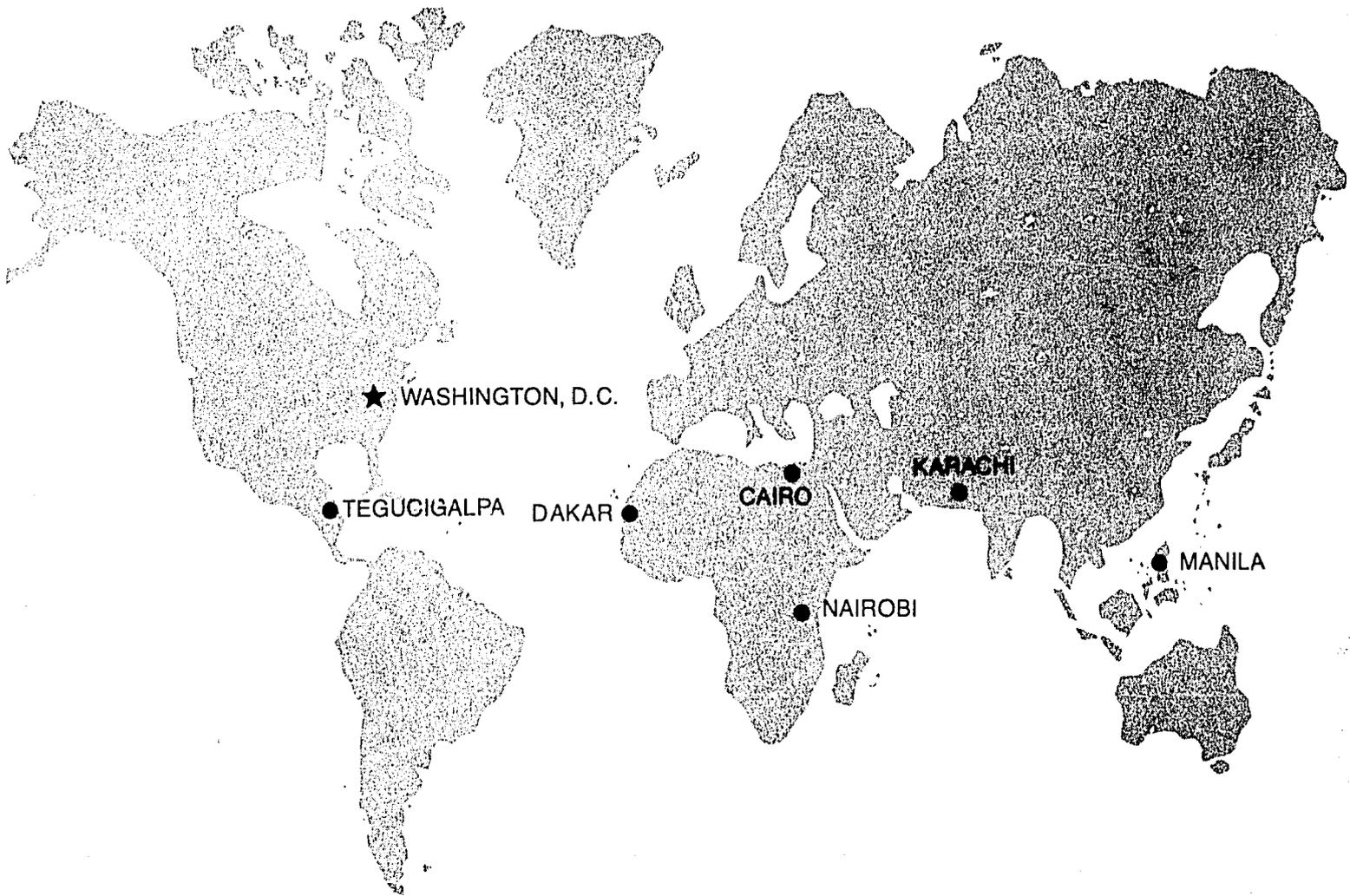


SEMIANNUAL REPORT TO THE CONGRESS

October 1, 1984—March 31, 1985



U.S. Agency For International Development

**SEMIANNUAL REPORT
TO THE CONGRESS**
October 1, 1984—March 31, 1985



U.S. Agency For International Development

IN MEMORIAM

THE WHITE HOUSE
WASHINGTON

December 19, 1984

The greatness of this nation is its people. Throughout our history, Americans have been called upon to defend our democratic principles and our humanitarian ideals. Many have made the ultimate sacrifice in the service of our country. Charles F. Hegna and William L. Stanford are among those brave Americans who have sacrificed their lives. We should remember and honor these men who dedicated their careers to achieving our nation's foreign policy interests abroad and, even more importantly, improving the quality of life for people in the poorer countries of the world.

Both Chuck Hegna and Bill Stanford, who died at the hands of terrorist hijackers at the airport in Tehran, have now joined the ranks of this nation's honored dead. I join all Americans in expressing sympathy to the families of these men. Let us resolve to carry on with renewed vigor their struggle to create a better world. This would be the memorial that Chuck Hegna and Bill Stanford would value the most.

Ronald Reagan



Charles Floyd Hegna
August 6, 1934 - December 4, 1984



William Laurence Stanford
March 5, 1932 - December 6, 1984

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FOREWORD

The AID Inspector General is charged under the Inspector General Act of 1978, as amended, with responsibility for physical and personnel security functions of the Agency at home and overseas. To this end the IG Act provides in this Agency for the position of Assistant Inspector General for Security, the only such position set forth in the IG legislation.

The personnel and document security responsibilities of the Inspector General of AID are similar to those imposed upon the foreign affairs agencies generally, and pose no problems of execution or implementation peculiar to AID.

