Description of Material Weakness: Lack of up-to-date, comprehensive IRM program policies and procedures.

Pace of Corrective Action

Year Identified: 1991

Original Targeted Correction Date: 1993

Correction Date in Last Year's Report: 1993

Current Correction Date: 1993

Reason for Change in Dates:

Source of Discovery: Various internal and external recommendations

For Corrected Items Only:

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, Actual Date):

A. Completed Actions/Events:

- Conducted ongoing testing of disaster recovery service for critical/sensitive systems on the IBM mainframe. (February and July 1991, and April 1992)

- Awarded multi-year disaster recovery service contract for the IBM mainframe. (September 1991)
- Developed Disaster Recovery Contingency Plan for IBM mainframe. (January 1992)
- Conducted risk analyses for AID/W Banyan network, Wang VS minicomputers and AID Telecommunication Center. (August 1992)
- Issued ADP Access/Password Management Policy. (August 1992)
- Issued a Classified Processing Policy. (September 1992)

B. Planned Actions/Events (short term - next 12 months):

- Develop Agency computer virus policy. (October 1992)
- Implement the ADP Access/Password Management Policy. (December 1992)
- Develop data/application system security policy. (December 1992)
- Develop security handbooks/guidebooks. (June 1993)

C. Planned Actions/Events (longer term):

- Continue to conduct periodic testing of IBM mainframe disaster recovery service whenever there is a major change to the system or at least once a year. The annual test will be conducted no later than the 4th quarter of a calendar year.
- Continue to develop security policies and conduct risk analyses. This is an ongoing activity. (September 1993)
- Continue efforts to establish a disaster recovery program for centralized computer facilities. (December 1993)

1992 MATERIAL WEAKNESS

Title of Material Weakness: Monitoring and Evaluation of Projects

Name of Responsible Program Manager: John Eriksson

Responsible Bureau/Office: Center for Development Information and Evaluation (CDIE)

Description of Material Weakness: Program evaluation efforts tend to be uncoordinated and non-objective in assessing assumptions and searching for development impacts. Evaluations which narrow focus to procedures and process fail to provide management with guidance or means to concentrate efforts and avoid or manage the influence of constraints to improve performance.

Pace of Corrective Action

Year Identified: 1991

Original Targeted Correction Date: 1993

Correction Date in Last Year's Report: 1993

Current Correction Date: 1993

Reason for Change in Dates:

Source of Discovery: Internal control assessments, audit reports, and external reviews of operations and management

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- In FY 1991, the Agency complied with the Administrator's Evaluation Initiative by establishing the Office of Evaluation in CDIE. Full-time central A.I.D. evaluation staff was expanded to 23 USDH compared to 9 before the Initiative.
- In FY 1992, two major institutional contracts were negotiated to provide additional evaluation and program performance monitoring services. Program funds allocated to this new office jumped to over \$5 million in FY 1992, compared to \$1 million before the Initiative.
- During 1991-92, an Agency-wide system for monitoring and reporting program performance for strategic management (called "PRISM") was created in the CDIE Evaluation Office. With PRISM technical assistance, 55 A.I.D. missions have developed program performance monitoring and reporting systems with strategic objectives and performance indicators. A PRISM data base was established in AID/Washington and currently operating, compiling mission strategic objectives and performance indicators and tracking performance.

B. Planned Actions/Events (short term - next 12 months):

- The first yearly report to the Administrator on the Agency's program performance will be completed during December 1992. The report will cover progress toward strengthening the evaluation system, the Agency's strategic objectives, the results of the Agency's "focus and concentrate" effort, key program performance measures and targets, and findings from recent CDIE program evaluations.
- By the end of FY 1993, assessments of A.I.D. capital projects, legal systems, civil society, forestry/environment, basic education, agribusiness, and NGO programs will be completed.

C. Planned Actions/Events (longer term):

- The CDIE evaluation agenda for FY 1993-95 was reviewed by AID/W and OMB staff and approved by the Administrator. The agenda identifies 32 major program evaluations to be carried out over the next three years in

areas such as policy reform, private sector development, social services, agriculture, democratic initiatives, and capital projects.

