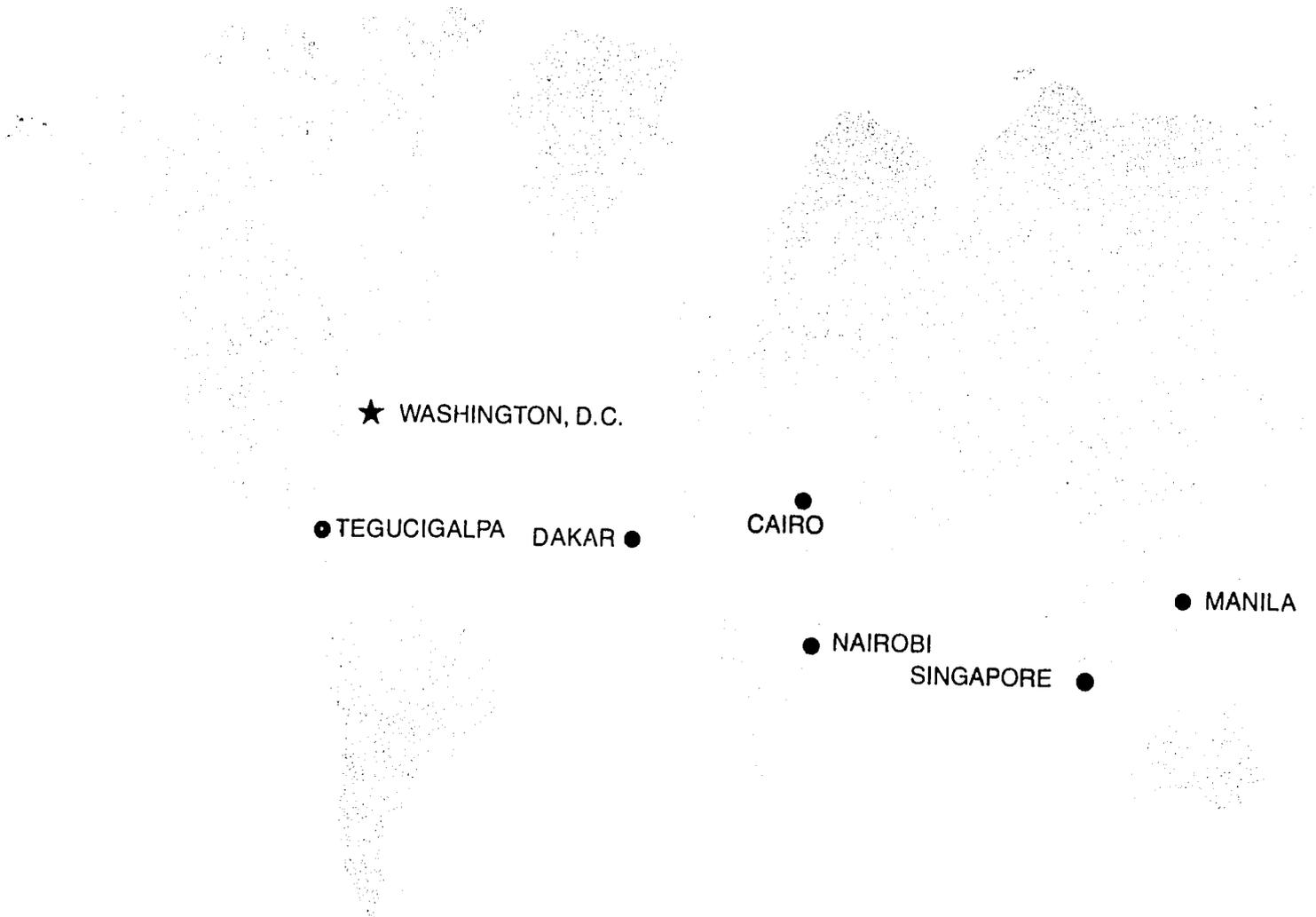


PD-AAW-215
10/1/86

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 1986—March 31, 1987



U.S. Agency For International Development

PD-AAW-215

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TO THE CONGRESS**
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U.S. Agency For International Development

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OVERVIEW

The Office of Inspector General (IG) continues to make substantial progress in its long-term effort to improve both internal operations and productivity resulting from audits and investigations. Progress is also being made in improving the quality of security services provided to the Agency. The IG, as of March 31, 1987, had an authorized employment ceiling of 194. Major accomplishments during this semiannual reporting period were:

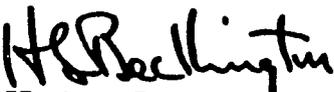
- The Office of Audit issued 127 reports which identified economy and efficiency savings of \$123.2 million. These reports also identified \$4.6 million in costs that should be recovered and \$48.4 million in Agency funds which should be deobligated.

On recommendations contained in IG audit reports, Agency management sustained \$31.1 million or 60 percent of recommended recoveries or deobligations totaling \$51.7 million. A total of \$27.3 million was actually recovered or deobligated during this reporting period and \$19.1 million sustained by the Agency was awaiting collection. As of March 31, 1987, 72 audit recommendations remained open in excess of six months—up 22 percent from the prior report and at its highest level since September 30, 1985.

- The Office of Investigations maintained a high level of administrative and disciplinary actions, obtained eleven criminal indictments and two convictions. Although adverse actions involved less than one-half of one percent of the AID workforce, the number of individuals warrant-

ing action remains an area of concern. During the period, the Office of Investigations recovered \$439,883 in fines, restitutions and recoveries; and received commitments from management to recover \$156,978 and better utilize \$133,378 in Agency funds. The Office of Investigations continued an aggressive integrity awareness program which addressed over 500 AID-related personnel this period.

- The Office of Security underwent a transition this reporting period with the enactment of the Diplomatic Security Act. This Act assigns overseas security responsibilities to the Department of State, thus, our agreement detailing specific security responsibilities with the Department of State is currently being revised to comply with the Act. Cost saving initiatives implemented in the emergency radio program during this reporting period saved \$79,000. Security personnel inspected 22 AID overseas facilities this reporting period. As a result of these visits, 18 security enhancement projects are now nearing completion. Virtually all facets of the personnel security investigation operations have been streamlined to enhance the Agency's security posture. Initiatives taken this period include an automated clearance tracking system, a new report of investigation format, and the development and issuance of a new badge and credentials for investigators.

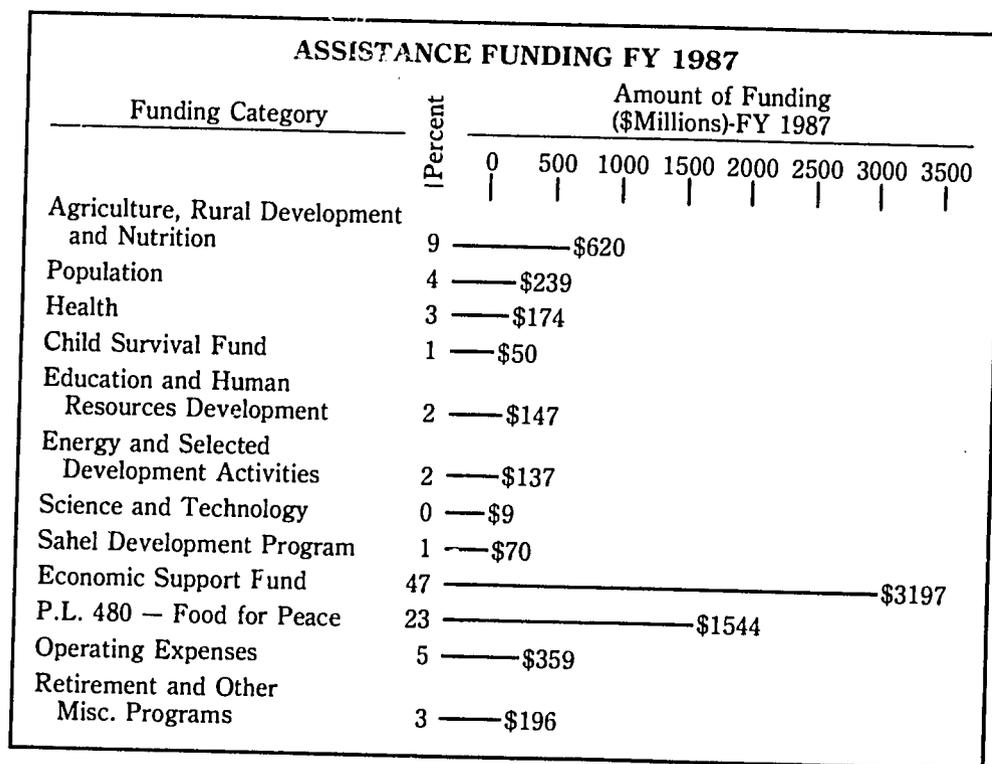

Herbert L. Beckington
Inspector General

OFFICE OF AUDIT

AUDIT RESPONSIBILITIES

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

In fiscal year 1987, the Agency's economic assistance budget is estimated to be \$5.2 billion, of which \$2.0 billion will be provided from the Development Assistance appropriation and \$3.2 billion from the Economic Support Fund appropriation. In addition, funding for PL 480 in fiscal year 1987 is estimated at \$1.5 billion. The following bar graph illustrates the composition of this assistance:



**AUDIT
ACCOMPLISHMENTS**

During this semiannual reporting period, the Office of Inspector General's and other governmental audit organizations' audit reports of AID programs and administration were instrumental in recovering or reprogramming significant sums of money and identifying waste, program abuse and noncompliance with established policies and regulations.

The Office of Audit issued 66 reports internally and processed 61 reports performed by non-Federal auditors or other government audit organizations during this reporting period. Also during this period, \$123.2 million in economy and efficiency savings, \$48.4 million in recommended deobligations, and \$4.6 million in costs that had been incurred by the Agency and should be recovered were identified through our audit efforts.

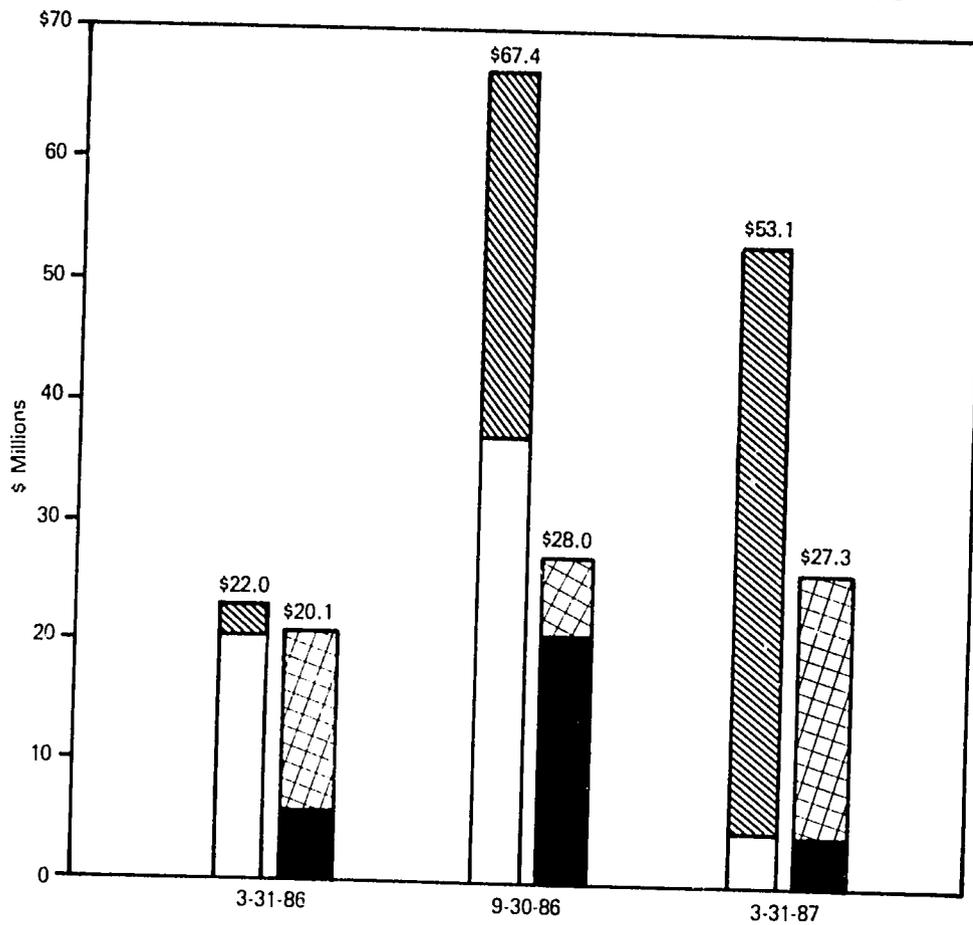
The Inspector General's Audit Follow-up and Closure System monitored the action taken on audit reports issued during this and prior reporting periods. Highlights of Agency actions taken on Inspector General recommendations during this period follow:

**AGENCY RECOVERED OR
DEOBLIGATED \$27
MILLION THIS PERIOD
AS A RESULT OF AUDIT
RECOMMENDATIONS**

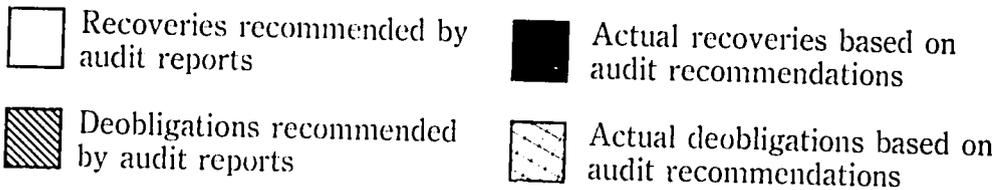
- Agency management reached determinations on \$49,962,053 in recoveries and deobligations recommended by Inspector General audit reports. Of this total, \$30,122,903 or 60 percent was sustained by the Agency.
- Agency management reached determinations on \$1,712,101 in recoveries and deobligations recommended by non-Federal auditors or other governmental agencies' audit reports. Of this total, \$950,557 or 56 percent was sustained by the Agency.
- A total of \$27,298,856 (\$26,486,684 from Inspector General audit reports and \$812,172 from external audit organizations' audit reports) was recovered or deobligated as a result of audit work in this and prior periods.
- As of March 31, 1987, \$23.3 million in recommended recoveries or deobligations were awaiting Agency determination, of which \$7.3 million or 31 percent represented recommendations in excess of six months old.
- As of March 31, 1987, \$19.1 million in recoveries had been sustained by the Agency but had not been collected, of which \$9.5 million or 50 percent represented recommendations in excess of six months old.

The following bar graph shows the total recoveries and deobligations recommended in our audit reports and the actual Agency funds recovered and deobligated based on current or past audit efforts during the last three semiannual reporting periods.

AUDIT RECOVERIES AND DEOBLIGATIONS



Semiannual Report Period Ended



AUDITS OF AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION

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

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

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

—FEEDER ROADS MAINTENANCE AND IMPROVEMENT PROJECT/BANGLADESH—

**PROJECT EXTENDED
ALTHOUGH
ACCOMPLISHMENTS TO
DATE ARE MINIMAL**

The Feeder Roads Maintenance and Improvement Project in Bangladesh was designed to improve farm-to-market roads through a program of routine annual maintenance and development. Major emphasis was to be placed on developing an annual road maintenance program. The goal of the project was, through improved transportation, to increase agricultural production— particularly food grains. The total estimated cost of the project was \$13.8 million, with AID providing \$9.2 million and the Government of Bangladesh \$4.6 million.

AID and the Government of Bangladesh signed an amendment to the grant agreement to extend the project completion date from August 31, 1986, to June 30, 1990. The amendment authorized AID to obligate an additional \$12.5 million and the Government of Bangladesh was to provide an additional \$3.1 million to the project.

The audit showed that after five years and \$7.8 million in AID expenditures, little measurable accomplishment has been made toward the project goal. The Government of Bangladesh has not complied with critical elements of the Project Agreement. Also, AID has not effectively managed project implementation to ensure compliance with the terms and conditions of the Project Agreement and proper use of AID funds.

The audit disclosed five problem areas:

- The project agreement and project design included several important components which were essential to the success of the project. The components included (1) reorganizing and fully staffing the Government of Bangladesh institutional structure responsible for a road maintenance and improvement program, (2) developing a comprehensive road inventory, (3) performing economic feasibility and impact studies, and (4) performing annual project evaluations. None of these components were achieved under the project. Without these components, AID spent \$7.8 million with little measurable progress toward project objectives or goals.
- The project agreement required the Government of Bangladesh to contribute, in accordance with the Foreign Assistance Act, at least 25 percent of total project costs. The Government did not provide its respective share in local currency—only 16 percent of

total project costs was provided causing a shortfall in the Government's contribution of about \$1.1 million. The shortfall resulted in little road maintenance work performed and precluded any chance of establishing an effective road maintenance program which was the primary focus of the project.

- AID regulations stipulate that only allowable costs for work required under host country contracts is reimbursable to the contractor. However, claims were made by a technical assistance contractor for the project for a seven-month period when little productive work was required under the project. The contractor claimed and was paid \$466,500 by AID of questionable costs for this period. These payments were made without an AID review of the allowability of the labor hours and other technical aspects of costs billed by the contractor.
- Construction contracts awarded by the Government of Bangladesh under the project included provisions for assessing penalties against the contractors for work not completed on time. However, the penalty provisions were not routinely enforced by the Government of Bangladesh. AID payments would probably have been reduced by an estimated \$100,000 had the penalties been enforced.
- The Government of Bangladesh submitted claims to AID seeking reimbursement for payments made to construction contractors. These claims included funds which were held by the Government of Bangladesh for a specific period of time. This claim practice resulted in excess cash advances to the Government and unnecessary interest costs to the U.S. Government during the past three years of about \$32,000.