The subject of physical security for AID's overseas missions is proving most difficult to deal with. As of March 31, 1985, AID had some 70 overseas posts with 2,820 (including foreign national) employees assigned to them. Somewhat less than one-fourth of these AID overseas establishments are housed in the United States Embassy/Chancery premises and thus share in the protection provided by the State Department's large and ongoing program to enhance embassy security in the face of the worldwide terrorist threat. Security for the remaining AID posts is an Agency responsibility. Few of these posts currently meet the State Department's recently developed security standards.

Many of these AID missions are located in ordinary commercial rented office space in capital cities and the task of securing them to Departmental stan-

dards presents AID with a different, also difficult, set of problems. These problems are much different than those confronted by the State Department as it moves to provide increased security in usually United States owned embassy buildings and grounds.

The terrorist threat to United States Government facilities, country by country, capital by capital, is closely monitored. It is basically the same threat to us all, in any given location, though it is logical to assume that in the eyes of a terrorist a United States Embassy is a higher profile potential target than a nearby, less visible USAID mission. What must, and does, concern me and others is the possibility that as United States embassies become more secure and thus more difficult targets for the terrorist, a USAID mission in a foreign capital can become a more inviting one.

At the end of this reporting period the Inspector General and senior Agency management were engaged in an extensive effort to find adequate solutions to these problems of physical security for the Agency's overseas posts and personnel, and to identify and assess the associated resource requirements.



Herbert L. Beckington
Inspector General
Washington, D.C.
May 1, 1985

OFFICE OF SECURITY

The Inspector General has overall management responsibility for the Agency's worldwide security program. To address this responsibility, the IG's Office of Security (IG/SEC) administers five major security functions:

**INSPECTOR GENERAL
RESPONSIBLE FOR
AGENCY'S SECURITY
PROGRAM**

- Overseas Security
- Domestic Security
- Personnel Security Investigations
- Emergency Radio Communications
- Classification Management

While each of these security functions is important in protecting the security interests of the Agency, one of these functions, overseas security, is now dominating IG/SEC's attention given the threat of terrorism around the world.