- PRISM planning and monitoring support of field missions will continue on a permanent basis.
- CDIE will provide, to requesting field missions, technical assistance and quality control in the design, implementation, and reporting of their own project evaluations.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Housing and Other Credit Guarantee Programs

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Material Weakness: There are no formal, documented program or financial policies and procedures. FA/FM/LM (Loan Management Division) does not maintain a general ledger for these programs. There is not sufficient monitoring of the paying and transfer agent. Claims receivable collection procedures are inadequate. Not all program funds are under Treasury custody.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1995

Correction Date in Last Year's Report: NEW

Current Correction Date: 1995

Reason for Change in Dates:

Source of Discovery: FY 1991 audited financial statements

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events: None

B. Planned Actions/Events (short term - next 12 months):

- All A.I.D. funds will be included in the general ledger and in the FY 1992 financial statements when they are prepared. (December 1992)
- Develop monitoring procedures. (December 1992 - implementation will require additional, and as yet, unavailable resources.)
- Accounting procedures will be developed. (September 1993)

C. Planned Actions/Events (longer term):

- Program policies will be developed. (September 1994)
- Fully integrate program accounting into the A.I.D. headquarters' accounting operation. (September 1995)

1992 MATERIAL WEAKNESS

Title of Material Weakness: Private Sector Investment Program

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Material Weakness: Accounting records and financial statements do not reflect the total costs of operating the program. FM/LM (Loan Management Division) does not maintain a general ledger for the Private Sector Investment Program (PSIP) operations. Financial control over claims processed against A.I.D. for loan-backed guarantee projects are inadequate. There are no formal, documented PSIP program or financial policies and procedures.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1995

Correction Date in Last Year's Report: NEW

Current Correction Date: 1995

Reason for Change in Dates:

Source of Discovery: FY 1991 audited financial statements

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events: None

B. Planned Actions/Events (short term - next 12 months):

- Systems will be developed to maintain general ledger accounts while AWACS is being developed and implemented. (December 1992)
- Procedures for cost accumulation will be enhanced to improve data gathering. (September 1993)
- Procedures will be developed to properly charge claims against outstanding loan balance. (September 1993)
- PSIP procedures will be developed. (September 1993)

C. Planned Actions/Events (longer term):

- Fully integrate program accounting into the A.I.D. headquarter's accounting operations. (September 1995)

1992 MATERIAL WEAKNESS

Title of Material Weakness: Review of A.I.D.'s Unliquidated Obligations
(Section 1311 Review)

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Material Weakness: The review and certification of unliquidated obligations is poorly implemented and documented, and the unliquidated obligations of program funds exceeds Agency forward funding guidelines.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1993

Correction Date in Last Year's Report: NEW

Current Correction Date: 1993

Reason for Change in Dates:

Source of Discovery: GAO report, IG audit and President's Commission on the Management of A.I.D. Programs.Report.

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- Issued revised forward funding guidelines as part of FY 1994 Annual Budget Submission guidance and directed all bureaus to include in the guidance for the annual portfolio reviews concerns about excess pipelines. (April 1992)
- Issued revised instructions to missions on carrying-out the annual Section 1311 review including a certification request on the accuracy and methodology of FY 1992 year-end Section 1311 review. (September 1992)
- Initiated an enhanced Section 1311 Review of AID/W unliquidated balances questioned in IG report. (September 1992)
- Coordinated with General Counsel on revision of standard project agreement to provide for unilateral A.I.D. deobligation. (September 1992)

B. Planned Actions/Events (short term - next 12 months):

- Further strengthen funding guidelines and re-issue them in conjunction with establishment of annual Operating Year Budget. (October 1992)
- Coordinate with Office of Financial Management on issuing report of FY 1992 end-of-year excess pipeline for bureaus to use in assessing mission compliance with forward funding guidelines. (December 1992)
- FA/Budget will review bureau assessments and prepare pipeline compliance report for submission to the Management Control Review Committee (MCRC). (April 1993)
- Complete the enhanced review of AID/W unliquidated balances questioned in IG report. (September 1993)
- Review mission Section 1311 Certifications for adherence to revised guidance on methodology descriptions. (September 1993)
- Conduct Section 1311 staff assessment recommended in IG audit report. (September 1993)