The report made five recommendations requiring 22 separate actions by AID management to resolve problems encountered in project implementation and preclude similar problems occurring during the project extension. Our recommendations include (1) limiting additional AID funding until specific actions are taken, (2) requiring periodic reporting on actions essential to the effective and efficient implementation of the project, (3) establishing procedures to ensure that the Government of Bangladesh complies with the terms and conditions of the project agreement, and (4) recouping questionable payments made to the technical assistance contractor and the Government of Bangladesh. Management's written comments generally concurred with the intent of the audit recommendations. However, management has not provided plans to implement all of the recommended actions. (Audit Report No. 5-388-87-1, December 23, 1986)

—ON-FARM GRAIN STORAGE PROJECT/KENYA—

The On-Farm Grain Storage Project was designed to increase the use of more effective on-farm grain drying and storage practices in Kenya. A specific objective was to reduce by 50 percent the grain losses from birds, insects, molds and rodents for small farmers adopting project technologies. Planned AID financing over the life of the loan project is \$7.8 million with \$3.1 million AID funds expended as of September 30, 1986. The Government of Kenya is funding \$3.9 million or 33 percent of total project costs. A technical assistance contractor was allocated \$6.8 million of the AID funding to implement the majority of project activity.

**AID PLAN TO CHANGE
LOAN TO GRANT WILL
COST AGENCY \$7.5
MILLION IN LOST
PRINCIPAL AND
INTEREST**



Two improved demonstration units located on a farm in the Western Province, Kenya.



Demonstration units at the project laboratory compound; the left front unit is an example of an unimproved traditional style grain storage unit.

Technical reports on field trials have showed that the project is meeting its objective and has reduced small farmers' grain losses by 50 percent. However, the audit identified four areas where improvements could be made in project operations or where AID and the technical assistance contractor were not complying with certain AID regulations and contract provisions.

First, in conformance with AID project development policy, the On-Farm Grain Storage Project was established as a loan in 1981. However, based on subsequent Government of Kenya objections to paying expatriate technical assistance staff with funds that must eventually be repaid, AID planned to deobligate unused loan funds and create a new grant project. In light of U.S. budget constraints, the success of the project, and GOK support for the project, a loan arrangement was even more appropriate at the time of the audit than it was when the project was first approved. By replacing the loan project with a new country-wide grant project, AID will forfeit the U.S. Government's ability to recoup \$7.5 million in principal repayments plus interest.

Second, although AID policy prohibits AID from financing any host country taxes placed against a contractor, the Government of Kenya did not reimburse the Mission for taxes and duties paid in 1982 on project construction materials. This debt was still outstanding at the time of the audit because the Mission did not follow up on its December 1982 request for payment. As a result, the U.S. Government lost \$93,000 in principal plus unrecoverable losses attributable to interest and penalties and the devaluation of the Kenya Shilling.

Third, AID regulations prohibit recording obligations in excess of the total estimated payments under cost reimbursement contracts. However, AID inadvertently recorded the \$6.8 million technical assistance contract as a \$6.9 million commitment. As a result, the U.S. Government could incur a potential loss of \$100,000.

Fourth, AID procedures required that construction proposals compare construction costs against leasing costs to determine the most cost effective method of acquiring real estate. However, AID entered into a contract to construct housing for technical personnel without performing such a cost comparison or conducting a formal survey to determine if rental property was available in the project area. Although no conclusive information on the availability of rental property could be obtained during the audit, there were indications rental housing was available in the project area. As a result, AID may have made an estimated \$171,000 in unnecessary expenditures by constructing instead of leasing.

The report made four recommendations to AID mission management to correct the problems noted during the audit. All recommendations

were agreed to by mission management. (Audit Report No. 3-615-87-6, December 9, 1986)

—SAFAGA GRAIN SILOS COMPLEX PROJECT/EGYPT—

POOR PLANNING WILL DELAY REALIZATION OF PROJECT'S ECONOMIC BENEFITS

This \$108 million project in Egypt was initiated in September 1982 to construct a 100,000 metric-ton grain silo complex in Safaga, Egypt, a port on the Red Sea about 375 miles southeast of Cairo, Egypt. The project was designed to enhance efficiency in handling grain imports. The project intent is to reduce losses of wheat in off-loading, ground storage, and hand-bagging operations; and to reduce off-loading time, effecting savings in demurrage and grain-handling costs. The project paper estimated economic benefits to Egypt of about \$23.8 million per year.

AID has obligated \$71.3 million for this project and the Government of Egypt has agreed to contribute \$36.7 million in local currency equivalent. AID funds expended as of May 1986 totaled \$49.5 million.

The audit showed that the silo complex should be completed in April 1987, only three months later than the planned completion date of January 1987. When completed, however, an adequate supply of electrical power will not be available to operate it as designed. AID and the Egyptian General Authority for Supply Commodities did not take the necessary steps during the design and early implementation phases to provide an adequate source of power.

As a result, the \$23.8 million annual benefit anticipated by project designers will not be realized until an adequate power supply can be procured and installed. During our audit, we could not obtain an accurate estimate of when sufficient power could be obtained but it is reasonably certain that it will not take place until long after completion of the silo facilities. The most optimistic forecast—by the Government of Egypt Project Implementation Officer—is the end of year 1987. However, technical specifications have yet to be written and approved by AID and the Government of Egypt. The project completion date has now been extended to December 31, 1988, suggesting that the complex will have to operate at reduced levels for almost two years because of the inadequate power supply.

In order to minimize the loss of operating efficiency when the facility is completed, the report recommends that AID take immediate, aggressive measures to accelerate procurement and installation of new generating units in order to assure a source of electrical power to the complex as soon as possible. Management has yet to implement the report recommendation. (Audit Report No. 6-263-87-1, October 27, 1986)

AUDITS OF HEALTH

HEALTH PROJECTS REINFORCE CHILD SURVIVAL INITIATIVES

The objectives of the Agency's health sector activities are to reinforce comprehensive child survival initiatives such as immunizations and prenatal screening; improve the management and logistics in implementing primary health care and environmental sanitation programs; and support biomedical research and field testing of important new technologies such as malaria vaccine. Through September 30, 1986, the Agency had obligated about \$2.3 billion for 237 health projects of which \$1.3 billion had been expended.

During this reporting period, the Regional Inspector General in Dakar, Senegal reviewed an AID project to help reduce mortality and morbidity due to childhood communicable diseases. Highlights of this program results audit follow:

—COMBATING CHILDHOOD COMMUNICABLE DISEASES/ AFRICA REGIONAL PROJECT—

Each year, up to 25 percent of sub-Saharan African children die before the age of five from childhood communicable diseases, diarrhea and malaria. To help reduce the mortality and morbidity rates among children in 30 to 35 sub-Saharan nations, a \$500 million child survival program was initiated. The program is administered through (1) the Cooperation for Development in Africa, comprised of seven member countries; (2) international multilateral agencies such as the World Health Organization, and (3) African governments. Donor countries were to contribute \$250 million of the \$500 million. AID's \$89 million Combating Childhood Communicable Diseases Project is part of this program. The U.S. has been designated by the Cooperation for Development in Africa as the lead donor and principal coordinator.

AGENCY'S COORDINATION OF CHILD SURVIVAL PROGRAM NEEDS IMPROVEMENT

The objectives of the AID project, authorized in 1981, were to (1) immunize and treat the target population against six childhood diseases, diarrhea, and malaria, and (2) develop host governments' institutional capability to continue project activities. By June 30, 1986, AID had obligated \$34.5 million for the project and spent \$19.2 million. As of September 1986, AID had authorized bilateral projects in 13 sub-Saharan countries. The project was managed by AID/Washington's Africa Bureau and implemented by the U.S. Department of Health and Human Resources Center for Disease Control in Atlanta, Georgia; the World Health Organization; and the USAID Africa missions receiving project monies.

The audit showed that AID's overall coordination of the multi-donor child survival program was not effective.

- As the lead donor of the Cooperation for Development in Africa program, AID was to coordinate efforts with bilateral and

multilateral donors to make the best use of resources. Although the Africa Bureau attempted to coordinate efforts in the child survival program, it did not effectively do so. According to the Africa Bureau project officer, officials of donor countries did not adequately share information on their programs. At the country level, Missions did not effectively promote coordination efforts. Consequently, AID lacked the necessary information to make the best use of AID resources under the overall child survival program.

- AID Handbook 3 required establishment of a management information system to monitor and measure the project's progress in meeting objectives. However, the objectives were not measurable because adequate baseline data surveys on mortality and morbidity were not performed in all countries. Furthermore, project agreements required neither the establishment of objectives and timeframes nor the submission of reports on the status of host government institutional development. The World Health Organization was to play a major role in institutional development, but timely progress reports on its activities were not required. As a result, AID could not determine project impact.
- AID policy stresses host government self-reliance, not dependency. Project agreements required the host countries to fund certain recurrent project costs, and eventually, to fund all project costs. However, because of financial constraints, host governments did not meet their commitments. This resulted in slow project progress and cutbacks in project objectives. Also, lacking a system to do so, Agency missions did not adequately monitor host government contributions. Some host governments may not be able to continue project activities when AID assistance terminates.
- AID intended to support and strengthen host country child survival programs through World Health Organization-sponsored training programs. However, little information on these training opportunities was provided to AID assisted bilateral programs and only limited participation took place. The Africa Bureau failed to adequately define the AID-designated regional liaison officer's responsibilities. As a result, host country institutional development was limited.

The report made eight recommendations directed towards improving donor coordination, measuring project impact, addressing host country funding constraints, and improving the project's bilateral and regional interactions. Agency management has agreed to implement seven of the eight reported recommendations. The recommendation to develop plans to better measure recipient country ability to continue child survival activities when the project ends is still being studied by Agency management. (Audit Report No. 7-698-87-1, November 7, 1986)

AUDITS OF ENERGY AND SELECTED DEVELOPMENT ACTIVITIES

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

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

The Regional Inspectors General in Manila, Philippines and Tegucigalpa, Honduras identified significant problems in these AID-financed projects. The audits of these projects were made to determine if project activities were being accomplished as planned. Highlights of these audits follow:

—PRIVATE VOLUNTARY ORGANIZATION CO-FINANCING PROGRAMS/SOUTHEAST ASIA REGION—

Beginning in 1977, AID Missions in Thailand, Indonesia and the Philippines instituted "umbrella" projects to help Private Voluntary Organizations (PVOs) design and implement innovative, small-scale development activities. Such activities cover a wide range of operations, from reforestation to prisoner rehabilitation. The umbrella projects consist of many small grants (generally less than \$500,000) to both American and local PVOs. In the aggregate, these projects provided over \$24 million for about 160 grants through 1984. All grant activities are "co-financed" by the PVO, which must provide at least 25 percent of project funding from non-AID sources.

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

The audit revealed that Mission approval and review systems did not operate effectively to ensure that PVO grant proposals conform to Agency project design policy. Further, Mission monitoring systems did not operate effectively to ensure that proposals, once approved, were efficiently implemented.

While procedural adjustments would materially improve program implementation and increase the development impact of PVOs, the co-financing programs did succeed in bringing development assistance to many intended beneficiaries. For example, with the help of AID co-financing grants, PVOs reforested hundreds of hectares of bare land in the Philippines, provided health care in remote areas of Indonesia, found employment for physically disadvantaged Thais, and provided potable water for villages in all three countries.

Agency regulations require bureaus and missions to establish systems for reviewing and approving AID development activities in accordance with applicable United States laws and Agency policy. Missions did not establish systems to effectively review PVO grant proposals to ensure that awards conformed to Agency guidelines. Agency headquarters had not issued general instructions to the missions identifying the specific criteria to be used in reviewing PVO co-financing grant proposals. As a result, grants were awarded without adequate attention to such factors as sustainability, replicability, and PVO resources to fulfill grant objectives. This led to difficulty in meeting specific grant objectives, or in providing long-term, widespread benefits. The report recommended that Agency headquarters help missions clarify and systematize grant proposal review procedures.

Office of Management and Budget Circular A-110 and Agency regulations required that AID-funded PVO development activities be effectively monitored. Mission officials were unaware of the implementation status of co-financed grant activities because they were not gathering or receiving accurate and complete information. As a result, Mission managers were not effectively assisting PVOs in overcoming implementation problems, thus contributing to the PVO's difficulties in achieving grant objectives. We recommended that Agency headquarters instruct the missions to require PVOs to comply with Circular A-110 reporting requirements, and modify their own site visit procedures to provide necessary implementation information. Agency management concurred with our recommendations. (Audit Report No. 2-498-87-5, February 9, 1987)

—EXPORT DEVELOPMENT AND SERVICES PROJECT/HONDURAS—

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

Honduras has traditionally depended on certain agricultural exports, such as bananas, sugar, and coffee for generating most of its foreign exchange; but the importance of these exports has been decreasing because of recent declines in market prices and a trend towards diversification in agricultural production. The purpose of the Export Development and Services Project was to increase non-traditional exports. It was expected that a minimum of 10,000 full-time jobs would be created directly through the project, while an additional 10,000 persons could be employed in support areas for exporting firms.

The total budget for this five-year project, begun in September 1984, was \$31.6 million, of which \$23.5 million would be provided by AID (\$16 million loan, \$7.5 million grant), \$2.5 million by the Government of Honduras, and \$5.6 million by the Honduran Private Sector. In addition, the Government of Honduras would also make available \$24 million in local currency generated through Economic Support Funds, to provide working capital and investment loans to non-traditional exporters.

The audit found that the Government of Honduras had not fully implemented export promotion activities as required by the project agreement. The audit showed that the activities had not been implemented due to: (1) a lack of agreement among government officials on implementation procedures; (2) a lack of government policy decisions; (3) the duplication of effort with other activities; and (4) the high cost of certain activities. If the Export Policy and Promotion component is not fully implemented, the project will not be able to eliminate some of the identified constraints to the development of exports, and ultimately may not be able to reach the project's proposed goals and objectives.

The report recommended that AID obtain from the Government of Honduras a time-phased plan to implement the Export Policy and Promotion component, or reprogram the funds to other activities. One of the goals of the project was for the two private sector implementing agencies to become financially self-sufficient by the end of the project in September 1989 and thus be able to continue to promote Honduras exports. The audit showed that the agencies were experiencing difficulties in becoming financially self-sufficient due to problems in the operations of project revolving funds and lack of income from membership and service fees.

The report recommended that AID obtain evidence that the agencies had developed plans for attaining self-sufficiency, and that the Central Bank of Honduras had established procedures for disbursing the funds that the agencies are entitled to.

Finally, the audit found that neither the \$10 million Revolving Fund nor the \$24 million Local Currency Revolving Fund were being utilized effectively. The audit of the first two years' operations found that no dollar loans and only \$4.4 million in local currency loans were made under the project. If these funds are not used effectively, the project's goal of promoting non-traditional exports will not be achieved. Measures were recommended to increase utilization of both funds. AID management concurred with the recommended action. (Audit Report No. 1-522-87-17, March 10, 1987)

—CARIBBEAN FINANCIAL SERVICES CORPORATION PROJECT/AID REGIONAL DEVELOPMENT OFFICE—

The Caribbean Financial Services Corporation Project consists of a \$17.3 million loan and \$400,000 grant from AID to establish and capitalize the Caribbean Financial Services Corporation. The Corporation provides term financing (up to 15 years), and other financial services not traditionally available to private sector enterprises in the English-speaking Caribbean and Belize. The goal of the project is to

**IMPLEMENTATION OF
PROJECT HINDERED BY
LACK OF ADEQUATE
STAFFING**

stimulate expansion of the productive private sector in the English-speaking Caribbean, thereby creating employment, income, and foreign exchange earnings.

The audit disclosed that the Corporation was making slow progress in granting loans. Project planners had established a benchmark of \$9.6 million in loans to project beneficiaries by the end of 1986, however, the Corporation had made only eight loans with the \$1.9 million received from AID as of March 31, 1986, two years and eight months after the project was initiated. Funds granted to the Corporation by AID were also idle. As of June 1986, the Corporation had only used \$36,000 of the \$400,000 granted in July 1983. The report recommends that either a specific plan be developed for effective use of project funds or idle funds be deobligated.

The audit also found that the Corporation had insufficient staff to efficiently and effectively implement all the components of the project. Staffing consisted of the managing director, one loan officer, and one secretary. Project planners, on the other hand, had envisioned that the Corporation would provide discounting, direct lending, and general financial services. In order to effectively carry out these project components, the Corporation needed to either hire, or consult with, individuals with expertise in accounting, insurance and bonding, customer investigations and services, marketing, and overall management. The report recommended that either sufficient personnel be obtained to effectively implement all project components or the project components be reduced to a level commensurate with the Corporation's level of operation. Management concurred and was preparing plans to implement the report recommendations. (Audit Report No. 1-538-87-4, October 31, 1986)

AUDITS OF ECONOMIC SUPPORT FUND

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

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

During the reporting period, the Regional Inspector General in Nairobi, Kenya reviewed the local currency generated from Sudan's commodity import programs and cash transfer grants. Highlights of this audit follow:

—LOCAL CURRENCY GENERATIONS OF COMMODITY IMPORT PROGRAMS AND CASH TRANSFER GRANTS/SUDAN—

Since 1979, the United States has provided balance of payment support to the Government of the Democratic Republic of Sudan through AID assistance programs. Most of this support has been provided through Commodity Import Programs and Cash Transfer Grants. Commodity Import Programs are used to finance foreign exchange costs of procuring and shipping a large variety of commodities for use in factories, farms and homes of developing countries. Cash transfers are used primarily for short-term balance of payments support.

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

Between December 31, 1979, and June 30, 1986, AID and the Government of Sudan signed 11 Commodity Import Program and Cash Transfer grant agreements. These agreements had program obligations of \$511.1 million, of which \$396.8 million had been disbursed. The disbursements were used for cash transfers (\$38.0 million), for procurement of petroleum and related products (\$78.6 million), and for specified development commodities such as pharmaceuticals, polyester fibers, tinplates, fertilizer, spare parts, electrical equipment, tractors, trucks, and industrial inputs (\$280.2 million).