The September, 1984 bombing of the American Embassy in Beirut unquestionably gave new impetus to the Government's program to protect its personnel and facilities, both domestically and overseas. Since the bombing, foreign affairs agencies have been required to take a much more active role in security matters. For example:

**VIEWS ON THE
PROTECTION OF
PERSONNEL AND
FACILITIES HAVE
CHANGED**

- Ambassadors have been again reminded of their accountability for ensuring that they have taken every reasonable step to protect their personnel and facilities from acts of terrorism. In short, they are expected to take a much more active role in ensuring that the necessary security barriers, systems, and procedures are put into affect;
- In the days following the Beirut bombing, the Department of State developed a resource requirement plan advising the Congress what would be needed to adequately protect embassies and consulates overseas and the personnel assigned to them. Based on this plan, the Congress authorized \$366 million for the upgrading of buildings, for additional security personnel, and for various protective programs, vehicles, and systems in order to enhance the Department's security program.

In preparing the funding authorization and appropriations request, AID's security requirements were not included. The Agency's security needs are considerable because of the 55 separate AID facilities which are not situated on chancery premises. In this regard, AID's security needs are most unique given the temporariness of AID Missions as compared to the permanency of U. S. Embassies. This is not to suggest that AID should not be responsive to the security needs of its

**AID'S SECURITY
REQUIREMENTS NOT
INCLUDED IN THE
STATE
DEPARTMENT'S PLAN**

personnel, but it does point out that AID should be prudent and reasonable in upgrading its missions. A \$20 million office building construction project may not be wise if the mission may not exist in the country five years from now. The State Department has made available to the Agency \$4.8 million of the \$366 million supplemental to address security needs at some of AID's most vulnerable posts. These funds came from the Department's first phase \$110 million appropriation. Although helpful, these funds do not begin to meet the security needs of the Agency inasmuch as security improvements alone at some missions can cost as much as \$835,000 at a new office location.

The potential requirements for the Agency's security program were noted by the Secretary of State's Advisory Panel on Overseas Security, which was convened by Secretary Schultz in 1984 to examine the subject of security for our nation's overseas diplomatic installations.

**SECRETARY OF
STATE'S ADVISORY
PANEL ON OVERSEAS
SECURITY EXPRESSES
CONCERN OVER AID'S
OVERSEAS SECURITY**

This Panel has noted its concern that many AID facilities and personnel overseas may become more vulnerable to acts of terrorism as the embassies are hardened to meet increasing levels of violence. The Panel has requested from the Administrator a fiscal estimate for the:

- Cost to relocate and subsequently replace those AID facilities which cannot be brought up to security standards;
- Cost to upgrade those AID facilities which can be improved to meet security standards; and
- Number and type of additional security specialists and other support personnel required to support and administer the security enhancement program for the Agency.

The IG/SEC currently has a staff of 13 Security Officers to support the physical, technical, procedural, and personal security responsibilities for the entire Agency. More specifically, only five of these officers are devoted to the responsibility of providing physical, technical, procedural, and program support to the Agency's 77 overseas missions. This staffing level is far below that needed.

DIVISION OF INVESTIGATIONS AND DOMESTIC SECURITY

The Office of Security completed 108 full-field investigations and 776 National Agency Checks. As a result of this investigative effort 307 persons were certified as being eligible for direct-hire employment. An additional 313 individuals were certified for contract employment. Also 156 employees were processed in conjunction with the Agency's periodic security reinvestigation program. IG/SEC issued 53 security violations.

**SUMMARY OF
WORKLOAD**

A major issue facing the Division involves a report issued by the Information Security Oversight Office of the General Services Administration. This report stated that the Agency does not fully meet established standards in the areas of procedural security training, security inspections, security violation management, and classification review. As resources from the Division of Investigations and Domestic Security have been diverted to the overseas program because of pressing time-sensitive demands, this program has suffered a great deal. Corrective efforts are underway.