- Develop procedures to integrate data from financial system into contract and grant close-out process. (September 1993)
- Establish procedures to ensure contract/grant amendments are accurately input into accounting record. (September 1993)

C. Planned Actions/Events (longer term):

- The analysis and reporting process described above is institutionalized and repeated annually.
- Continuing review of mission's Section 1311 procedures and processes during periodic Controller Assessments.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Non-Expendable Property

Name of Responsible Program Manager: Ann Dotherow

Responsible Bureau/Office: Finance and Administration,
Overseas Management Support (FA/OMS)

Description of Material Weakness: Lack of an Agency-wide integrated or mission non-expendable property (NXP) accounting system to properly account for A.I.D.'s NXP. Lack of staff and information resources to track and properly dispose of NXP.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1995

Correction Date in Last Year's Report: NEW

Current Correction Date: 1995

Reason for Change in Dates:

Source of Discovery: Management review, IG audit and GAO management review

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A.I.D. has several separate systems which inventory and value the Agency's non-expendable property. None of the systems are integrated which produces reconciliation differences. A strategy to improve the NXP inventory system has been

developed. It focuses on a plan for responsible offices to review the requirements of the Agency, the separate systems now in effect and GAO requirements for proper accounting. One integrated system to inventory and account for all the Agency's property will then be designed. In order to measure success in reaching the goal of balancing property management accountability with cost-effectiveness, a highly controlled, integrated inventory is necessary. Once the inventory is developed, it will allow the Agency to establish a baseline upon which future progress can be measured.

A. Completed Actions/Events:

- A Non-Expendable Property Reconciliation Committee was established by the Finance and Administration Directorate to improve the Agency's NXP reconciliation process. The first meeting was on November 7, 1991. FA/OMS has revised the criteria for accountability of NXP overseas from \$50 to no dollar limitation. Revision of the dollar level is to reduce the vulnerability for theft and/or mismanagement of property in warehouse operations overseas.
- Initial efforts have begun to determine the needs of the Agency concerning management of property. These efforts include a review of the conflicting guidance in the A.I.D. handbooks and discussions on consolidating inventory and management efforts and valuation criteria.
- The Administrative Services Office conducted a physical inventory of all AID/W NXP (property with a value of \$500 or more) under its management.
- 17 of 26 missions which lacked written procedures for the control of their NXP developed Mission Orders and each mission forwarded one copy to the Agency's Overseas Management Services Office (FA/OMS).

B. Planned Actions/Events (short term - next 12 months):

- One G30 training course will be sponsored to instruct participants on taking a physical inventory and reconciliation of the inventory with property records.
- Development of an action plan leading to the design of a fully integrated worldwide property accounting system. (September 1993)
- Receipt of Mission Orders from the nine missions which are delinquent in providing this information to FA/OMS. (September 1993)

- The administrative management operations of eight missions will be surveyed to include an assessment of all property management functions which encompass the NXP reconciliation process. (September 1993)
- Training of contract specialists who will be able to perform functions presently being performed by direct hire personnel, thus freeing A.I.D. personnel to conduct periodic reviews of the NXP inventory. (October 1993)

C. Planned Actions/Events (longer term):

- Development and submission of an overseas property report delinquency list to the MCRC. (December 1993)
- Establishment of a separate line item in missions' general ledgers for recording of shipping charges as opposed to including such charges as part of acquisition costs. (December 1993)
- Revise definition of NXP as contained in A.I.D. Handbooks for accountability and financial reporting purposes. (December 1993)
- Implementation of the integrated worldwide property accounting system. (September 1995)

1992 MATERIAL WEAKNESS

Title of Material Weakness: Master Disbursing Account

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Material Weakness: The Master Disbursing Account (MDA) was developed by A.I.D. in the early 1970's. Overseas missions and AID/Washington (AID/W) offices who sponsor participant training programs transfer funds into the MDA, and the Office of Financial Management (FM) uses these funds to pay contractors hired by the Office of International Training (IT). A recent A.I.D. audit showed that: program budgets were not prepared in an accurate or timely manner; credit transfers and disbursements were not recorded promptly and accurately; obligations were sometimes partially unfunded; there were no proper reviews of unliquidated obligations or accruals; and the MDA accounting system was undocumented.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1995

Correction Date in Last Year's Report: NEW

Current Correction Date: 1995

Reason for Change in Dates:

Source of Discovery: A.I.D. IG audit and management reviews

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A joint agreement between IT and FM has yielded only one practical alternative to the current MDA approach for funding the centrally managed participant training program. This alternative, a working capital fund, has also been approved by the Agency's budget and legal offices. However, this conversion from the MDA to a working capital fund will require several years to obtain the necessary funding and legislative approval.