Initially the audit identified major procedural weaknesses in the administration of Sudan's Commodity Import Program (CIP) when the field work was halted in October 1985. At that time, the Government of Sudan had not deposited or accounted for about \$200 million of local currency funds. The exact amount was difficult to determine because AID lacked adequate accounting records and a system to control such funds. The weaknesses occurred because the Government of Sudan did not comply with the terms and requirements of the agreements and interpreted the CIP agreements in a manner which relieved its ministries and parastatal organizations from depositing or accounting for local currency generations. In addition, the Bank of Sudan failed to keep separate special accounts for each program agreement and did not periodically summarize local currency activities. The result was several million dollars of local currency not being deposited in the Bank of Sudan and available to further AID's economic program in Sudan.

The facts and recommended actions were communicated to AID officials in Sudan and corrective action was undertaken. Later, however, the security situation in Sudan deteriorated to the point where U.S. personnel were evacuated, and further audit work needed to complete the audit was postponed.

In November 1986 the audit was resumed and we found the CIP to be better controlled. AID had made progress towards regaining and

retaining control over local currency generations by establishing a system to control and account for local currency generations, deposits, withdrawals and balances. Negotiations had taken place and commitments had been received from the Government of Sudan to deposit all amounts determined to be in arrears.

As of September 30, 1986, however, the Government of Sudan had still not deposited or accounted for over \$146.3 million of local currencies generated by the CIP and cash transfer grants. The CIP grant agreements between AID and the Government of Sudan required importers participating in the program to deposit with the Government the local currency equivalent of the cost or value of the commodities imported. The review showed that the Government of Sudan was not requiring governmental ministries or parastatal organizations to deposit local currencies imported for the Government's benefit and was not requiring the Central Bank of Sudan to establish an adequate accounting system for controlling local currencies collected from private importers. Consequently, \$146.3 million of local currency was not made available to further AID's economic program in Sudan.

Seven recommendations were made to resolve the problems identified by the audit. Based upon the aggressive corrective actions taken by AID management during the audit, five recommendations were closed upon issuance of the report. The two remaining recommendations are being implemented by AID management. (Audit Report No. 3-650-87-4, December 8, 1986)

AUDITS OF PUBLIC LAW 480— FOOD FOR PEACE PROGRAM

**AGENCY'S GOAL IS TO
LINK FOOD AID TO
LONG-TERM ECONOMIC
GROWTH IN
DEVELOPING COUNTRIES**

In administering the Public Law 480—Food for Peace Program, the Agency's primary objective is to ensure that food aid is provided to those countries and people that are truly in need. In order to increase the developmental impact of this program, the Agency has established a goal of linking food aid to long-term economic growth in developing countries. Funding for this program is estimated at \$1.7 billion for fiscal year 1986 and will provide food assistance to approximately 72 countries. Highlights of an audit performed of the PL 480 Program in Somalia follow:

—PUBLIC LAW 480, TITLE I PROGRAM/SOMALIA—

**PROGRAM REDUCTION
OF \$10 MILLION
RECOMMENDED IN
SOMALIA**

In response to a recommendation made by the U.S. General Accounting Office in March 1986, the Regional Inspector General Office in Nairobi, Kenya, reviewed the Public Law (PL) 480, Title I program

in Somalia. Under this program, AID provided food through concessionary loans, to fill the annual gap between Somalia's food production and consumption. During the period from 1976 to 1986 this food aid totaled \$142 million.

The audit showed that the PL 480, Title I program did not effectively supplement Somalia's food supply and discouraged local production. PL 480 legislation states that Title I food aid should not discourage the domestic production of food by substantially reducing farmer's prices and profits. This criteria is put into practice by limiting food aid to amounts that offset annual deficits in food supplies.

Food aid to Somalia, however, exceeded annual food deficits. For example, during the summer of 1985, the Agency provided the Government of Somalia 20,753 metric tons of grain under the 1985 Title I agreement. As of November 1986, 9,734 metric tons of grain (47 percent) remained unsold in government warehouses and had deteriorated. As a result the grain became unfit for consumption, resulting in a loss to the Government of Somalia of \$1.5 million. This situation was due to the absence of precise data on the food situation with which to fine-tune the supplying of Title I commodities, given the smaller food deficits and the AID mission's unwillingness to reduce the Title I program in line with improved Somalia food production. The report recommended that Somalia's Title I program be reduced by about \$10 million, and that the AID mission management verify that the commodities to be imported will provide the minimum disincentive to local food production.

The audit also showed that food delivery was not scheduled effectively. Food aid is most effective when delivered in the months just prior to the major harvest. At that time the food can best stem hunger resulting from crop shortfalls and least depress the prices farmers get for their production. All of the 1985 Title I food grain (53,314 metric tons) and 92 percent of the 1986 grain (47,455 metric tons) arrived in Somalia during the harvest period due to poor planning by AID and the Government of Somalia. As a result, food valued at \$28 million was not made available during the critical hunger period. Further, the timing of deliveries discouraged future farm production because farmers made less profit due to lower prices. In 1985, for example, maize prices dropped from an average June level of \$.99 per kilogram to a September level of \$.62 per kilogram, the period concurrent with the major harvest and the arrival of Title I corn. The report recommended that AID mission management take action to assure that commodities are scheduled and delivered during the pre-harvest period. Mission management concurred with our recommendations. (Audit Report No. 3-649-87-2, January 26, 1987)

REVIEW OF MAJOR MANAGEMENT SYSTEMS/PROGRAMS

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

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

—SUMMARY REPORT ON AUDITS OF REGIONAL PROJECTS/WEST AFRICA—

DESIGN AND MANAGEMENT PROBLEMS HAVE LIMITED THE SUCCESS OF AFRICA BUREAU'S REGIONAL PROJECTS

The Africa Bureau is a major user of regional projects in accomplishing economic assistance goals. At the end of fiscal year 1985, the Bureau had 103 active regional projects and subprojects with authorized funding of \$809 million. Of this amount, \$679 million had been obligated and \$456 million spent. Project activities included agriculture, education and human resources, health and population planning, and selected development activities. Some projects covered specific geographic areas such as the Sahel or Southern Africa; others covered all of sub-Saharan Africa. Since fiscal year 1983, the Office of the Regional Inspector General for Audit/West Africa issued ten reports on 25 Africa Bureau regional projects. Eighteen of the 25 projects are still active and represent about \$238 million of the \$809 million authorized.

In summarizing the results of our audit reports of regional projects, we determined that the Africa Bureau has experienced limited success when using regional projects to accomplish economic assistance objectives. Only 2 of the 10 audits reported that regional projects had been highly successful in accomplishing goals and objectives. Others had low to moderate levels of success. Four projects included in the audit reports were terminated either during or shortly after audit. Since regional projects covered several countries and were generally more complex than single-country projects, the design and AID management problems found in regional projects had a more widespread effect on accomplishing project objectives and goals. However, such problems are not necessarily limited to regional projects. If single-country projects were as complex as the regional projects audited, it is likely that similar problems would be found.

Design and management problems, as reported in most regional project audits, contributed to the limited progress of AID assistance. The report recommended that the Africa Bureau, as part of the Bureau's oversight responsibility, review all regional projects in the design and implementation stage. The review should determine whether design and management problems similar to those reported in the Inspector

General audits exist in the other regional projects. If so, appropriate management action should be taken to correct the deficiencies. Agency management agreed to implement our recommendation. (Audit Report No. 7-698-87-5, March 16, 1987)

—AUDIT OF COST SHARING/BUREAU FOR SCIENCE AND TECHNOLOGY—

The Bureau for Science and Technology (S&T) centrally funded programs include basic and applied research, development and testing of technology. The programs supply technical expertise to AID regional bureaus and field missions worldwide in support of development assistance. The S&T centrally funded program requirements for FY 1986 were \$224.5 million.

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

About 78 percent or \$174.6 million of the S&T program funds was identified to specific assistance award actions. Only about 18 percent of the S&T grants and cooperative agreements specifically required the recipient to share the cost burden. The sharing of costs by grant recipients is desirable because it enables S&T to achieve program results with less AID funds and ensures grantee commitment to program objectives. This is in keeping with the intent of the Foreign Assistance Act of 1961, which expects recipient countries to increase their commitments and reduce their dependence on AID financing.

The audit showed that cost sharing grants and cooperative agreements tended to increase grantee commitments to S&T-sponsored research and helped to achieve project objectives with less AID funds. However, if cost sharing were more actively solicited from grantees, S&T could achieve savings of about \$21 million per year.

The review found that cost sharing was solicited only when assistance programs were specifically required to do so by law or AID policy. AID had not provided policy guidance requiring active solicitation of cost sharing for all grants and cooperative agreements, and had not outlined conditions and circumstances where cost sharing would not be appropriate. The report recommended that Agency guidance be developed requiring active solicitation of cost sharing for all grants and cooperative agreements. The guidance should also outline the conditions and circumstances where cost sharing would not be appropriate.

The audit also showed that grantees were inadequately documenting, recording, and reporting their required cost-sharing contributions. These problems were found in nine selected S&T cost-sharing grants and cooperative agreements costing about \$18 million. AID project officers are responsible for monitoring grantee compliance to ensure that AID's interests and investments are safeguarded. However, S&T

project officers were not sufficiently monitoring cost-sharing arrangements. S&T had not provided management emphasis and controls to ensure that grantee cost contributions were made as agreed. As a result, there were no assurances that cost-sharing commitments totaling about \$91.4 million will be made as agreed. The report recommended that procedures be established requiring project officers to monitor and periodically verify reported cost-sharing contributions. Also, formal corrective actions should be required when grantees are not contributing as agreed.

S&T officials concurred with the recommendations and planned to fully implement the recommendations on or before April 30, 1987. (Audit Report No. 9-000-87-1, December 19, 1986)

—AUDIT OF COST SHARING/MATCHING GRANTS WITH PRIVATE AND VOLUNTARY ORGANIZATIONS—

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

The developmental assistance goals of Private and Voluntary Organizations (PVOs) in many ways reflect those of AID. These shared goals form a basis for AID to provide limited funding, when appropriate, to PVOs meeting AID's registration criteria. The Office of Private and Voluntary Cooperation within the Bureau for Food and Voluntary Assistance (FVA/PVC) manages AID's program for providing funding to the PVO community. When a registered PVO submits a proposal showing that it will contribute private funds toward a program that furthers AID objectives, FVA/PVC, on a competitive basis, will grant them partial funding depending upon the availability of AID resources. In this process, referred to as a cost-sharing grant or agreement, the PVO share represents a degree of commitment on its part towards the AID/PVO program. At the time of our audit, FVA/PVC was managing a grant portfolio of approximately \$107 million.

The audit showed that although grantees were contributing non-Federal funds, these funds and AID funds were used, in some instances, for purposes not within the scope of the grant. For example, one grantee was to use program resources to provide technical assistance and training to host organizations. However, at least \$170,000 in program resources went directly to host organizations instead of funding technical assistance. Program expenditures included 17 round trip airfares to Honduras for a project tour by the host organizations' board members and the purchase of a truck. Most of the \$170,000 was returned to the original host organization "contributor" as a direct transfer of funds for use on their projects and not the AID-sponsored program.

Other PVOs had received AID funding but either had not provided the agreed upon non-Federal share of program funding or had not properly valued in-kind contributions claimed as cost sharing. For instance, one grantee was required to provide \$380,000 in cash contributions by the end of the grant's first year. After disallowing certain grantee expenditures such as fundraising, which is specifically disallowed by Office of Management and Budget Circular A-122, we estimated their first year cost-sharing contribution to be approximately \$280,000 short of the required contribution. One PVO valued an individual's volunteer time as cost sharing at rates up to \$1,250 per day. The individual stated that when he worked as a Government consultant, he was paid from \$200 to \$250 per day. Other volunteer services were claimed for "xeroxing articles" and "library work and thinking" at \$400 to \$475 per day.

Another PVO could not support approximately 80 percent of the cost-sharing claims reviewed. Consequently, developmental assistance funds sat idle for periods of up to four years after obligation. FVA/PVC authorized additional funding of this PVO even though approximately \$1.4 million remained unspent.

The audit also found that PVOs were submitting late or inaccurate financial reports to AID. One grantee had been submitting significantly inaccurate data for at least two years without the validity being questioned by AID. This same grantee was found to have improperly used \$169,000 of AID funds for its own operating expenses.

The report estimated that approximately \$2.5 million of funding in this program could either be put to better use or returned to the U.S. Treasury. We recommended that procedures be established requiring effective PVO program management and monitoring and that appropriate corrective action be taken when grant terms and conditions are not met. Agency management is currently taking action on the recommendations. (Audit Report No. 9-000-87-3, March 23, 1987)

—CASH ADVANCES TO PRIVATE VOLUNTARY ORGANIZATIONS UNDER LETTERS OF CREDIT—

The Department of the Treasury requires that AID monitor Agency cash management practices to ensure that cash advances are not retained in excess of immediate disbursement needs. The Agency uses letters of credit (LOC) to make cash available to nonprofit and educational organizations when financing Agency work. Of a total 240 organizations that use LOCs, 85 are private voluntary organizations (PVOs). The 85 PVOs reported \$23.4 million in cash advances as of July 31, 1986.

**EXCESS CASH OF \$6
MILLION TO \$7 MILLION
ADVANCED TO PVO'S**

The audit disclosed that PVOs were maintaining cash balances in excess of immediate needs. Ten PVOs reported cash balances of \$19.7 million as of July 31, 1986, of which at least \$6 million to \$7 million represented excess cash on hand. Excess cash of \$2.9 million was returned in October 1986 by one PVO during our audit. Two PVOs are currently in financial difficulty and may be unable to return all of the cash advanced by AID.

Periodic reporting by PVOs did not conform to requirements and the Agency was unable to determine whether or not recipients were holding excessive cash. This allowed two PVOs to divert AID funds for unauthorized purposes. In December 1986, one of these PVOs became insolvent, creating a potential loss to the Agency of up to \$1 million.

Significant differences existed at two PVOs between the amount of cash on hand as reported to AID and the amount recorded in their financial records. Both PVOs reported to AID that they owed several hundred thousand dollars less than reported in their financial records.

In recognition of the importance of strong controls over LOCs, the Agency's Office of Financial Management (OFM) made significant procedural improvements in its management of LOCs over the past several years. OFM had established a computerized management system to provide up-to-date information and analysis concerning each recipient's use of the LOC. OFM was also monitoring each requested cash drawdown, and temporarily denying many requests when periodic reports were not submitted on time or when other problems existed. Despite these changes, OFM still needed to make significant improvements in the management of the LOC system.

Agency procedures require that Federal cash advances not exceed amounts required for immediate disbursement needs related to Agency business and that LOC recipients periodically report on the status of cash advances. Our audit disclosed, however, that some LOC recipients were abusing the LOCs and not providing current and accurate financial information to AID. As a result, excess cash of at least \$6 million to \$7 million was maintained by AID's PVO recipients, at an average loss of interest to the U.S. Government of about \$500,000 to \$600,000 annually. In addition, control and accountability was lost as PVOs were able to draw excessive balances and OFM was unable to determine when a problem existed.

This report recommended that all LOC recipients be notified that they must fully comply with Agency requirements to (1) maintain minimum cash balances, (2) report disbursements on a timely basis, and (3) fully explain any excessive balances and cite actions underway to reduce such excesses. It was also recommended that appropriate action be taken by Agency management to enforce PVO compliance with

Agency LOC requirements and to take specific corrective actions with regard to two LOCs. Agency management has taken corrective action on all report recommendations. (Audit Report No. 9-000-87-4, March 25, 1987)

—CONTROLS OVER GOVERNMENT OF EGYPT CONTRIBUTIONS TO AID-FINANCED PROJECTS—

Section 110 of the Foreign Assistance Act of 1961, as amended, provides that United States assistance cannot be furnished to a country under Sections 103 through 106 of the Act until the country provides assurances that it will provide at least 25 percent of the cost of the entire program or project for which such assistance is to be furnished. The Congress enacted this requirement concerning Development Assistance funds in order that recipient governments demonstrate their interest and support in the development efforts being financed by AID.

The requirement for host country contributions does not apply to Economic Support Funds (ESF). However, AID management in Egypt attempted to achieve the cost-sharing objectives in the ESF-funded program in Egypt. Most project agreements included provisions that the Government of Egypt will contribute in cash and in kind to support the projects undertaken. As of February 1986, expected contributions totaled about \$3.3 billion (in equivalent Egyptian pounds) or about 40 percent of the approximate \$8.0 billion in overall project costs.

While Mission management did a commendable job in requiring the Government of Egypt to contribute to most projects, the audit showed that management's monitoring and accounting controls to assure the contributions were made was ineffective. AID management explained that its predominant role in project implementation and operation was to make sure projects progressed. Therefore, monitoring the government's compliance with host country contributions was not of great importance. The Mission had not issued procedural guidance on how contributions were to be made, and most project officers did not monitor the extent to which commitments for supporting their projects were actually being met. Also, Project Assistance Completion Reports were not prepared as required for the six completed projects. Project officials did not make a final reconciliation and determine the extent to which the Government of Egypt had met its financial commitments of \$78.5 million to support these projects.