**INFORMATION
SECURITY
OVERSIGHT OFFICE
REPORTS IG/SEC
DOES NOT MEET
STANDARDS**

During the reporting period, IG/SEC entered into a mutual agreement with the Office of Investigations to conduct those investigations of AID employees in which misconduct is involved but pursuit by prosecution will not be made. Under this agreement, IG/SEC will investigate, determine employee suitability, and recommend, if necessary, disciplinary action to the Agency's Office of Personnel Management.

**AGREEMENT WITH
IG/I REACHED**

OVERSEAS SECURITY DIVISION

Division personnel visited, surveyed, and provided security services to 22 AID missions during the six-month reporting period. In the emergency radio communications function, 265 radio units were repaired and returned to AID missions. Currently, IG/SEC has approximately 3,000 hand-held radios and base stations overseas which are assigned to AID personnel and facilities. Also during this period, IG/SEC expended \$1.3 million on physical security projects. This figure includes \$833,500 from the fiscal year 1984 supplemental appropriation. At the half-way point of the current fiscal year, AID's Office of Security had not received from the Controller an approved budget for obligation. As of March, 31, 1985, an additional \$684,400 from fiscal year 1985 funds had been made available to the Office of Security for a total of \$1,517,900. The IG's requested security budget for fiscal year 1985 was \$3,840,800.

**\$1.3 MILLION SPENT
ON OVERSEAS
SECURITY PROJECTS
THIS REPORTING
PERIOD**

**SUMMARY OF RESOURCES
AID INSPECTOR GENERAL'S
OFFICE OF SECURITY**

FISCAL YEAR:	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
STAFFING:	33	27	24	22	25	25	24

**SUMMARY OF RESOURCES
AID INSPECTOR GENERAL'S
OFFICE OF SECURITY**

(In Thousands of Dollars)

PHYSICAL
SECURITY

EXPENDITURES: \$500.0 \$1,733.0 \$1,593.0 \$1,357.0 \$1,005.4 \$1,160.0 \$1,517.9*

*Represents \$833.5 in carry over from FY 84 and \$684.4 allocated for FY 85.

**PREPARATION OF
SECURITY PLAN
PRIMARY OBJECTIVE**

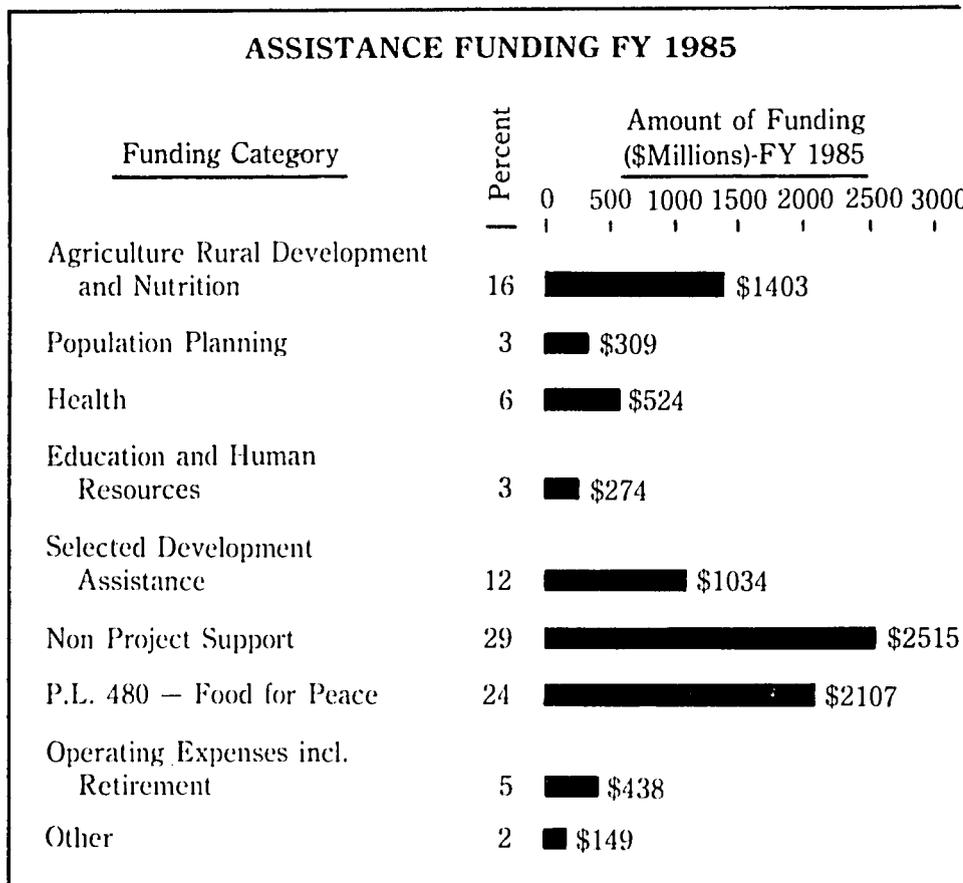
The most important objective now confronting the Division is to prepare, in conjunction with the Agency's Management offices, a comprehensive security and foreign building supplemental budget request for both funding and personnel. This request will provide the Administrator with a specific plan to improve protection of AID personnel and facilities both overseas and domestically.