In addition, IT and FM have worked diligently to identify management improvements that will enhance continuing operations under the MDA until it is replaced. These improvements will include: (1) changes in the processing of confirmation cables to expedite the process, (2) granting the programming agents \$1,000 budgetary variances under each training program, and (3) identifying excess obligation balance in the MDA. The improved procedures and controls will enhance MDA operations until the working capital fund concept can be implemented.

A. Completed Actions/Events:

- Negotiated agreement between IT and FM to accept a working capital fund concept as an MDA alternative. This alternative was developed by FM personnel and approved by IG during the audit.
- Proposed changes, generated during the IG audit, regarding the working capital fund alternative and other intermediate MDA improvements. (September 1992)

B. Planned Actions/Events (short-term)

- Develop an options paper for the budget office to use in obtaining approval of the working capital fund alternative by the Agency's senior managers. (December 1992)
- Submit the request for approval and funding of the working capital fund concept to OMB and Congress in the next FY budget cycle.
- Complete review of unliquidated obligations stored in the MDA and deobligate residual balances not held in reserve. (February 1993)
- Develop procedures on accounting and reporting of credit and disbursement recording in the MDA, Participant Payment System (PPS), Country Financial Reporting System (CFR) and general ledgers. (June 1993)

- In order to communicate budget information to A.I.D. missions more timely, IT and its contractor are developing procedures whereby the contractor communicates directly with A.I.D. missions on budgets. (October 1993)

C. Planned Actions/Events (long-term)

- Seek legislative authority for revolving fund.
- Incorporate working capital fund concept into new Agency primary accounting system (AWACS) which will be operational in FY 1995.
- Implement working capital fund option in replacement of MDA. Initial stages of conversion will begin in October 1995. Final close-out of residual MDA activities is expected by March 1997.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Pay and Performance

Name of Responsible Program Manager: Lois Hartman

Responsible Bureau/Office: Finance and Administration, Office of Human Resources Development and Management (FA/HRDM)

Description of Material Weakness: Performance Appraisal Review Panels' Review of Work Agreements

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1993

Correction Date in Last Year's Report: NEW

Current Correction Date: 1993

Reason for Change in Dates:

Source of Discovery: OMB/A.I.D. "SWAT" Team recommendations

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- Issued revised Foreign Service Evaluation Chapter and Report. (August 1992)

- The Assistant Administrator for the Finance and Administration Directorate (AA/FA) delegated responsibility to the Director of HRDM to issue guidance to Performance Panels. (September 1992)

B. Planned Actions/Events (short term - next 12 months):

- Develop and issue instructions to the Performance Panels. (May 1993)
- Convene the performance panels to review the employee appraisal and evaluation reports. (May 1993)
- Require a review of work agreement early in the cycle to ensure compliance with instructions and guidance and require certification that reviews were conducted. (May 1993)

C. Planned Actions/Events (longer term): None

1992 MATERIAL WEAKNESS

Title of Material Weakness: Policy Development and Dissemination

Name of Responsible Program Manager: Kathryn B. Morgan

Responsible Bureau/Office: Policy Directorate

Description of Material Weakness: In spite of the reorganization dictum to speak with one voice, Agency policy continues to be made by a variety of bureaus and offices in the Agency without being subjected to the effective discipline of Policy Directorate (POL) clearance. As a result, the Agency speaks with many voices to Congress and to the public, sowing confusion about our objectives and strategy. This results in multiple and perhaps conflicting objectives being laid upon the Agency and less than optimal allocations and expenditures of resources. The Policy Directorate has not had the mandate nor control levers to effectively capture the lead in this area, but has been reduced to a reactive role by strong bureaus and offices whose command over program funds give them extra weapons in advocating sectoral and sub-sectoral strategies not necessarily cleared by or consistent with central Agency policy.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1994