The audit recommended that AID management prescribe how contributions are to be handled, develop contractual language for project agreements to facilitate control over contributions, and require

**MISSION'S
COMMENDABLE EFFORT
IN REQUIRING
CONTRIBUTIONS
INEFFECTIVE DUE TO
LACK OF MONITORING
AND ACCOUNTING
CONTROLS**

project officers to prepare Project Assistance Completion Reports for completed projects. Management officials generally concurred with the recommendations and agreed to take appropriate actions to implement them. (Audit Report No. 6-263-87-4, March 12, 1987)

PREAWARD REVIEWS OF CONTRACTS/GRANTS

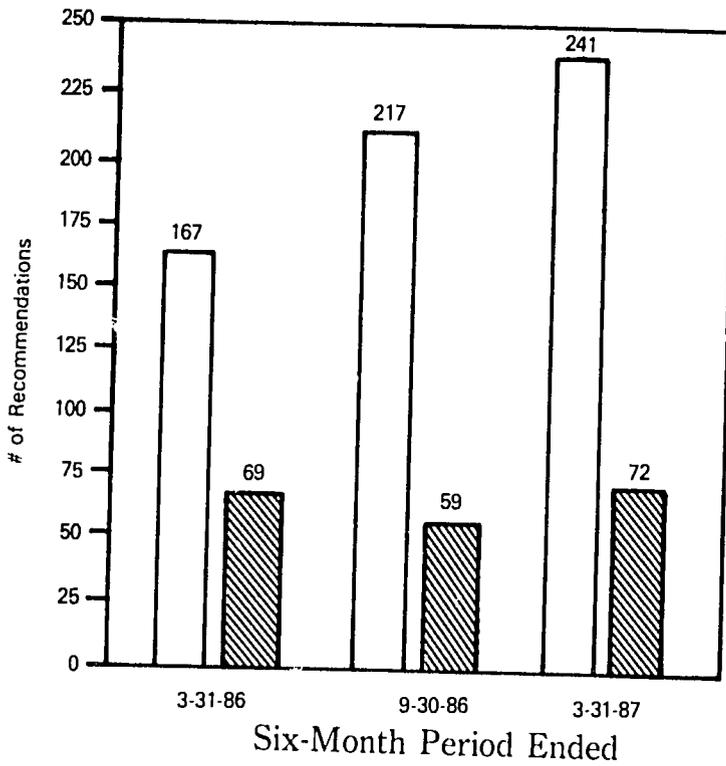
**PREAWARD REVIEWS
REVEAL POTENTIAL
PROBLEM AREAS
BEFORE CONTRACTS
ARE AWARDED**

During the first six months of fiscal year 1987, several significant preaward reviews of proposed Agency contracts and grants were issued. Preaward reviews are vitally important to the Agency because the validity of estimated costs and potential problem areas can be identified before contracts/grants are awarded. During this reporting period, we performed ten preaward reviews. These reviews resulted in reductions of \$11.6 million in proposed costs.

AUDIT RECOMMENDATIONS, FOLLOW-UP AND RESOLUTION

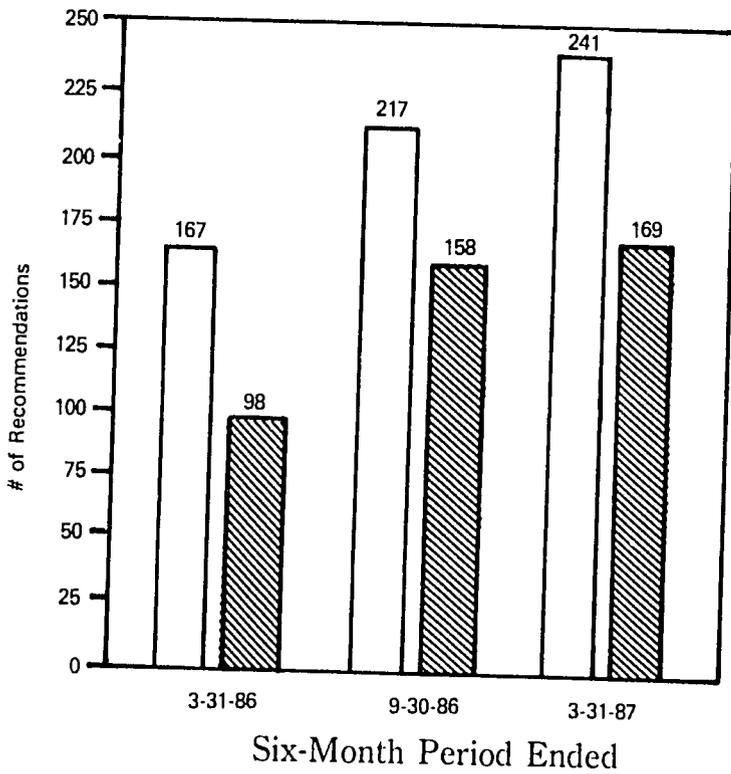
—COMPARISON OF STATUS OF OPEN RECOMMENDATIONS—

The total number of open recommendations at the end of the reporting period increased by 11 percent (217 to 241) from the prior period. The number of recommendations open in excess of six months also increased by 22 percent (59 to 72) from the prior period and is at its highest level since September 30, 1985.



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

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



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

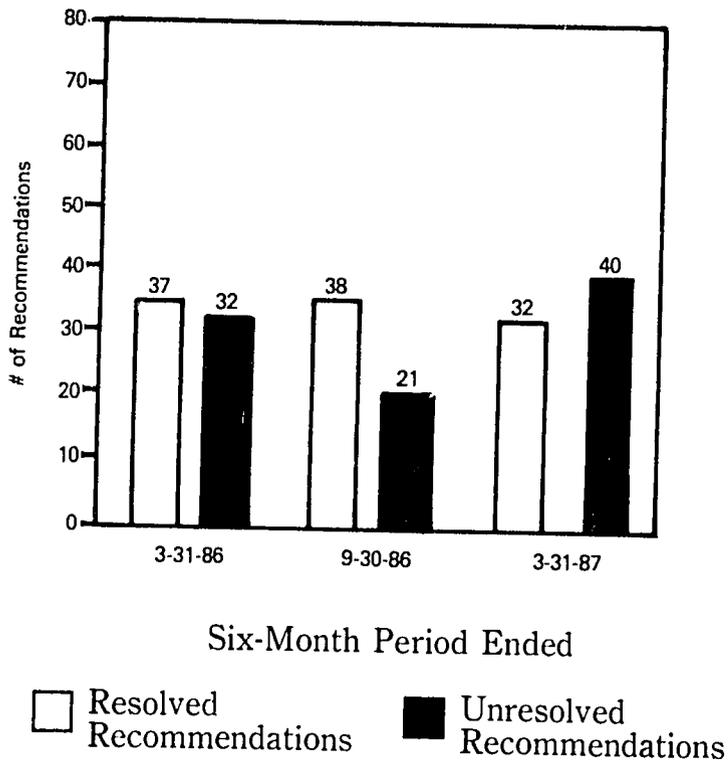
□ Total Open Recommendations ▨ Recommendations Open for Less Than Six Months

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

AGENCY COMPLIANCE WITH OMB CIRCULAR A-50

Office of Management and Budget Circular A-50 requires that recommendations be resolved within six months of issuance. In this context, resolution and closure are not synonymous terms. Audit recommendations are resolved when Agency management and the IG's Office reach agreement on firm plans of action to correct the reported deficiencies. Audit recommendations are generally not closed until corrective actions have been completed. The number of IG recommendations open over six months increased by 13 between September 30, 1986, and March 31, 1987. Violations of the A-50 requirement for resolution also increased during this period from 21 to 40 or by 90 percent.

STATUS OF OPEN RECOMMENDATIONS OVER SIX MONTHS OLD

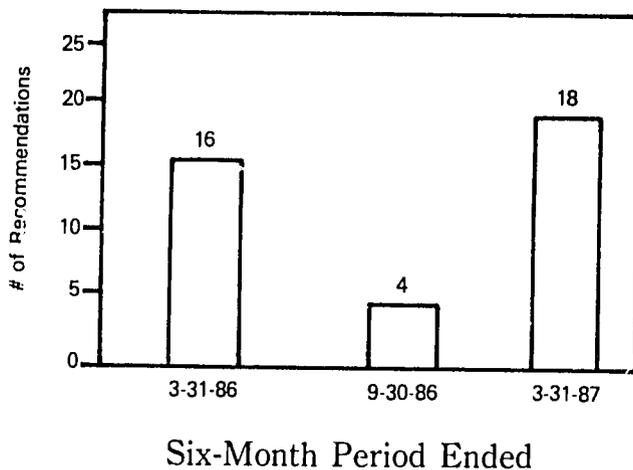


—THE SUPPLEMENTARY BUDGET AND RESCISSION ACT OF 1980—

The Supplementary Budget and Rescission Act of 1980 requires that all monetary audit recommendations be resolved within six months of issuance. As the following graph shows, the number of audit recommendations in violation of this statute increased by 350 percent from 4 to 18 over the past six months.

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

Unresolved Monetary Recommendations Over Six Months Old



—OTHER INSPECTOR GENERAL REQUIREMENTS—

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

**FOLLOW-UP ON CLOSED
RECOMMENDATIONS**

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

**REFERRALS TO THE
DEPUTY
ADMINISTRATOR**

**REVIEW OF
LEGISLATION AND
REGULATIONS**

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

**OBTAINING REQUIRED
INFORMATION OR
ASSISTANCE**

Sections 5(a)(5) and 6(b)(2) of the Inspector General Act require the Inspector General to report instances where access to records or assistance requested was unreasonably refused, thus hindering the ability to conduct audits or investigations. During this semiannual reporting period, there were no reportable instances under these sections of the Act.

**STATUS OF PREVIOUSLY HIGHLIGHTED
REPORTS**

**—REPORTS WITH UNRESOLVED
RECOMMENDATIONS AS OF
MARCH 31, 1987—**

- AID Participant Health and Accident Coverage Program

**AGENCY COULD SAVE
\$1.5 MILLION ANNUALLY
IN MEDICAL PAYMENTS**

The AID Health and Accident Coverage Program was adopted in 1980 to cover medical costs for all AID-financed foreign participants undergoing training in the U.S. Our review showed that AID had not properly managed the program. We believe that the Agency could save approximately \$1.5 million per year in (1) medical costs related to the treatment of pre-existing conditions, (2) claims which should be paid by other insurers, and (3) uncollected premium payments. In addition, the Agency could recover an estimated \$250,000 from other insurers and delinquent contractors. We recommended the Agency take action to establish management systems that will (1) eliminate participants coming to the U.S. with pre-existing medical conditions; (2) prevent claim payments when other insurers are liable; and (3) improve internal controls in the medical payment process. The Agency has taken a number of steps to correct the deficiencies noted. Two report recommendations still remain unresolved. (Audit Report No. 9-000-86-1, November 8, 1985)

- Integrated Regional Development Project/Peru

The Integrated Regional Development Project in Peru was undertaken to strengthen Peru's decentralized regional planning and project implementation capability at the national, departmental,

and municipal levels. The project financed rural public works projects and priority subprojects in selected market towns. The project has a budget of \$23.1 million, of which \$16.6 million was Agency funded and \$6.5 million was funded by the Peru Government. The audit showed that the project's effectiveness was limited because of weaknesses in the design of subprojects and insufficient funding to complete several of the subprojects. The main reason for the design failures was a lack of site visits to verify the adequacy of the design. Several rural works subprojects were not completed because Peruvian funding had not been budgeted as required by the project agreement. Without proper design or funding the intended benefits of the subprojects will be delayed or not realized. Four of the nine recommendations made in this report remain open awaiting evidence that recommended action has been implemented. (Audit Report No. 1-527-86-18, June 18, 1986)

**PROJECT SUCCESS
LIMITED BY DESIGN
WEAKNESSES, LACK OF
HOST COUNTRY
FUNDING, AND
INEFFECTIVE
MAINTENANCE SYSTEMS**

- Export Promotion Fund/Regional Office of Central America and Panama

In September 1982, AID's Regional Office for Central America and Panama (ROCAP) and the Latin American Export Bank (LAEB), a private sector institution, signed a \$25 million loan agreement for the Export Promotion Fund Project (Project). The Project was designed to help allay the economic crisis in Central America by making loans to increase non-traditional exports from Central America and thereby reduce balance-of-payments deficits in the region. Our audit disclosed that all LAEB loans made with AID funds through the Central Bank of Guatemala, El Salvador, and Honduras were ineligible because the loans were not made to eligible exporters as required by the loan agreement. Instead LAEB made loans to Central Banks for balance-of-payments support. The exporters identified by LAEB to ROCAP as project beneficiaries did not receive the loans. Two report recommendations remain unresolved. LAEB is in the process of refunding to AID the amounts questioned in the report. (Audit Report No. 1-596-86-30, September 29, 1986)

**AGENCY LOAN FOR \$16.9
MILLION RECALLED**

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

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

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

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

**—REPORTS IN WHICH RECOMMENDATIONS
ARE RESOLVED BUT ARE PENDING
COMPLETION OF CORRECTIVE ACTION AS
OF MARCH 31, 1987—**

- Appropriate Technology International

**AGENCY PLANS TO
DEVELOP A JOINT
REPLICATION STRATEGY**

While there have been improvements in Appropriate Technology International's (ATI) \$16.5 million program of developing appropriate technology for dissemination to developing countries, our review found that the cooperative agreement lacked a definition of replication, specific and measurable objectives, and a joint replication strategy for the Agency's Science and Technology (S&T) Bureau and ATI. The S&T Bureau is developing a joint strategy with ATI. (Audit Report No. 0-000-85-12, March 26, 1985)

- Caribbean and Latin American Scholarship Program

**LOAN REPAYMENT
ISSUE NEEDS
RESOLUTION**

The Agency has initiated a new \$161 million Caribbean and Latin American Scholarship Program to counteract the dramatic increase in Soviet Bloc scholarship activity in Latin America and the Caribbean Region. Our review of this initiative showed that basic changes in the plans for delivering this training were essential if this goal is to be achieved. All but one of the nine recommendations made to improve both the existing training projects and the new \$161 million Caribbean and Latin American Scholarship Initiative have been closed. The one remaining issue, whether or not the loan repayment requirement should be eliminated, is still under consideration. (Audit Report No. 0-000-85-15, May 22, 1985)

- Personal Services Contracting Practices

A review of personal services contracts was made to determine whether the Agency had in place clearly established guidelines, procedures, and regulations governing contracts for personal services, and whether missions were contracting for personal services in accordance with those guidelines. The review identified several examples of poor contracting practices, including failure to withhold Federal taxes from payments to personal services contractors and other deficiencies symptomatic of an employment system in urgent need of review and corrective action. AID management has taken several steps to revise Agency regulations and report earnings of personal services contractors on appropriate forms. The Controller's Guidebook will be amended to reflect these changes. However, the revisions do not completely address all of our concerns, and we are awaiting further Agency action to close the remaining report recommendations. (Audit Report No. 1-000-85-12, August 20, 1985)

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

- AID Renewable Energy Projects

Due to the worldwide energy crisis, the Congress, in 1977, amended the Foreign Assistance Act to fund the AID energy program. Since 1978, AID has obligated \$170 million to develop, test, and demonstrate technologies in such areas as solar, wind, biogas and small-scale hydroelectric generation. However, AID undertook projects which did not always adhere to the legislative mandate in that they were (1) not integral parts of agriculture and rural development efforts, (2) not developed and implemented in a timely manner, (3) complex and expensive to build, use and maintain, (4) not suited to intended users, and (5) lacking in replication planning and potential. We are awaiting revision of the AID Energy Policy Paper before closing the remaining audit recommendation. (Audit Report No. 9-000-86-3, February 21, 1986)

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

OFFICE OF INVESTIGATIONS

INVESTIGATIVE RESPONSIBILITY

The Office of the Assistant Inspector General for Investigations is responsible for conducting investigations of criminal, fraud, and serious administrative violations within AID's worldwide operations. Twenty U.S. and seven foreign national criminal investigators, along with a Headquarters staff of three, carry out investigative assignments from one domestic and six overseas regional offices. They are responsible for investigative oversight involving over 2,000 active development assistance programs, about 3,500 U.S. employees, 5,500 foreign employees, and 6,800 contractors and grantees handling 15,000 contracts throughout 70 countries in which AID represents critical U.S. national interests.

International investigations offer a special set of challenges: complex and often puzzling environments, different and often strange languages and cultures, varied administrative and judicial systems, and a variety of political and security sensitivities. Within this context, we have continued to achieve meaningful investigative results, especially in connection with investigations involving fraud and employee misconduct.

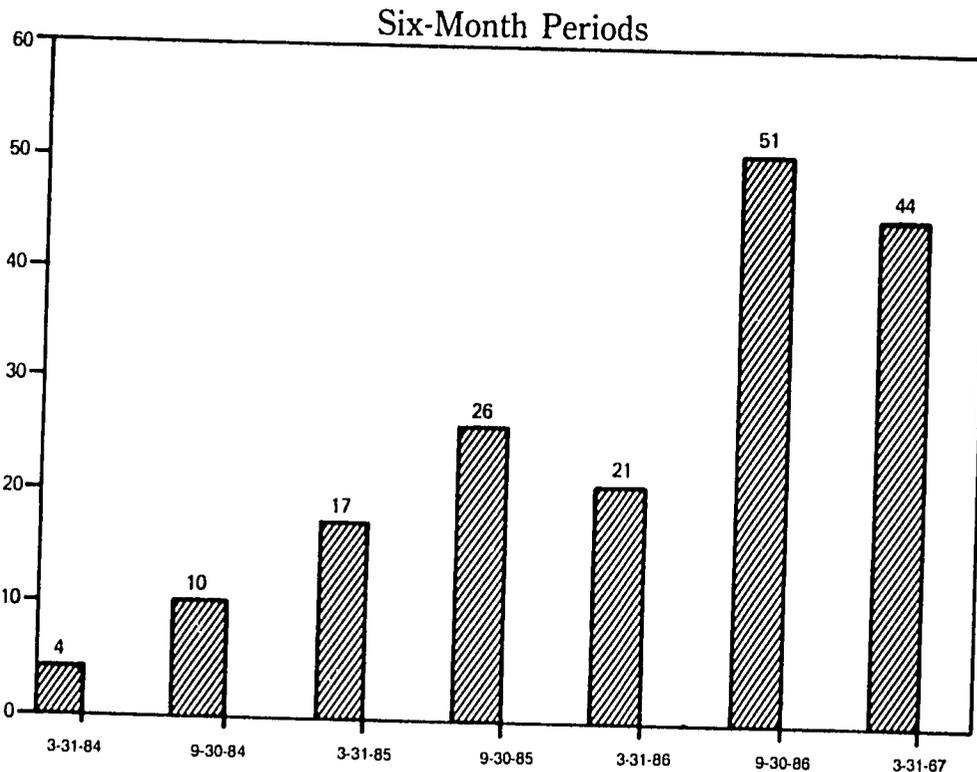
STATISTICAL SUMMARY

During the past six-month period, the following results were achieved, some of which are summarized under the Significant Investigations section:

Indictments	11
Convictions	2
Administrative or Disciplinary Sanctions	43
Organizational Suspensions/Debarments	1
Fines/Restitutions/Recoveries	\$439,883
Management Commitments:	
— to recover funds	\$156,978
— to more efficiently use resources	\$133,378

The following chart shows that the number of disciplinary/administrative actions, which increased substantially during the past reporting cycle, have remained at a high level.