OFFICE OF AUDIT

AUDIT RESPONSIBILITIES

The Inspector General 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; Selected Development Activities; and Non-Project Assistance which includes Cash Grants and Commodity Import Programs. A major program category not funded by AID is PL 480—Commodity Exports. 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 1985 the Agency's economic assistance budget is estimated to be \$6.6 billion, of which \$2.4 billion will be provided from the Development Assistance appropriation and \$4.2 billion from the Economic Support Fund appropriation. In addition, funding for PL 480 in fiscal year 1985 is estimated at \$2.1 billion. The following bar graph illustrates the composition of this assistance:



REVIEW OF MAJOR MANAGEMENT SYSTEMS/PROGRAMS

REVIEWS OF SYSTEM EFFICIENCY AND EFFECTIVENESS

The IG's 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:

—STRENGTHENING GRANTS PROGRAM—

THE AGENCY HAS DISBURSED \$25 MILLION UNDER TITLE XII OF THE FAA OF 1961 TO U.S. UNIVERSITIES WITH FEW CONTROLS OVER THE FUNDS AND LIMITED KNOWLEDGE OF RESULTS

The Strengthening Grants Program was authorized under Title, XII of the Foreign Assistance Act of 1961, as amended. Under the program, AID, acting on recommendations of the Board for International Food and Agricultural Development (BIFAD), awarded 56 grants to eligible universities for the purposes of developing and sustaining the capabilities of those universities to assist AID in solving the world's food problems. AID and the university community have a combined investment of about \$45 million in the program.

Our review showed that management of the program has not been sufficiently focused. As a result, a significant part of the \$25 million funded by AID and the \$20 million allocated by universities may not lead to meeting the objectives of the Act or assisting AID in meeting its objectives. Our review also showed that controls over program funds were weak and needed improvement.

Specifically we found that:

- Grant agreements did not specify the Agency's needs and the activities universities should undertake to meet those needs.
- Many of the activities undertaken were not related to specific Title XII objectives. For example, very little university activity has been undertaken in Africa, one of AID's two areas of primary interest. Agency funds were used, however, for faculty time devoted to non-AID countries such as Japan, Mexico, and China. Agency funds were also used to pay for travel to these non-AID countries.
- Annual reports prepared by universities showing use of funds and accomplishments were not reviewed or evaluated in depth, and in at least two instances were not even submitted.
- No site visits were made to review grant activities at any university during the 5-year life of the program.