Correction Date in Last Year's Report: NEW

Current Correction Date: 1994

Reason for Change in Dates:

Source of Discovery: Internal management assessments and GAO study of Agency

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

The Policy Directorate has recognized the weakness and understands that it demands attention. However, the Policy Directorate, by itself, does not have the political stature, authority or resources to establish a controlled strategic planning process and correct the problem in the foreseeable future. Top management must define the parameters of a strategic planning and policy-setting process and support it with decision-making and action authority. Until this is effected, the Policy Directorate can only offer a "strategy" for resolving the problem rather than an action plan with measurable elements and a timetable for correction. Lack of top management action on this issue indicates a continuing material weakness. Some work has begun on revising principal Agency Handbooks that establish and communicate basic policies but the effort is only in the initial stages of implementation.

A. Completed Actions/Events:

- Policy agenda outlined and initial survey of handbook revisions completed. (September 1992)

B. Planned Actions/Events (short term - next 12 months):

- Policy research activities in Handbook redesigns and revisions will continue throughout FY 1993.

C. Planned Actions/Events (longer term):

- Providing top management makes appropriate decisions, a strategic planning and policy-setting process will be designed for full installation beginning in FY 1994.
- Strategic planning and policy-setting process will be implemented and Agency objectives, policies, priorities, and resource allocations will be established. (September 1994)
- Handbooks 1-4 will be revised and issued. (September 1995)

1992 MATERIAL WEAKNESS

Title of Material Weakness: Policy Guidance - Project Development Documentation

Name of Responsible Program Manager: Kathryn B. Morgan

Responsible Bureau/Office: Policy Directorate

Description of Material Weakness: The failure to follow current policy and procedures creates a lack of standard procedural consistency and substance quality standards in program and project design resulting in either poorly designed projects and programs or ones not consistent with Agency policy. As a consequence, resources may not be used efficiently or effectively.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1994

Correction Date in Last Year's Report: NEW

Current Correction Date: 1994

Reason for Change in Dates:

Source of Discovery: Office internal control meetings

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- Surveyed recurrent design faults over eight years.
- Participated in and assured incorporation of Bureau distinctive requirements in revised Agency guidance. (September 1992)
- Verified and validated list of experienced design consultants available to supplement office design skills. (September 1992)
- Disseminated design/implementation guidance in PC/LANS directory through office staff meetings and training. (September 1992)
- Preliminary list of qualified contract design services developed. (November 1992)

B. Planned Actions/Events (short term - next 12 months):

- Conduct dissemination activities and appropriate training orientation on current PC/LANS references and revised Bureau procedures. (December 1992 - March 1993)
- Install budget software on PC/LANS system for testing. (December 1993)
- Review and revise existing Bureau procedural guidance as appropriate. (January 1994)

C. Planned Actions/Events (longer term): None

1992 MATERIAL WEAKNESS

Title of Material Weakness: Strategic Planning and Direction

Name of Responsible Program Manager: Kathryn B. Morgan

Responsible Bureau/Office: Policy Directorate

Description of Material Weakness: With the establishment of common expectations and agreement on objectives, Agency vulnerabilities will be reduced. A key indicator of progress in this direction will be the passage of legislation establishing a new framework for the development assistance program, or similar agreement between the executive and legislative branches.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: N/A

Correction Date in Last Year's Report: NEW

Current Correction Date: To be determined in dialogue with external entities (OMB, Congress, etc.)

Reason for Change in Dates:

Source of Discovery: GAO general management review and internal assessment

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

The Agency has begun some activities to address this material weakness. However, the effort has not yet benefitted from much senior management attention or allocation of requested resources.

A. Completed Actions/Events:

- Plans were formulated for a major review of the development challenges and opportunities over the next decade. Using a common analytic structure, research was begun in topics such as general economic performance and poverty reduction, trade, technology, agriculture, environment, education, population and health, governance and democracy. (August 1992)
- Draft papers were circulated by the Office of Strategic Planning to other A.I.D. offices for review and comment. (September 1992)

B. Planned Actions/Events (short term - next 12 months):

- Initiate informal consultations with external experts and stakeholder. (October 1992)
- Ongoing: Continue informal consultations with external experts and stakeholder. (October 1992 through September 1993)
- Consider possibility of new legislation creating a new framework for the development assistance program. If supported by the new Administration, work with other executive offices and the Congress to reach agreement on its themes and objectives. Formulate programmatic priorities of development assistance.