Disciplinary/Administrative Actions including Debarments/Suspensions



The level of administrative and disciplinary actions by Agency officials mirrors a new tougher stance being taken by courts against corporate crime. AID employees, contractors, and suppliers are held more accountable for their deeds and misdeeds than in years past. With an increased focus on integrity issues within the Agency, this trend is likely to continue.

SIGNIFICANT INVESTIGATIONS

The sample of investigations described below reflects the diversity of our global efforts during this reporting period.

- In our last Semiannual Report, we reported the bribery conviction and sentencing of an AID procurement specialist in Bolivia. During this period a Miami businessman was sentenced to two years' probation for paying a \$20,114 bribe to the AID employee

**MIAMI BUSINESSMAN
SENTENCED**

to ensure AID's purchase of 34 trucks, valued at \$614,000, from his firm. The court also ordered restitution of the bribe money and added \$5,000 in fines.

The executive was awarded the contracts after paying the AID employee for his assistance in getting contracts at highly inflated prices.

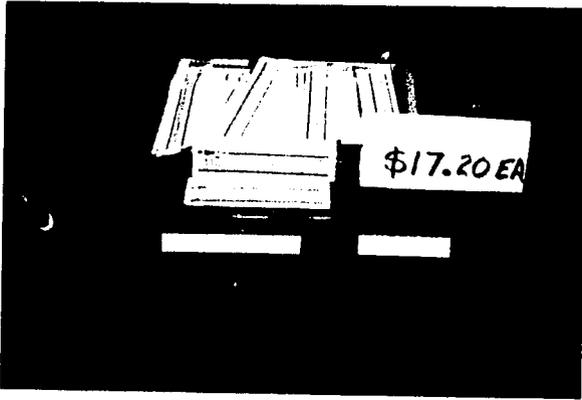
The investigation revealed the AID employee had received more than \$250,000 in kickbacks in connection with AID's award of contracts between 1982 and 1985. The contracts were for the purchase of medical and other supplies for a rural education project and materials for road construction in Bolivia.

**FOUR BOLIVIANS
INDICTED FOR
FRAUD/BRIBERY**

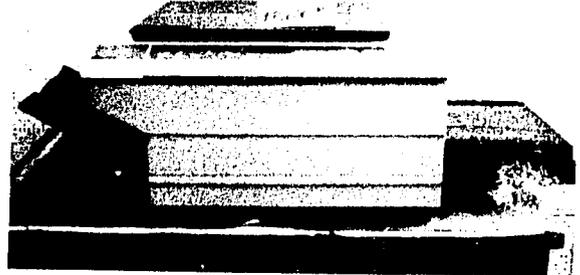
- In conjunction with the AID employee case mentioned above, four Bolivians were indicted in Florida in February 1987 for their involvement in illegal payments to the AID procurement specialist. A Bolivian businessman, his brother, and wife along with a Bolivian Government employee were charged with Federal fraud violations in connection with the award of 17 contracts totaling \$1,540,000 to various foreign and American companies owned by the three. These contracts were awarded between March 1984 and June 1985 and involved goods supplied to a rural education project and other joint USAID-Bolivia endeavors. In one instance, the indictment charged the defendants purchased goods for \$113,000 and billed USAID \$327,000. In another instance, the defendants allegedly billed USAID shipping costs of \$44,749 when actual shipping costs were \$17,039.

The indictments charged the AID employee and the Bolivian Government employee were paid by the three in return for using their official positions and influence to help obtain AID-financed contracts for the purchase of various commodities. Trial is pending in the Southern District of Florida.

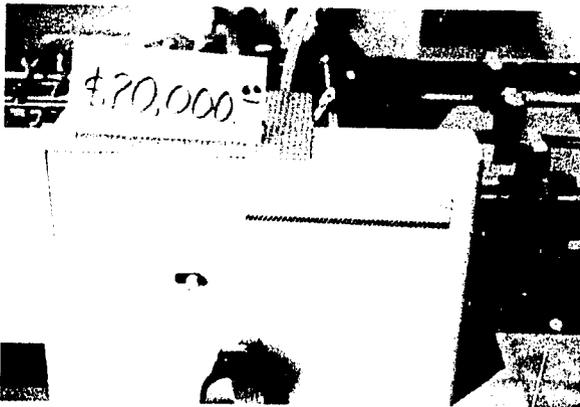
Examples of Overpriced Goods



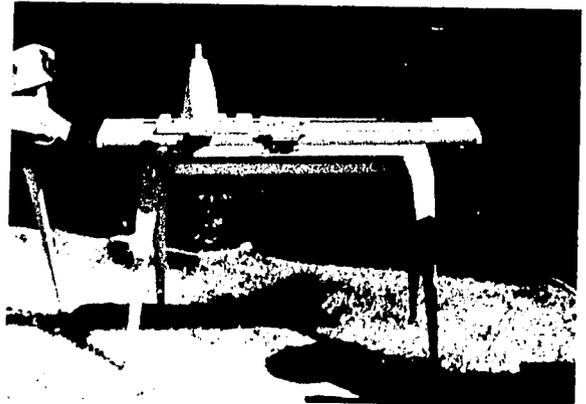
Thermometers billed at \$17.20 each can be purchased elsewhere for under \$2.00



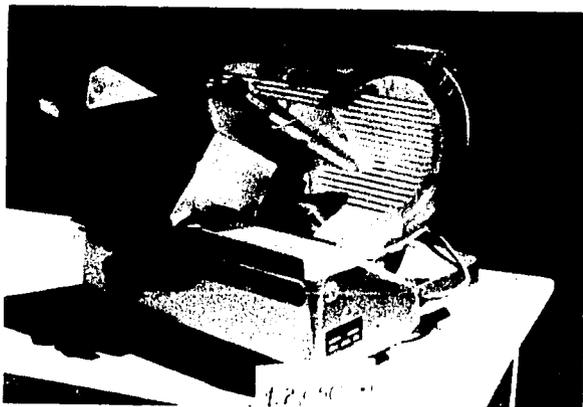
Copy machine billed at \$8,200 each can be purchased elsewhere for about \$1,500



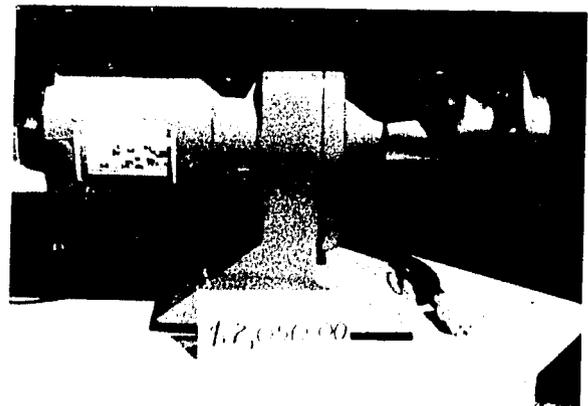
Offset press billed at \$20,000 each can be purchased elsewhere for about \$10,000



Knitting machine billed at \$2,900 each can be purchased elsewhere for about \$300



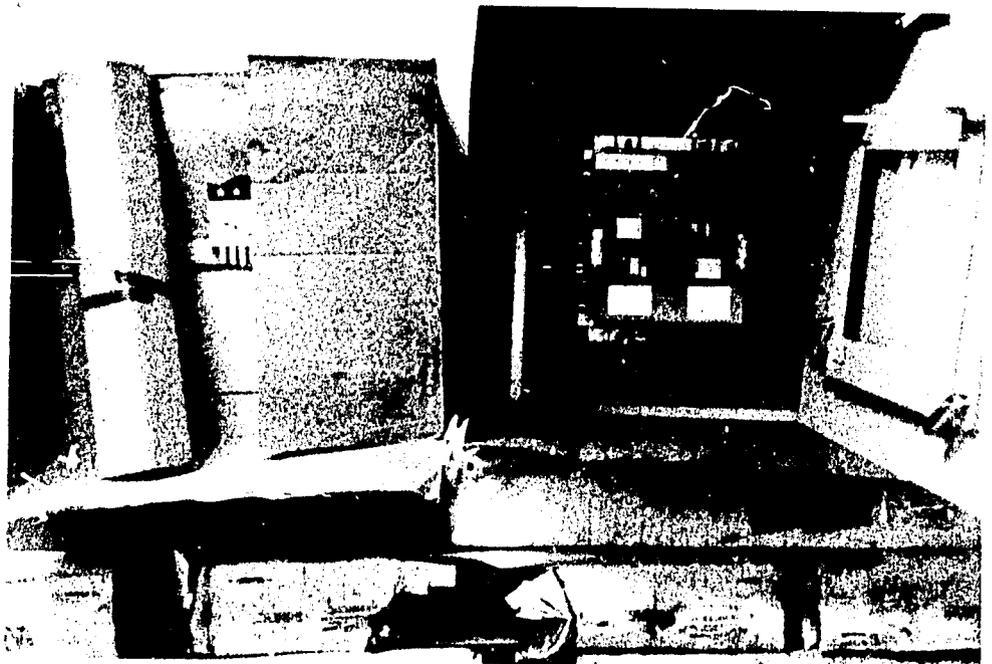
Meat slicer billed at \$2,050 each can be purchased elsewhere for about \$600



Meat grinder billed at \$2,050 each can be purchased elsewhere for about \$600

**CAIRO 'STING' NABS
SUSPECTS**

- An elaborate sting operation—complete with marked money and electronic monitoring devices—helped the Inspector General's Office in Cairo track down a man suspected of taking \$750,000 in material from a nearby construction site. Over 600 splice boxes, which are used to distribute electricity between buildings, were stolen from the site of a low-income housing project that is jointly financed by AID and the Egyptian Government. AID and Egyptian authorities traced the stolen property through unsuspecting merchants who offered the material for sale in Cairo, Alexandria and other northern cities. More than 40 people were questioned, and most of the material was recovered. Ten merchants were arrested, two of whom were indicted and are awaiting trial.



One of the stolen splice boxes recovered through the IG investigation.

**MISSION DIRECTOR
REPRIMANDED**

- A Mission Director in Latin America received an oral reprimand and subsequently resigned after an investigation of alleged questionable practices involving the sale of a private vehicle, in-country private business relationships, and misuse of government property and of APO privileges. The individual was cautioned by senior AID management that should he ever again be employed by the Federal Government he must follow applicable rules and regulations to the letter. Because he was leaving government service, no further disciplinary action was taken.
- Under three contracts totaling \$750,000 in Syria for marine research equipment, an Ohio-based firm billed AID for items which were overpriced or ineligible (non-United States manufacture) for AID financing, and in other instances simply had not shipped certain items. The three-year investigation, after being declined for

**PRODUCT SUBSTITUTION
CASE NETS \$280,000
RECOVERY**

criminal prosecution in Ohio and Virginia, was settled in November 1986 by agreement between the firm and the Department of Justice. The firm agreed to repay AID \$280,000 plus interest and to refrain from any AID business for at least five years.

**SUDANESE RAILWAY
CORPORATION
REIMBURSES \$121,620
TO AID FOR DIVERTED
FUEL**

- The Sudanese Railway Corporation, experiencing a shortage of petroleum in 1985 and 1986, commandeered 15 rail tankers containing 364 metric tons of diesel fuel belonging to AID's Sudan Emergency Relief Program for distributing food aid to drought victims. The value of this fuel was equivalent to \$121,620. Efforts by our Regional Inspector General for Investigations in Nairobi and the USAID Mission in Sudan resulted in reimbursement of the entire cost of the fuel by the Sudanese Railway Corporation.
- A proactive inspection found in-country travel reimbursement claims submitted by FSN drivers at the USAID/Senegal Mission contained false lodging receipts. Immediately following the discovery of the breakdown in the integrity of USAID's receipts/voucher per diem system, a policy directive abolished the receipt/voucher system and established a flat rate system. Eleven drivers received reprimands and one was terminated. All had amounts wrongfully claimed deducted from their pay.
- An Agency employee in the Bureau for Asia and Near East with nearly 20 years' service filed a voucher which falsely claimed full per diem for periods the employee was residing free of charge with friends while on TDY in Asia. The employee provided fake and deceptive hotel receipts to substantiate the fraudulent lodging claims, saying he had been told by a local national employee that he could obtain the "commercial rate" if he obtained a hotel receipt. The employee was suspended for five days, which action remains an official part of his record for two promotion board cycles.
- The Chief of Party of a project team implementing a \$10 million AID-funded agricultural project in Zambia was fired and directed to leave the country after an inquiry disclosed involvement in a conflict of interest situation and misuse of project funds. Our investigation found that the Chief of Party, together with a Zambian associate, incorporated a travel agency in Zambia during 1986. This activity is contrary to AID regulations which prohibit employees and contractors from engaging in private business in their countries of assignment. In addition, over \$18,000 worth of airline tickets were procured for project travel from this new travel agency. The inquiry also revealed that project funds were misused. The results of the investigation were referred to a United States attorney who determined the dollar value of the project funds allegedly misused was insufficient to prosecute. Debarment action against the contractor is under review.

**ELEVEN DRIVERS
REPRIMANDED AND ONE
TERMINATED FOR
FALSE VOUCHERS**

**U.S. DIRECT HIRE
SUSPENDED FOR
FRAUDULENT VOUCHER**

**PROJECT CHIEF OF
PARTY FIRED FOR
OPENING TRAVEL
AGENCY IN ZAMBIA**

**PROJECT COORDINATOR
IN TANZANIA FIRED FOR
EMBEZZLING \$80,813 IN
EAST AFRICAN
REGIONAL FAMILY
PLANNING PROJECT**

- Suspicious receipts submitted with vouchers by a Management Institute on an AID-funded \$1 million regional family planning project led to a joint investigation-audit inquiry. Using a non-Federal audit (NFA) to determine the scope of the irregularities, the inquiry disclosed the Institute's project coordinator had submitted altered and, in some cases, completely fictitious receipts to liquidate advances. Based upon the recommendations of the NFA, the Institute has implemented a series of systemic changes to improve its financial controls and has agreed to the disallowance of a total of \$80,813 in disbursed funds and accrued expenses. Our Regional Inspector General for Investigations in Nairobi is actively assisting local authorities in pursuing prosecution of the project coordinator who was fired after the irregularities came to light.

**EMPLOYEE RETIRES IN
LIEU OF TERMINATION
FOR CAUSE**

- An investigation at AID/Washington disclosed that an Agency employee forged his supervisor's signature to five taxi vouchers totaling \$430 which claimed reimbursement for travel not performed. The subject admitted he forged his supervisor's signature to vouchers which contained false entries regarding taxi fares in the Washington, D.C. area. The subject stated he falsely claimed the taxi expenditures to compensate for other work-related personal business expenses for which he could not otherwise be reimbursed. The investigative results were referred to AID/Washington's Office of Personnel and a termination for cause was initiated. The subject retired from Government service before the termination took effect.

**ASSISTANT PROJECT
MANAGER EMBEZZLES
\$16,332**

- Information from USAID/Senegal reported allegations of embezzlement and other acts of malfeasance in an AID project. Investigation disclosed a total of \$16,332 in project funds was misappropriated by the assistant project manager, including a direct embezzlement of \$8,016. A criminal complaint was filed with the Government of Senegal's judicial authorities. The subject has been arrested and remains in pretrial confinement. The U.S. inspectors have been granted limited immunity to testify before the host-government proceeding.

**SENIOR FOREIGN
SERVICE NATIONAL
EMPLOYEE IN KENYA
FIRED FOR ASSISTING
MONEY LENDER**

- A Foreign Service National employee with 16 years' experience was fired for cause after our investigation showed the employee's involvement in a conflict of interest situation with a local money lender. The employee collected installment loan payments from her co-workers on behalf of the money lender, telephoning them from her office to remind them of payments due and maintaining collection records in her office. The employee also encouraged her co-workers to borrow money from the money lender, both for themselves and on her behalf. In addition to being fired, the employee forfeited \$9,000 in severance pay.

- USAID/Philippines received an anonymous letter signed by “A very concerned Filipino Citizen” indicating irregularities in a Real Property Tax Administration Project. Irregularities included improper storage, maintenance, use, and imminent sale of 13 vehicles held by a storage company. Coordination with the Ministry of Finance prevented the sale. Check of the 13 vehicles showed 11 of the 13 were purchased by AID funds and it was believed the other two belong to the project. The vehicles valued at \$133,378 were recovered and returned to proper project use.

ILLEGAL SALE OF AID VEHICLES PREVENTED



Some of the vehicles destined for illegal sale.