- Three evaluations were performed by AID and BIFAD. However, the evaluations were limited to annual reports, AID files, and telephone communications with the universities.
- Matching contributions were almost entirely in the form of faculty and staff salaries. The activities of these faculty and staff were very general and often could not be related to program objectives. For example, one university reported about \$500,000 as a matching contribution. About \$250,000 of this amount was either unrelated to Title XII objectives or was not supported by the accounting records.
- Grant agreements did not include budgets, thus an effective tool for management control was absent.
- The AID project office did not review the universities' fiscal reports or other financial information maintained by the AID Controller, nor review and approve vouchers and supporting documentation submitted by universities. Accordingly, there are no assurances that payments have been made only for authorized objectives.

We made seven recommendations to improve the Agency's management, monitoring, and review of the Strengthening Grants Program. (Report No. 85-6, November 29, 1984)

—PARTICIPANT TRAINING PROGRAM—

The Agency spends about \$135 to \$150 million each year on the Participant Training Program. The purpose of this program is to train foreign nationals (participants) outside their home countries. The program's goal is to develop individuals who will actively participate in developing their country and who will continue their country's development after the United States ceases to provide assistance. Recently the Administrator cited participant training as a program which should be substantially increased during the next two fiscal years.

**MAJOR PROBLEMS
PREVIOUSLY NOTED
IN PARTICIPANT
TRAINING PROGRAM
CONTINUE—NEED
TOP MANAGEMENT
ATTENTION**

Our review of the Participant Training Program disclosed four major problems needing the attention of top Agency management.

- During the project design stage, AID is not adequately considering whether the host country's implementing organization has the type and number of qualified participants who could receive training on a timely basis. Our audits of ten projects, funded at about \$200 million, disclosed that project outcomes were seriously compromised because training candidates simply were

not available as anticipated. We found that on all ten projects, little or no assessment was made as to whether sufficient numbers of training candidates would be available once the project was implemented.

- The candidate selection process is inadequate and has allowed participants to be sent for training who do not meet English language and academic qualifications. Our review found that unqualified candidates were being selected and sent for training which resulted in substantial Federal funds being wasted on participants who could not complete training or whose training took longer than planned. This practice prevented participants on some projects from returning in time to work with United States technical assistance teams.
- Missions are not following-up on returned participants to ensure they are effectively used on development projects and to evaluate the effectiveness of the training in meeting its objectives—a problem the General Accounting Office reported on in 1980. The Agency has invested hundreds of millions of dollars in a training program on which there is little information available today to assess the effectiveness and impact of this training. The Office of International Training is currently developing automated participant management and evaluation systems which we believe can greatly improve mission follow-up and evaluation activities.
- The Agency does not have the comprehensive, up-to-date information needed to effectively manage participant training activities—a problem both the Inspector General and the General Accounting Office previously reported. Independent contractors currently handle almost 65 percent of AID participants, however, the Agency has no overall system for collecting comprehensive data on participant training contractors, comparing contractor services and costs, or analyzing contractor effectiveness.

We believe the cited problems have limited the program's effectiveness and have wasted Agency resources. These problems warrant immediate attention by top Agency management, especially in light of the Agency's emphasis on increased spending for this program in the next two fiscal years. (Report No. 85-8, December 7, 1984)

—REVIEW OF CONTRACT/GRANT CLOSEOUT PRACTICES—

Contract/grant closeout is the last stage of the procurement process and is required by Federal and AID regulations. Basically, it involves actions such as ensuring that goods and services were received, in-

spected, and accepted. These actions must be completed before files are officially retired. In this audit we reviewed closeout practices for contracts and grants awarded directly by AID Headquarters and Missions. We also reviewed the Agency's responsibilities concerning the closeout of host country contracts. The review involved 122 high value (over \$100,000) contracts and grants (58 AID-direct and 64 host country) totaling \$319 million awarded by AID Headquarters, AID Missions, and host governments.