C. Planned Actions/Events (longer term):

- Continue to elaborate programmatic priorities, and (where necessary) to reshape the current portfolio to correspond to those new priorities.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Local Currency Accountability

Name of Responsible Program Manager: Michael Usnick

Responsible Bureau/Office: Finance and Administration,
Office of Financial Management (FA/FM)

Description of Material Weakness: Local currencies are generated primarily through commodity or financial assistance provided under P.L. 480, the Economic Support Fund, and the Development Fund for Africa. Congress defines the allowable uses for local currencies generated under these programs. A.I.D. and the host country officials jointly program and agree on how these currencies are used. The degree and reach of appropriate and sufficient A.I.D. oversight is a problem area with both political and administrative concerns.

Pace of Corrective Action

Year Identified:	1987
Original Targeted Correction Date:	1990
Correction Date in Last Year's Report:	1992
Current Correction Date:	1993

Reason for Change in Dates: The monitoring for compliance with the policy guidance issued on local currency accountability was not performed as scheduled.

Source of Discovery: GAO and IG audits and internal control assessments

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- Policy statement and accountability guidelines were issued. (June 1991)

B. Planned Actions/Events (short term - next 12 months):

- Over the next year, A.I.D. plans to monitor the compliance with the policy guidance by the overseas missions, and to closely monitor the effectiveness of the policy itself. (1993)

C. Planned Actions/Events (longer term):

- None, except for continued monitoring to ensure that accountability concerns are being addressed. IG and GAO audits will be used in monitoring compliance with the policy guidance.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Advances to Host Country Governments and Institutions

Name of Responsible Program Manager: Douglas Robbins

Responsible Bureau/Office: Bureau for Latin America and the Caribbean,
Office of the Controller

Description of Material Weakness: Accountability of funds advanced to host country governments and other institutions.

Pace of Corrective Action

Year Identified: 1992

Original Targeted Correction Date: 1993

Correction Date in Last Year's Report: NEW

Current Correction Date: 1993

Reason for Change in Dates:

Source of Discovery: Management reviews, A.I.D. IG audits

For Corrected Items Only

Validation Process Used:

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events: None

B. Planned Actions/Events (short term - next 12 months):

- Obtain report from LAC field controllers on status of advances to and liquidation by host country governments and other recipient institutions. (December 1992)
- Identify where Agency policy is not being adhered to in management of advances, and take corrective action. (January 1993)

C. Planned Actions/Events (longer term): None

1992 MATERIAL WEAKNESS

Title of Material Weakness: Evaluation of Host Country Contracting Agencies

Name of Responsible Program Manager: James D. Murphy

Responsible Bureau/Office: Finance and Administration,
Procurement Policy and Evaluation Staff (FA/PPE)

Description of Material Weakness: Missions with host country government contracts have not adequately evaluated the contracting and contract management capabilities of the host country agencies responsible for A.I.D.-funded contracts.

Pace of Corrective Action

Year Identified: 1983

Original Targeted Correction Date: 1989

Correction Date in Last Year's Report: 1992

Current Correction Date: 1992

Reason for Change in Dates:

Source of Discovery: Management Control Review Committee review of audit reports and internal control reviews

For Corrected Items Only

Validation Process Used: On a sample basis, reviewed mission compliance with the November 1990 guidance.

Results Indicators: All missions reviewed during 1992 were in compliance with the guidance. The volume of new host country contract awards has decreased from approximately \$1.3 billion in 1990 when the guidance was issued to approximately \$400 million in 1992; thereby, reducing overall vulnerability.

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A. Completed Actions/Events:

- Final guidance regarding host country contracting agency evaluation issued. (November 1990)
- Missions, based on Agency guidance, have issued directives to implement the new requirements for using the host country contracting process.
- Missions completed a General Assessment in which the missions evaluated the host country accountability environment and contracting capability. (November 1991)
- Final guidance was incorporated into Agency Handbooks.
- Mission compliance with guidance has been tested on a sample basis.