- After investigation in Liberia by the Regional Inspector General for Investigations disclosed financial improprieties, a financial non-Federal audit (NFA) was initiated to determine the extent of irregularities. In cooperation with the Regional Inspector General for Audit, the NFA showed over \$200,000 unaccounted for by the project. Two bills for collection totaling \$235,236 were issued against the grantee.

UNACCOUNTED PROJECT FUNDS RESULT IN BILLS FOR COLLECTION

UPDATES

In our last Semiannual we reported that three AID officers were reprimanded and actions against two others were pending for accepting gratuities from contractors. During this period no action was deemed warranted against one. The other received a ten-day suspension without pay for receiving \$600 in gratuities.

GRATUITIES BRING 10-DAY SUSPENSION

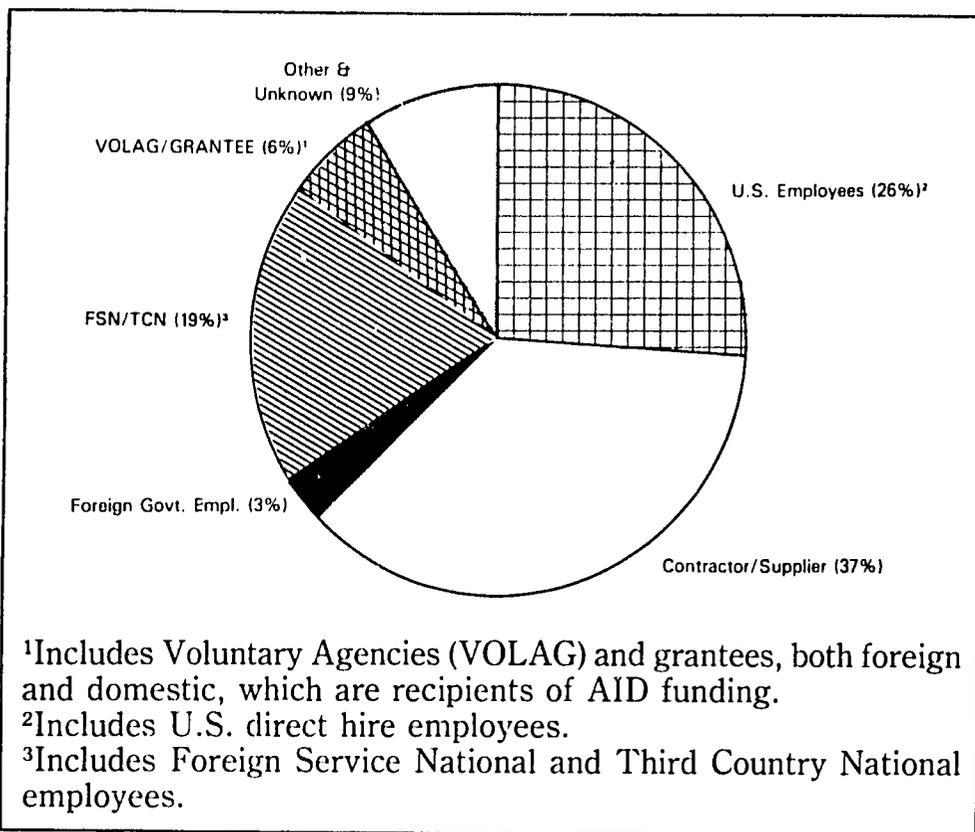
**PROJECT MANAGER
TERMINATED**

Also, in the last report we indicated that an FSN project manager in Honduras received a thirty-day suspension without pay and other sanctions for visa fraud. The subject subsequently returned to work and shortly thereafter again attempted to subvert the visa issuance process. He was then dismissed.

**STATISTICAL
SUMMARY—CURRENT
PERIOD**

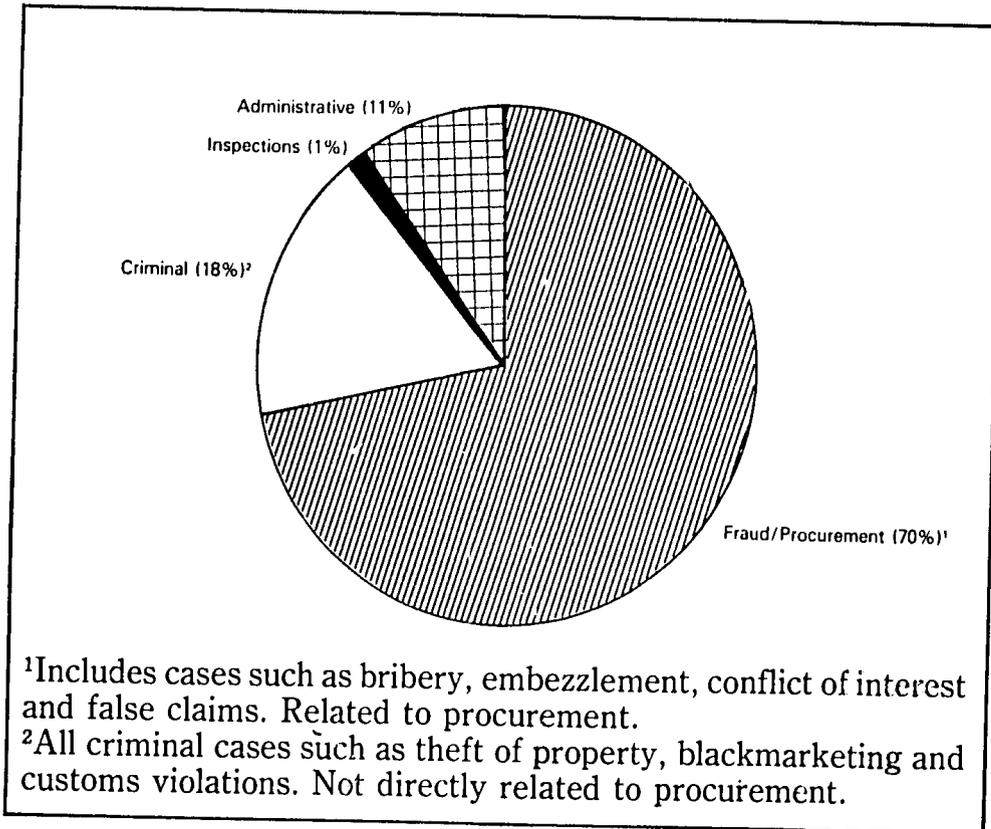
During this six-month period, 135 complaints were received and processed. Of the total, 35 concerned AID U.S. employees, 26 concerned AID foreign national employees, and 50 concerned AID contractors or suppliers.

**SUBJECTS OF
ALLEGATIONS**



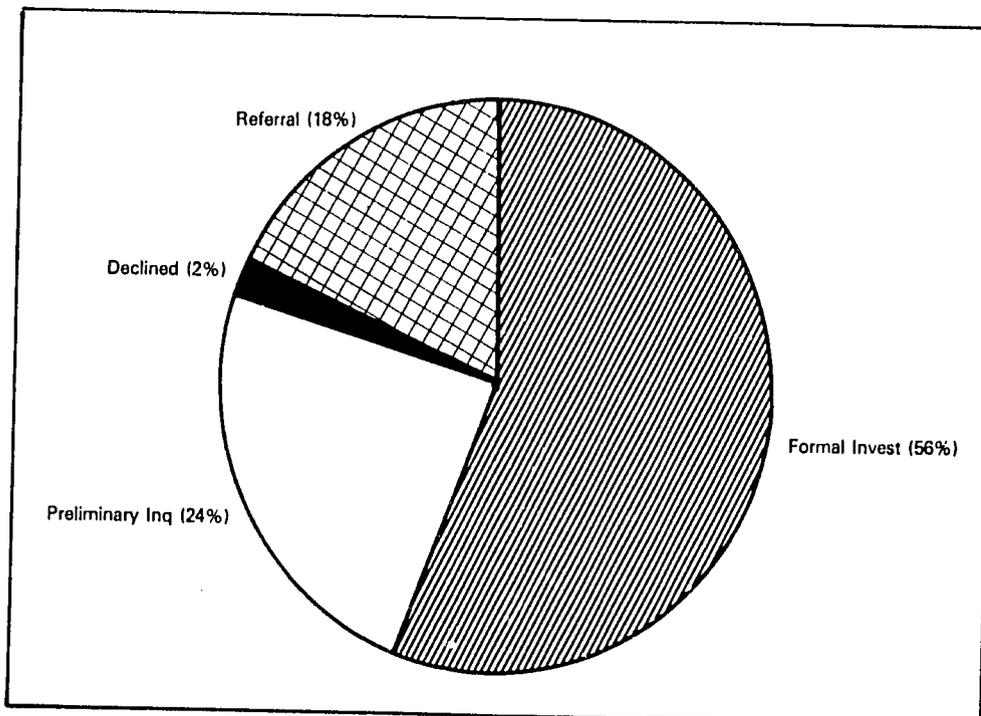
Of the 135 complaints made, 95 concerned allegations of fraud or procurement violations.

TYPES OF INVESTIGATIONS



Of the allegations received, 76 resulted in formal criminal investigations, 24 were referred to Agency management for resolution and action after initial evaluation; 32 were referred or closed following a preliminary inquiry; and 3 were declined.

ACTIONS TAKEN



PROCESSING COMPLAINTS

The Office of Investigations receives and processes complaints regarding fraud, waste and mismanagement in worldwide AID programs and operations. These complaints usually involve U.S. and host country employees, contractors, grantees, and suppliers. The subject matter of complaints ranges from criminal conspiracies to defraud the Agency through product substitution or false billings to an employee's misuse of vehicles or sick leave. Complaints which involve serious criminal or civil fraud violations result in full, formal investigations.

INSPECTOR'S ROLE

The role of an AID inspector is that of a criminal investigator, a finder of fact. The inspector's charter is to gather relevant testimony and evidence which tends to prove or disprove the allegations under investigation. The inspector generally accomplishes this through a combination of interviews with witnesses and subjects, record and document analysis, forensic laboratory examination, and other specialized technical investigative techniques commonly used in the law enforcement community. Results of investigation are reported in formal reports.

MAJOR OFFENSES

Investigations that substantiate allegations of serious criminal or civil wrongdoing are referred to a U.S. attorney, the Department of Justice or host country prosecutors for a decision on whether prosecution is warranted. When investigative results are accepted for prosecution, the inspector assists the prosecutor in Grand Jury proceedings and any ensuing trial. If the subject of investigation pleads guilty or is found guilty after a trial, a jail sentence, fine, or both, may be imposed. After a finding of guilt, and on occasions when prosecution is declined but serious offenses or evidence of unethical behavior have been surfaced, results of investigations are provided to AID/Washington bureaus or overseas missions for appropriate personnel actions, organizational debarment or suspension, or other corrective actions.

ADMINISTRATIVE AND MINOR OFFENSES

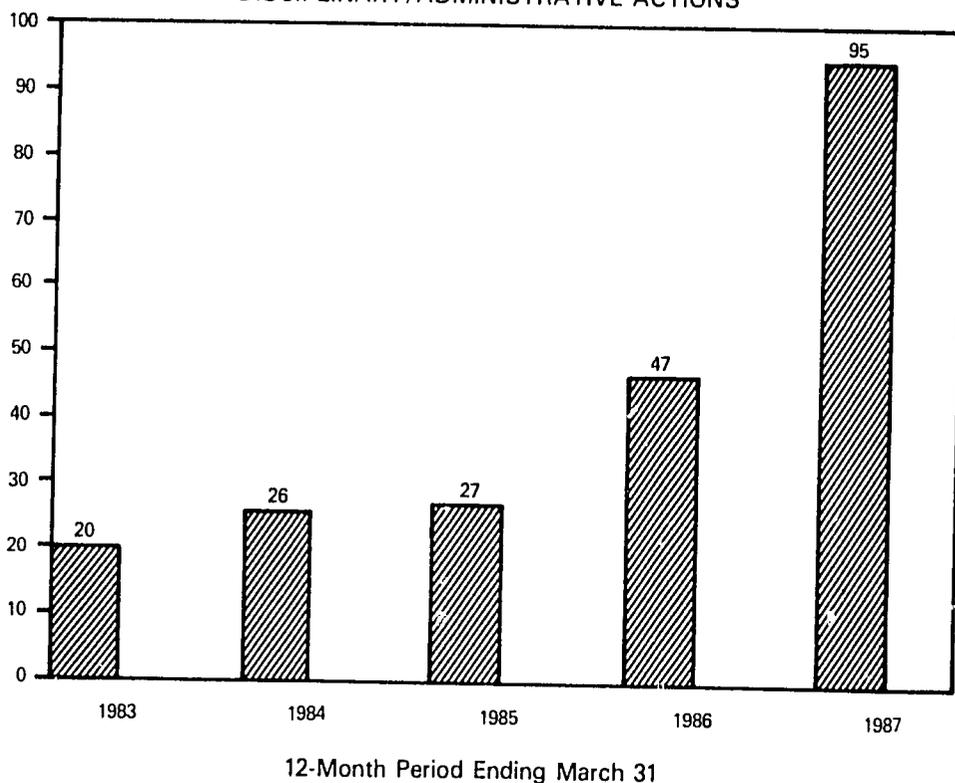
Allegations which do not involve serious criminal or civil violations are referred for resolution and action to the appropriate AID/Washington bureau or overseas USAID mission. Allegations referred in this manner generally involve administrative irregularities, mismanagement and nonprosecutable civil and criminal violations of a minor nature. The Office of Investigations provides guidance and advice to assist bureaus and missions conduct necessary inquiries and reviews final reports of findings and actions taken.

FIVE-YEAR SUMMARY

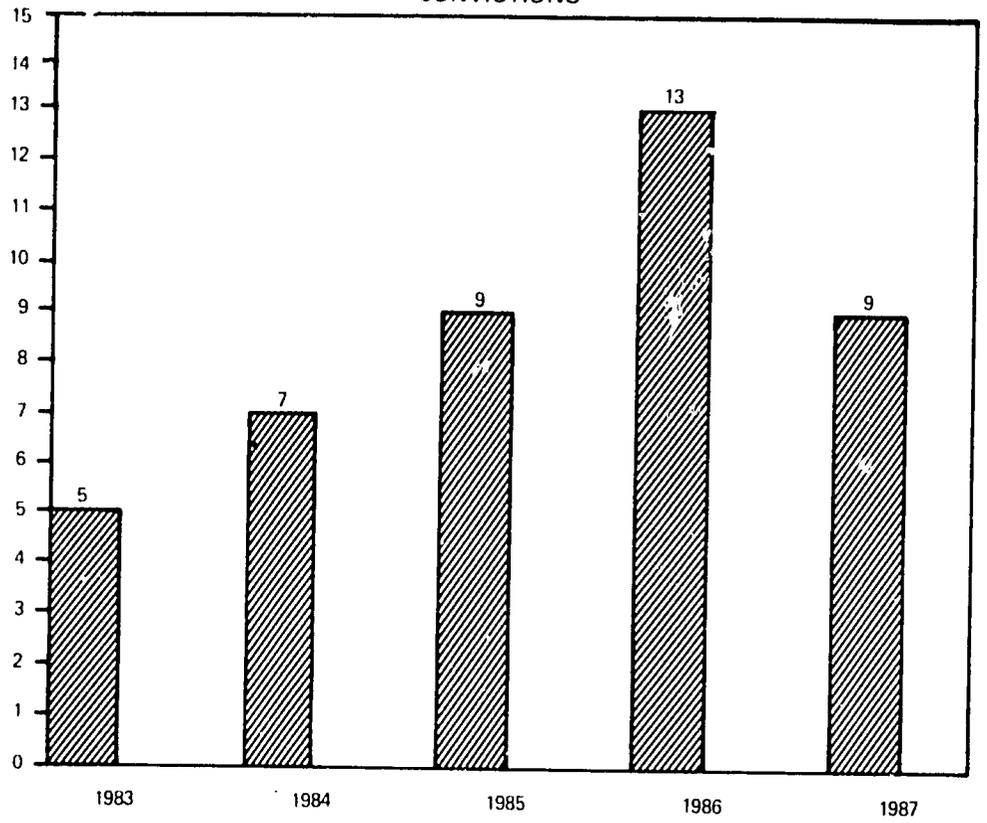
In the five years since we published our first Semiannual Report to Congress we have consciously refined our approach to what we do and how we do it. Through better screening and analysis of complaints early in the investigative process, we are referring a greater number of matters to bureaus and missions for resolution and action. Working more closely with prosecutors, our focus on those activities which pose the most serious actual or potential criminal threat to Agency

programs has resulted in 43 convictions. In conjunction with the Office of Personnel, AID Office of Procurement, and the Office of Government Ethics, our focus on employee and contractor integrity issues has resulted in 215 disciplinary and administrative actions. The graphs below show that compared to five years ago, the annual rates of convictions and disciplinary/administrative actions have increased substantially. Additionally, in close cooperation with the audit staff, our investigations have resulted in over \$13 million in fines, restitutions, recoveries, and savings. Achieved with no significant increase in staffing, these results stand as testimony to the quality and proficiency of our professional investigators.

FIVE YEAR SUMMARY
DISCIPLINARY/ADMINISTRATIVE ACTIONS



**FIVE YEAR SUMMARY
CONVICTIONS**



12-Month Period Ending March 31

OFFICE OF SECURITY

In addition to the audit and investigation responsibilities set forth in the Inspector General Act of 1978, the Inspector General of the Agency for International Development also has the responsibility of supervising, directing, and controlling all security activities of the programs and operations of the Agency.

Specifically, the Inspector General's Office of Security establishes policy for and administers a worldwide security program pursuant to and consistent with Executive Orders, Federal Statutes, and regulations. This security program contains an investigative function to determine the suitability for employment of direct-hire employees, Foreign Service Nationals, and U.S. citizen and Foreign National contractors. The program also includes implementation of physical security measures to protect AID employees and facilities from acts of violence, terrorism, and espionage and classified material from unauthorized disclosure.

This mission is accomplished through the administration of an organizational structure comprising a Personnel Security Division, a Physical Security Division, and a Support Staff. The investigative function uses contract investigators and Office of Security management. The physical security program involves inspections of AID facilities to determine compliance with established standards and the funding, design, and provision of security devices to enhance that compliance.

This reporting period was considered a transitional period for the Office of Security. The passage of The Omnibus Diplomatic Security and Antiterrorism Act of 1986, also known as the Diplomatic Security Act, necessitated a redefinition of the overseas security functions to ensure that AID employees and property are afforded adequate protection.

Prior to passage of the Diplomatic Security Act, the Agency's security programs were managed under a 1968 Overseas Security Agreement with the Department of State. This agreement was implemented under guidance contained in a 1974 Department of State policy document that stated *physical security would be provided for all Foreign Affairs Agencies that are colocated on Embassy compounds*. This policy went on to say that agencies not colocated were responsible for funding all security improvements. Therefore, from 1974 until the present, AID implemented an aggressive but modest security program overseas.

The Diplomatic Security Act assigned the responsibility for overseas security to the Department of State but required full participation with and by the Foreign Affairs Agencies. The Office of Security has initiated adjustments to support the Department of State security mandates, initiatives, and standards.

MISSION STATEMENT

ORGANIZATION

IMPACT OF THE DIPLOMATIC SECURITY ACT

**NEW OVERSEAS
SECURITY AGREEMENT**

One of the first actions was revision of the 1968 Overseas Security Agreement. To comply with Sections 103 and 106 of the Diplomatic Security Act, a revised Overseas Security Agreement was proposed to the Diplomatic Security Service. The draft agreement takes into account the specific security responsibilities of the Inspector General's Act as amended in 1981. However, it does not conflict with nor duplicate the security responsibilities or functions legislated in the Diplomatic Security Act. The draft is currently under review by the Department of State.

PHYSICAL SECURITY

**NEW SECURITY POLICY
FOR RESIDENTIAL
SECURITY AND
DIPLOMATIC SECURITY
OFFICE BUILDING
WAIVERS ISSUED**

Foreign Affairs security policy is developed by the Overseas Security Policy Group which is chaired by the Department of State. AID is an active participant in this group. With the concurrence of the Diplomatic Security Service, we have issued a new AID residential security policy. Policy has also been issued on the procedures and standards associated with the Diplomatic Security Waiver Process for the acquisition or leasing of new properties that do not conform to security standards.

The Office of Security is currently revising the Agency Armored Car and Emergency Communication policy as well as issuing security standards for AID office buildings.

AID EMERGENCY RADIO PROGRAM

**COST SAVING ACTION
IMPLEMENTED**

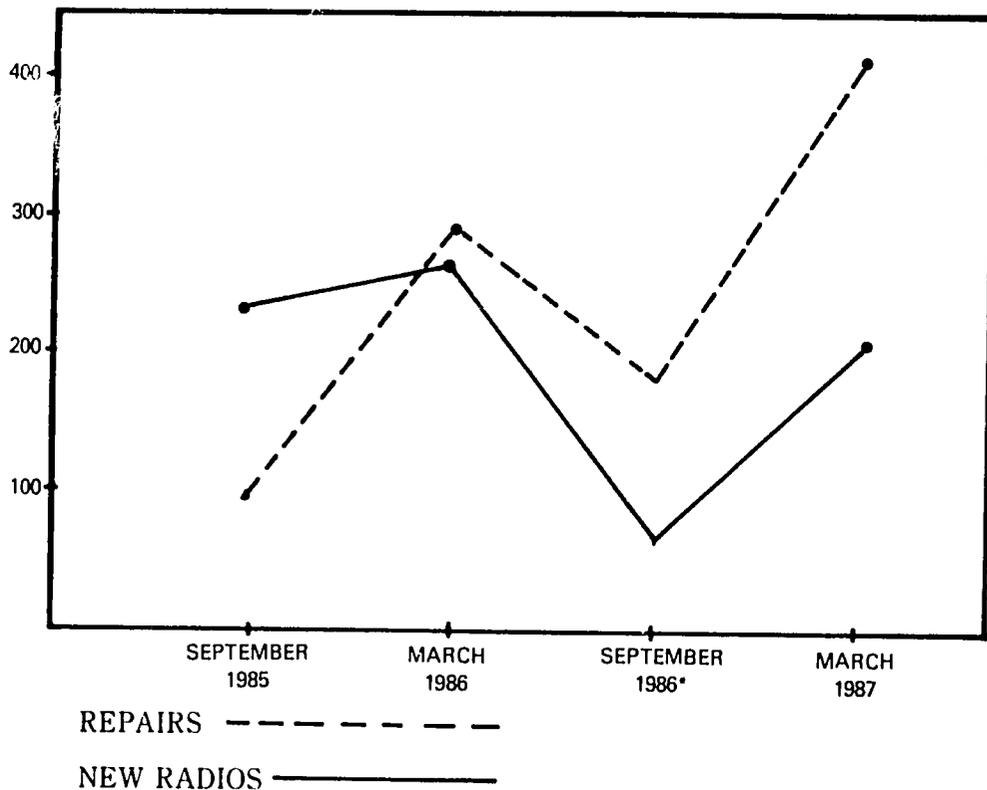
In a further effort to minimize costs and improve security associated with the AID emergency radio program, the Office of Security has formally requested authority from the AID Administrator to allow project-funded radios to be returned to the Agency at the termination of the contract. This process, as authorized by Section 605 of the Foreign Assistance Act precludes duplication in purchasing contractor radios and avoids delays in new procurements.

Office of Security radio personnel visited 12 AID overseas facilities during the reporting period. Cost benefits derived from increased travel include the recovery and reprogramming of radio equipment determined to be excessive to post security requirements. Recent recoveries of radios have totaled \$79,000.

The chart below provides a semiannual comparison over the past two years as to the number of radio units repaired and new units placed in the field.

348 RADIOS MADE OPERATIONAL

RADIO REPAIRS/NEW RADIOS ISSUED



*NINE WEEK ORIENTATION OF NEW RADIO REPAIR PERSONNEL

A total of 168 radios were repaired and 180 new radios were bench tested. These radios are now in operation at AID missions overseas. The periods of increased productivity in the chart are directly related to staffing levels.

The Office of Security procured 16 Fully Armored Vehicles from the 1985/86 Security Supplemental. Three Fully Armored Vehicles have been despatched to the AID Mission in Lima and two to the AID Mission in San Salvador as reported in the last Semiannual Report. An additional five have since been received and are currently enroute to AID missions in high threat areas. Six more Fully Armored Vehicles are scheduled for delivery in the near future. Fourteen Lightly Armored Vehicles were also processed and prepared for shipment overseas during this reporting period.

HIGH THREAT POSTS RECEIVE FULLY ARMORED VEHICLES

The four Regional Operations Officers within the Physical Security Division inspected 22 AID overseas facilities in the past six months. As a result of these visits, 18 security enhancement projects were initiated and are now nearing completion. The majority of these projects will be completed by the end of the calendar year with continued funding availability.

REGIONAL OPERATIONS OFFICER TRAVEL TO IMPROVE SECURITY

PERSONNEL SECURITY INVESTIGATIONS

NEW INITIATIVES TO ENHANCE SECURITY

The Office of Security has increased virtually all facets of personnel security investigations, and new initiatives have been taken to streamline the investigative process and enhance the Agency's security posture.

AUTOMATED CLEARANCE TRACKING SYSTEM OPERATIONAL

- In November 1986, action was initiated to develop an automated clearance tracking system to replace the manual process. The new system will facilitate more cost effective management of the personnel security clearance program. A prototype system was developed in February 1987. It operates on a stand-alone personal computer and uses the latest software technology. It has customized data entry, a database, and selected management-oriented reports. As the Office of Security continues toward greater automation of the personnel clearance process, it is envisioned that this system will become part of a network with other office systems. Long range plans call for the development of a fully automated process that will result in a significant reduction in paper handling.

NEW REPORT OF INVESTIGATION FORMAT

- The Office of Security designed and published a new format for reporting investigations. The new report format affords greater flexibility than the old one, requires less production time by the investigator, and reduces the amount of time required to publish a finished product.

BADGE AND CREDENTIALS PROFESSIONALIZED

- A new badge and credential format was developed and issued to enhance the professional image of our investigators. This has been trend-setting, in that other Federal investigative agencies such as the Office of Personnel Management are studying similar applications.

POSITION SENSITIVITY SURVEY COMPLETED

During the reporting period, the Office of Security, in coordination with the Agency's Office of Personnel Management, conducted a position sensitivity survey of all General Schedule positions in the Agency. The information gathering process has been completed and the evaluation of the data is in the final stages of review. Preliminary findings suggest that approximately 35 percent of the critical sensitive positions can be administratively downgraded to non-critical sensitive.

Security education was stressed in briefings given to AID Unit and Principal Security Officers and the Agency's Executive Staff.

SECURITY EDUCATION AND BRIEFINGS

- On March 27, 1987, eighty AID Principal and Unit Security Officers were briefed on current procedures for handling classified and administratively controlled information. A new procedure has

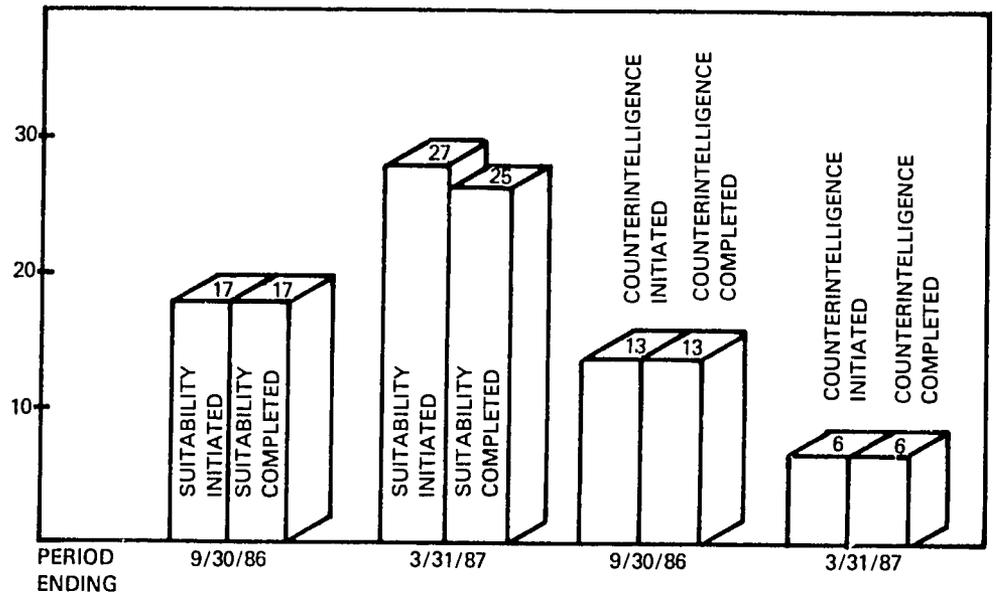
been implemented whereby these officers will conduct self-inspections to ensure compliance with Agency regulations. The results of the self-inspections will be forwarded to the Office of Security and will serve as the basis for additional security training and assistance.

- On March 31, 1987, the Administrator and his Executive Staff were given a counterintelligence briefing concerning the hostile intelligence threats both in the domestic and foreign arenas. This briefing marked a renewed emphasis on counterintelligence awareness throughout the Agency. During the next reporting period more counterintelligence briefings will be provided to all Agency personnel.
- During the reporting period, the Office of Security conducted numerous training sessions on the multifaceted aspects of security. Two presentations entitled, "Roles, Responsibilities and Functions of AID's Physical Security Division," were given to a total of 40 Diplomatic Security Bureau Regional Security Officers as part of their orientation training. Three briefings were presented to train a total of 68 employees in "An Overview of the Office of Security" as part of the Agency's New Entry Training Program, and the Office of Security presented an in-depth, one week "Unit Security Officer Training Program" to Executive Officer designates.

Personnel security and special investigations showed an increase during the reporting period. Of 118 full field investigations initiated, 110 were completed. This represents a 6.8 percent productivity increase over the last reporting period. Update investigations, conducted on AID employees occupying critical-sensitive positions, increased 26.9 percent from 93 to 118. Graphic representation of different security investigations and actions are depicted in the following charts.

**SECURITY
INVESTIGATION
PRODUCTIVITY
INCREASED**

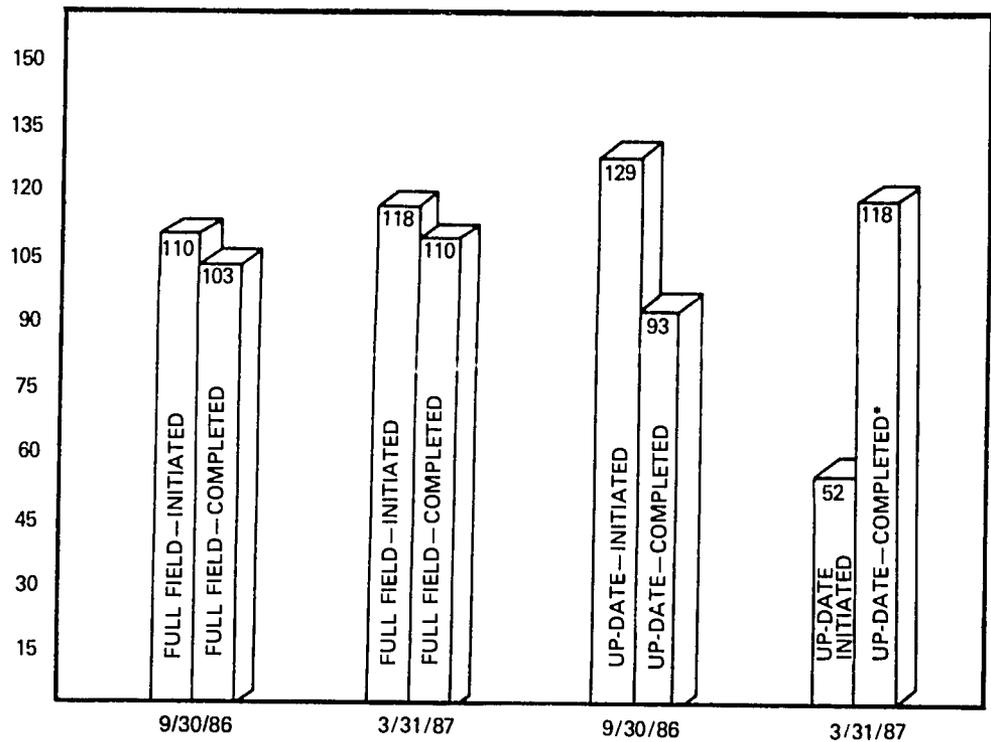
SUITABILITY AND COUNTERINTELLIGENCE INVESTIGATIONS



SUITABILITY: CONDUCTED TO ADDRESS SPECIFIC ALLEGATIONS

COUNTERINTELLIGENCE: CONDUCTED TO DETERMINE FACTS;
RESULTS PASSED TO FBI/CIA.

PERSONNEL SECURITY INVESTIGATIONS



FULL FIELD: COMPLETE BACKGROUND INVESTIGATION INCLUDES
NATIONAL AND LOCAL AGENCY CHECKS

UP-DATE: CONDUCTED EVERY FIVE YEARS—SAME AS FULL FIELD

*INCLUDES UP-DATES INITIATED FROM PREVIOUS REPORTING PERIODS

EXECUTIVE MANAGEMENT STAFF

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

ROLE OF EXECUTIVE MANAGEMENT STAFF

In November 1986, EMS assumed full operational responsibility from the Agency for personnel support functions for IG foreign service personnel in areas of pre-employment processing, appointments and all in-service personnel actions such as medical clearances and waivers, suitability reviews, computation of allowances, issuance of travel authorizations for the shipment of personal effects, authorizing and preparing documentation for transfers, rotations, conversions, changes in benefit coverage, etc. For the moment, such functions as commissioning, classification, grievance and disciplinary actions, separations and retirement will continue to be provided the IG by the Agency.

IN-SERVICE PERSONNEL SUPPORT FUNCTIONS FOR ALL IG FOREIGN SERVICE EMPLOYEES ASSUMED BY EMS

As a direct result of assuming full operational responsibility for all IG foreign service personnel support activities noted above as well as the responsibility acquired in FY 1986 for managing a separate IG appropriation including development of the IG worldwide budget, a commercial firm has been contracted to review EMS operations to determine whether and how these operations can be made more efficient and effective. It is anticipated this review will result in a reorganization of the EMS Office with major realignment of functional duties for EMS staff.

ORGANIZATION AND FUNCTIONAL REVIEW OF EMS OPERATIONS

INSPECTOR GENERAL MANAGEMENT INITIATIVES

During the reporting period, the Office of Inspector General has begun or has continued with the following management initiatives.

- MANAGEMENT AND EMPLOYEE PRESENTATIONS**

 - The Inspector General continued to take full advantage of opportunities to promote more effective Agency administration and operation through improved methods to prevent fraud and abuse in AID programs. The Assistant Inspector General for Investigations (AIG/I), in close coordination with the AID Office of Government Ethics and Office of Personnel Management, addressed over 500 participants in the U.S. and overseas. In addition, the AIG/I and staff were active in support of professional organizations. They have been speakers at conferences and seminars of the Association of Federal Investigators and the Federal Law Enforcement Training Center, Glynco, Georgia.
- INTEGRITY PAMPHLET**

 - An Employee and Contractor Awareness pamphlet was prepared for worldwide distribution. It describes significant investigations and emphasizes the need for cooperation with the Office of Investigations, including through the IG Hotline.
- NOTICES**

 - A Mission Notice was issued for reissue by overseas missions to inform managers and employees of their responsibilities to report allegations of wrongdoing involving Agency resources and programs. The Notice described methods available to ensure confidentiality of complainants.
- POSITIVE AGENCY PRESS**

 - During the period, the Bureau for External Affairs supported the Office of Investigations by thoroughly and promptly providing worldwide coverage in the *Front Lines* of all major convictions and indictments resulting from IG investigations. The *Front Lines* is distributed to all U.S. and Foreign National employees and is read by most AID contractors, grantees, and others in the international development arena.