B. Planned Actions/Events (short term - next 12 months):

(See C., below)

C. Planned Actions/Events (longer term):

- The problem has been corrected. Reviews of mission compliance with host country contracting regulations and procedures will be made an integral part of the evaluation procedures of the contracting system.

1992 MATERIAL WEAKNESS

Title of Material Weakness: Accountability for Food Aid Program Resources

Name of Responsible Program Manager: Andrew S. Natsios

Responsible Bureau/Office: Office of Food and Humanitarian Assistance (FHA)

Description of Material Weakness: A.I.D. has not established written guidance for food aid responsibility of A.I.D. missions.

Pace of Corrective Action

Year Identified: 1991

Original Targeted Correction Date: 1992

Correction Date in Last Year's Report: 1992

Current Correction Date: 1992

Reason for Change in Dates:

Source of Discovery: Internal control assessments and A.I.D. IG audits

For Corrected Items Only

Validation Process Used: The institution of a Food Aid Management Plan and guidelines which clearly establishes food aid management responsibility.

Results Indicators:

Major Milestones (Original Plan, Revised Plan, and Actual Date):

A.I.D. will obtain A/AID approval for instituting a Food Aid Management Plan and issue new delegations of authority. The plan will be a permanent record of the mission decisions regarding assignment of food aid responsibility. Issuance of new legislation

required the original plan to be revised. In addition, Food and Humanitarian Assistance (FHA) will assist the Operations Directorate (OPS) to prepare guidelines which will clearly assign food aid management responsibility between the missions, geographic bureaus, and FHA.

A. Completed Actions/Events:

- Issued new Executive Order. (March 1991)
- Issued new Delegations of Authority. (December 1991)
- Issued OPS food aid responsibility guidelines. (December 1991)
- Issued FHA's Food Aid Management Plan. (March 1992)
- Field tested Food Aid Management Plan Implementation. (March 1992)

B. Planned Actions/Events (short term - next 12 months): None

C. Planned Actions/Events (longer term): None

ENCLOSURE D

SECTION 4

MATERIAL NONCONFORMANCES - SCHEDULE OF CORRECTIVE ACTIONS

Description of the Organization and Structure of the Section 4 Review Process

A.I.D. has a single overall accounting system. The Financial Accounting and Control system (FACS) serves as the core financial system, with single, on-line, and automated interfacing capabilities. We are using the new Standard General Ledger uniform chart of accounts. Agency reports are being prepared in conformance with this new structure. We have cross-walked the account codes in our FACS system with the uniform chart of accounts. Information from FACS and the Mission Accounting and Control System (MACS) are being processed into the computer by means of the cross-walked information.

Since (1) implementation of FACS remained at 60% of final level system operation, (2) maintenance of the software was slow and expensive, and (3) many modifications were required to comply with JFMIP core requirements and provide effective interfaces between incompatible applications and platforms, A.I.D. decided to replace FACS and selected other financial applications. We selected a contractor to refine the Agency's primary financial management requirements and to develop a design for a new system, A.I.D./Washington Accounting and Control System or AWACS.

Since award of the technical assistance contract, the contractor has continued reviewing operations and system design, developing requirements and making recommendations to improve the financial operations. The Strategic Information Systems Plan was completed in February, 1991, and the contractor will complete all of the business area analyses in October, 1992. A cost/benefit analysis of development alternatives was completed in May, 1991 and the findings of the analysis were presented to OMB in June, 1991. Pending a more detailed evaluation of the recommended development alternative, design, construction, and implementation will begin in April, 1993, and is scheduled for completion by FY 1995.

Inventory and Statistical Information

Number of financial management systems 6

Number of annual reviews See below

Number of detailed cyclical reviews See below

In the 1990 FMFIA report, 6 financial management systems were identified; however, in response to OMB Memorandum 91-09, dated April 15, 1991, 25 supplemental accounting systems were listed. The 25 sub-systems or supplemental systems feed into the basic 6 financial management systems operated in A.I.D.

The contractor who is working on our A.I.D./Washington Accounting and Control System (AWACS) is performing continuous reviews of the 31 "systems" to facilitate the design and implementation of AWACS. See Enclosure C for the progress report on the primary accounting system as a material weakness.