OFFICE OF INSPECTOR GENERAL ORGANIZATION AND STAFFING

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

OFFICE AUTHORITY

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

ROLE AND RESPONSIBILITIES

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

ORGANIZATION AND STAFFING

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

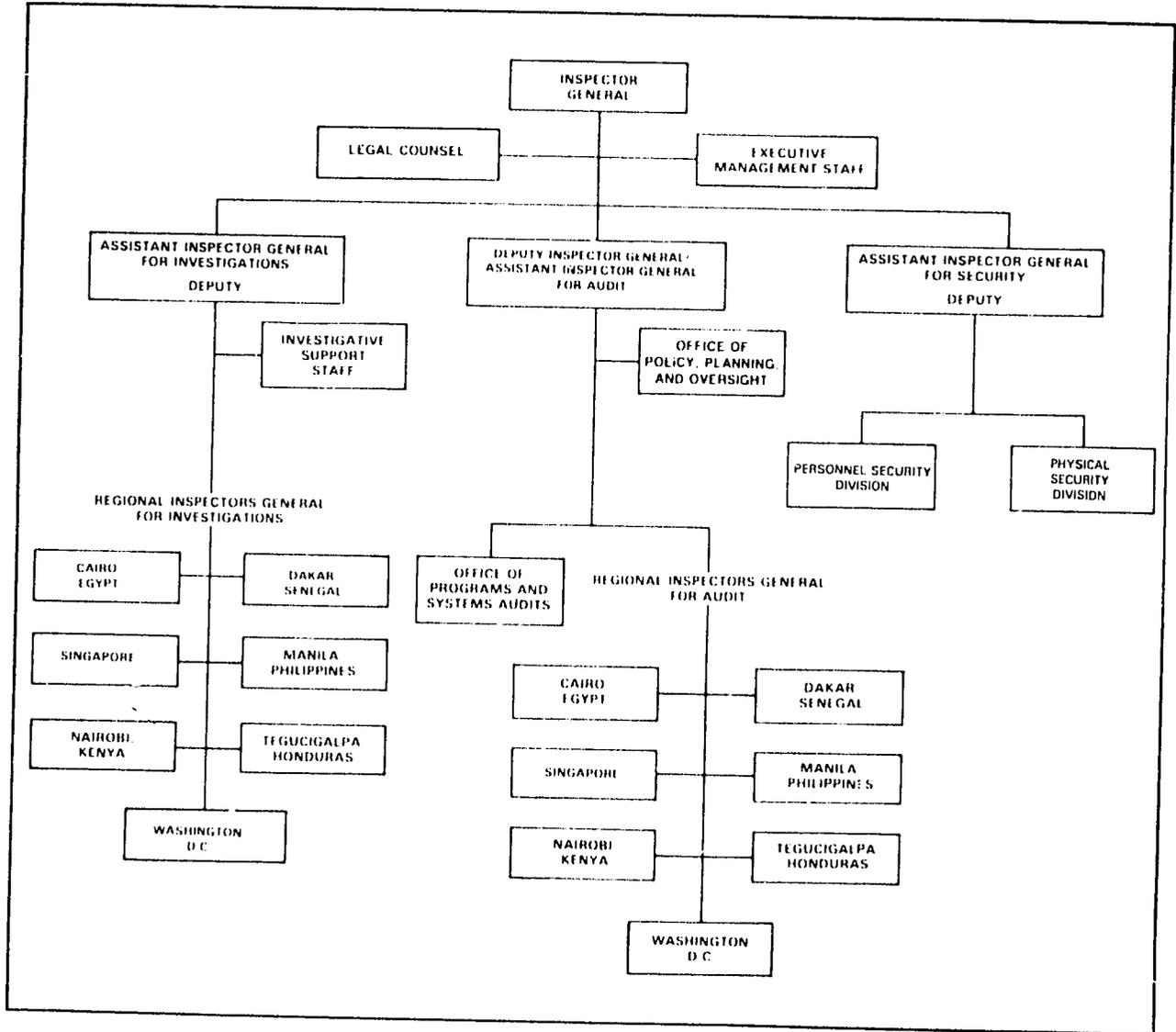
**REGIONAL INSPECTOR
GENERAL
GEOGRAPHICAL
RESPONSIBILITY**

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

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

OFFICE OF INSPECTOR GENERAL ORGANIZATION CHART

Table 1



INSPECTOR GENERAL STAFFING

As Of March 31, 1987

Table 2

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

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

AUDIT REPORTS ISSUED

October 1, 1986 through March 31, 1987

INTERNAL AUDIT REPORTS

Report Number	Date of Report	Report Title
0-000-87-1	02/06/87	Audit Report on Fiscal Year 1985 Obligations
1-521-87-1	10/02/86	Audit of USAID/Haiti's PL 480 Title I, Title II (Emergency), and Title III Programs
1-538-87-2	10/31/86	Audit of the Infrastructure for Productive Investment Project No. 538-0088—AID Regional Development Office/Caribbean
1-538-87-3	10/31/86	Audit of Private Sector Investment Assistance Project No. 538-0043—AID Regional Development Office/Caribbean
1-538-87-4	10/31/86	Audit of Caribbean Financial Services Corporation Project No. 538-0084—AID Regional Development Office/Caribbean
1-523-87-5	11/14/86	Audit of "SHARE's" Management of Section 416 Surplus Dairy Product Assistance to Mexico
1-521-87-6	11/17/86	Audit of USAID/Haiti Development Finance Corporation Project No. 521-0154
1-500-87-7	11/26/86	Audit of Latin American and Caribbean AID Missions' Monitoring of and Controls Over Counterpart Contributions
1-538-87-8	12/09/86	Audit of Antiqua Water Supply Project—Project No. 538-0098
1-511-87-9	01/28/87	Audit of USAID/Bolivia's Disaster Recovery Project (No. 511-0581)
1-527-87-10	01/29/87	Audit of Industrial Reactivation Fund Operations Under USAID/Peru Loan No. 527-F-093
1-527-87-11	01/29/87	Audit of USAID/Peru's Disaster Relief, Rehabilitation and Reconstruction Project (No. 527-0277)
1-522-87-12	01/30/87	Audit of U.S. Embassy/Honduras Security Guard Contract
1-527-87-13	01/30/87	Audit of USAID/El Salvador's Agrarian Reform Credit Program Project No. 519-0263
1-519-87-14	01/30/87	Audit of USAID/El Salvador's Agrarian Reform Sector Support Program
1-543-87-15	02/19/87	Audit of Grenada Agricultural Sector Revitalization, RDO/C Project No. 543-0005
1-522-87-16	02/20/87	Audit of USAID/Honduras' Small Farmer Titling Project No. 522-0173
1-522-87-17	03/10/87	Audit of USAID/Honduras' Export Development and Services Project No. 522-0207
1-515-87-18	03/17/87	Audit of USAID/Costa Rica's Private Sector Productivity Project No. 515-0176
1-515-87-19	03/17/87	Audit of USAID/Costa Rica's Private Sector Export Credit Project No. 515-0187

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
1-515-87-20	03/17/87	Audit of USAID/Costa Rica's Private Investment Corporation Project No. 515-0204
1-515-87-21	03/17/87	Audit of USAID/Costa Rica's Project Monitoring Systems
1-505-87-22	03/18/87	Audit of Belize Commercial Bank Discount Fund Project No. 505-0005
2-497-87-1	10/21/86	Audit of Expanded Program in Immunization—USAID/Indonesia Project No. 497-0253
2-492-87-2	10/27/86	Audit of Interest Accumulation and Utilization Under Economic Support Fund Projects in the Philippines
2-492-87-3	11/21/86	Survey of the Economic Support Fund Program for the Philippines—USAID/Philippines
2-492-87-4	12/12/86	Audit of the Small Farmer Systems II Project—USAID/Philippines—Project No. 492-0334
2-498-87-5	02/09/87	Audit of Southeast Asia Region Private Voluntary Organization Co-Financing Programs
3-611-87-1	11/21/86	Audit of the PL 480 Title I Program in Morocco
3-649-87-2	01/26/87	Audit of the PL 480 Title I Program in Somalia
3-660-87-3	12/03/86	Audit of Local Currency Controls in Zaire
3-650-87-4	12/08/86	Audit of the Local Currency Generations of Sudan's Commodity Import Programs and Cash Transfer Grants
3-000-87-5	12/09/86	Audit of Long-Term Participant Training Program in Africa
3-615-87-6	12/09/86	Audit of Kenya On-Farm Grain Storage Project—Project No. 615-0190
3-649-87-7	02/26/87	Audit of Local Currency Generated from Somalia's Commodity Import and PL 480 Programs
3-650-87-8	03/06/87	Audit of Local Currency Generations of Two USAID/Sudan Emergency Cash Transfer Grants
5-388-87-1	12/23/86	Audit of Feeder Roads Maintenance and Improvement Project in Bangladesh—Project No. 338-0056
5-367-87-2	12/31/86	Audit of Rapti Zone Rural Area Development Project in Nepal—Project No. 367-0129
6-263-87-1	10/27/86	Audit of Safaga Grain Silos Complex—USAID/Egypt Project No. 263-0165
6-263-87-2	10/30/86	Audit of Project-Related Participant Training for USAID/Egypt
6-263-87-3	11/24/86	Audit of Industrial Production: Refractories—USAID/Egypt Subproject No. 263-0101.04
6-263-87-4	03/12/87	Audit of Controls over Government of Egypt Contributions to USAID-Financed Projects in Egypt
7-698-87-1	11/07/86	Audit of the Combating Childhood Communicable Diseases Project—Project No. 698-0421

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
7-682-87-2	11/07/86	Audit of the PL 480 Title II Section 206 Program—Mauritania
7-635-87-3	11/21/86	Audit of PL 480 Title II Programs—The Gambia
7-625-87-4	12/31/86	Audit of AID Participation in Sahel River Basin Development
7-698-87-5	03/16/87	Summary Report on Audits of Regional Projects
7-631-87-6	03/16/87	Audit of USAID/Cameroon Compliance with AID Payment Verification Policy Statements
7-657-87-7	03/31/87	Audit of AID Assistance to Guinea-Bissau
9-000-87-1	12/19/86	Audit of Cost Sharing in the Bureau for Science and Technology
9-000-87-2	03/09/87	Excess Cash Advances and Interest Earned by the South-East Consortium for International Development Under a Federal Reserve Letter of Credit
9-000-87-3	03/23/87	Audit of Cost Sharing/Matching Grants with Private and Volun- tary Organizations
9-000-87-4	03/25/87	Audit of Cash Advances to Private Voluntary Organizations Under Letters of Credit
AM 87-1	10/10/86	Preaward Survey of Eastern Virginia Medical School/Eastern Virginia Medical Authority
AM 87-2	10/21/86	Blue Ridge Christian Home Corporation
AM 87-3	11/04/86	AID Management and Oversight of Catholic Relief Services' PL 480, Title II Programs
AM 87-4	10/29/86	Anita F. Allen Associates, Inc.
AM 87-5	10/30/86	Triton Corporation
AM 87-6	01/15/87	Resource Management Associates of Madison, Inc.
AM 87-7	01/20/87	Program for Applied Research on Fertility Regulation
AM 87-8	01/30/87	Edgar C. Harrell Associates
AM 87-9	02/19/87	Robert Carlson Associates, Inc.
AM 87-10	02/24/87	Credit Union National Association and World Council of Credit Unions
AM 87-11	03/13/87	Global Exchange, Inc.
AM 87-12	03/27/87	John Hopkins Program for International Education in Gynecology and Obstetrics

EXTERNAL AUDIT REPORTS

Non-Federal Audits

Report Number	Date of Report	Report Title
0-000-87-1-N	03/18/87	Gannett Fleming Water Resources Engineers, Inc.
1-520-87-1-N	01/20/87	Non-Federal Pre-award Survey of the Integrated Aquaculture Extension Project with the Cooperative for American Relief Everywhere (Guatemala)
1-520-87-2-N	01/30/87	Non-Federal Pre-award Survey of the Cooperative Strengthening Project with Federacion Nacional de Cooperativas de Ahorro Y Credito Y Servicios Varios de Guatemala, R.L.
1-520-87-3-N	01/30/87	Non-Federal Pre-award Survey of the Higher Education Project with Universidad Rafael Landivar/Quetzaltenango—USAID/Guatemala Project No. 520-0304
1-515-87-4-N	02/27/87	Audit of the Project for the Analysis of the Post-Crop Handling System and the Grain Marketing System in Costa Rica—Public Law 480, Title I Funds
1-515-87-5-N	02/27/87	Audit of the Integrated Program for the Socioeconomic Development of Gran Puntarenas in Costa Rica—Public Law 480, Title I Funds
1-518-87-6-N	03/09/87	Audit of the Public Law 480, Title II Program with Catholic Relief Services in Ecuador
1-515-87-7-N	03/23/87	Audit of the Use of PL 480, Title I Local Currency Sales Proceeds Allocated Specifically for the Support of USAID/Costa Rica Loan 515-T-034 for Agrarian Settlement and Productivity
1-515-87-8-N	03/23/87	Audit of the Use of PL 480, Title I Local Currency Proceeds Allocated Specifically for the Support of the European Economic Community's Project for Agrarian Development Reform in Costa Rica
1-515-87-9-N	03/23/87	Audit of the Use of PL 480, Title I Local Currency Proceeds Allocated Specifically for the Support of USAID/Costa Rica Loan 515-T-041 for Developing Costa Rica's Northern Zone
2-492-87-1-N	11/28/86	Pre-award Survey of FEED MY PEOPLE Performed by Joaquin Cunanon and Co.
2-492-87-2-N	12/10/86	Pre-award Survey of Children's Aid International Performed by Sycip, Gorres, Velayo and Co.
2-493-87-3-N	01/28/87	Non-Federal Audit of Save the Children Federation Grant No. 493-0296-SS-3011-00
3-621-87-2-N	11/26/86	Audit of Eastern and Southern Management Institute, Tanzania
7-683-87-1-N	11/28/86	Non-Federal Audit of the 1985 Niger PL 480 Title II Emergency Drought Relief Program

EXTERNAL AUDIT REPORTS

Non-Federal Audits (Cont'd)

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
7-686-87-2-N	12/11/86	Non-Federal Audit of the Burkina Faso Foundation Seed Production Project (686-0245)
7-683-87-3-N	01/28/87	Non-Federal Audit of the Niger Rural Health Improvement Project (683-0208)
7-677-87-4-N	03/30/87	Audit of Chad Budgetary Support to Development Ministries

OMB Circular A-110 Audits

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>
LTR 87-1	02/13/87	KMG Main Hurdman, Certified Public Accountants
LTR 87-2	02/13/87	Piaker and Lyons, P.C., Certified Public Accountants
LTR 87-3	02/19/87	Ernst and Whinney, Certified Public Accountants
LTR 87-4	03/18/87	Holy Land Christian Mission International
LTR 87-5	03/13/87	Western Consortium for the Health Professions, Inc.

Other Government Audit Agency Audits

Report Number	Date of Report	Report Title
TR 87-1	10/02/86	Southeast Consortium for International Development
TR 87-2	10/03/86	Development Alternatives, Inc.
TR 87-3	10/07/86	Ebasco-Aepes-Itenco Joint Venture Contract
TR 87-4	10/14/86	Auburn University
TR 87-5	10/28/86	American Mideast Educational and Training Services, Inc.
TR 87-6	10/29/86	American Association for the Advancement of Science
TR 87-7	10/31/86	African American Labor Center
TR 87-8	11/20/86	Pan American Development Foundation
TR 87-9	11/21/86	Syracuse University
TR 87-10	11/21/86	Aurora Associates, Inc.
TR 87-11	11/25/86	Experience, Inc.
TR 87-12	11/25/86	Centre for Development and Population Activities
TR 87-13	11/25/86	University of West Indies
TR 87-14	11/25/86	International Food Policy Research Institute
TR 87-15	11/20/86	Howard University
TR 87-16	12/18/86	International Center for Research on Women
TR 87-17	12/19/86	Volunteers in Overseas Cooperative Assistance
TR 87-18	12/19/86	North Carolina Agricultural and Technical State University
TR 87-19	12/19/86	The Trustees of Columbia University
TR 87-20	12/19/86	Pan American Development Foundation
TR 87-21	12/19/86	Planning and Development Collaborative International, Inc.
TR 87-22	12/29/86	Checchi and Company
TR 87-23	01/15/87	The African-American Institute
TR 87-24	01/27/87	Volunteers in Technical Assistance
TR 87-25	02/04/87	Southern University
TR 87-26	02/04/87	North Carolina State University
TR 87-27	02/04/87	InterAmerica Research Association
TR 87-28	02/11/87	IRI Research Institute, Inc.
TR 87-29	02/18/87	George Washington University
TR 87-30	02/18/87	University of Missouri
TR 87-31	02/18/87	National Association of Schools of Public Affairs and Administration
TR 87-32	02/18/87	International Science and Technology, Inc.
TR 87-33	03/04/87	Consortiums for International Development
TR 87-34	03/06/87	Triton Corporation
TR 87-35	03/13/87	Research Institute, Inc.
TR 87-36	03/13/87	Cal Poly Kellogg Unit Foundation, Inc.
TR 87-37	03/19/87	Scripps Clinic and Research Foundation
TR 87-38	03/23/87	International Institute for Environment and Development
TR 87-39	03/26/87	Education Development Center, Inc.