**FAILURE TO ADHERE
TO CLOSEOUT
PRACTICES LEAVES
AGENCY OPEN TO
FINANCIAL ABUSE**

Our review showed that contracts and grants were not closed essentially because Agency management placed little importance on this function. As a result, the Agency is increasingly vulnerable to financial abuses in several significant areas. For example, our review found that:

- The receipt and acceptance of goods and services for nearly all 58 of the expired AID-direct contracts, valued at \$141 million, that we examined could not be verified. In some cases, there was evidence that significant contract terms and conditions had not been met. This occurred, in part, because Certifying Officers did not follow prescribed closeout procedures and request Project Officers to determine whether all contract requirements were met. There was also a general lack of documentation that Project Officers had ensured that all of AID's rights and obligations had been properly satisfied under the 64 host country contracts valued at \$178 million included in our sample.
- Contract provisions that allowed contractors to be penalized for failing to meet scheduled completion dates were not always carried out. We identified over \$2 million in penalties that probably should have been assessed for late delivery and construction.
- At least 24 of the 122 contracts examined included property that had not been adequately accounted for and disposed of at the time of our review. The property in question had cost an estimated \$4 million. In several cases, it appeared AID should have been reimbursed for lost, damaged, or misused property.
- Decisions to deobligate excess funds were unnecessarily delayed in at least 24 of the 122 contracts and grants examined. One reason was because AID Controllers did not coordinate with project officials at expiration of the contracts and grants to determine whether obligated funds would be expended. The deobligation potential in these 24 contracts and grants amounted to about \$3.6 million.
- Most of the 122 contracts and grants included in our review had not received a final audit as required by Federal procurement

or AID regulations. The cost of these contracts totaled about \$319 million. These audits had not been made, in part, because audits were not routinely requested as part of the closeout process. Thus, AID was vulnerable to payments for ineligible costs and unfulfilled contractual commitments.

We made six recommendations to Agency management to improve contract administration and implementation of prescribed closeout procedures. Agency management agreed with our findings and recommendations and stated they would initiate corrective action. (Report No. 85-14, March 29, 1985)

—THE AGENCY'S USE OF PROCUREMENT SERVICE AGENTS—

ADMINISTRATIVE CONTROLS NEED TO BE IMPROVED TO PROTECT AGENCY'S INTERESTS

The Agency uses the services of procurement service agents (PSA's) to purchase commodities in support of AID's project assistance program. A PSA arranges for the purchase and delivery of commodities on behalf of AID or a host government. These services are used because PSA's possess experience and competency in procurement matters not available in many of the host country implementing agencies and Agency missions.

We concluded from our review that PSA's represent a viable means for alleviating many of the host country contracting problems experienced over the last several years and that the use of PSA's should be encouraged. Notwithstanding this assessment however, there are problems in AID's administrative controls which must be corrected. We found problems in the areas of negotiating contract fees, selecting PSA's, and assessing host country capabilities.

- The Agency negotiators established PSA fees totaling \$2.1 million without obtaining essential information needed for negotiation, such as an independent and detailed cost estimate. Also, the PSA's were not required to submit a cost proposal. In one country fees proposed by the contractors were simply accepted by the Agency. Without such data, the Agency cannot be certain that fees are reasonable and in the best interest of the Government. The lack of adequate cost estimates also makes it difficult to establish a realistic fee payment schedule which would not disadvantage AID and would reasonably relate the costs and risks incurred by the PSA.
- The selection process used to hire PSA firms is not consistent nor based on factors relevant to the functions required. PSA's were selected without delineating the scope of work to be performed or the extent of procurement to be handled, and without

verifying the technical qualifications of prospective contractors. As a result, the Agency has no assurance that the best qualified firms were awarded contracts.

- The Agency is not conducting the required assessments of the host government procurement capabilities prior to hiring a PSA. These assessments are necessary because Agency policy provides that the use of PSA's is justified only when the host government lacks adequate experience and competence to carry out its own procurement. In some cases PSA's were hired based only on the host government's request for a PSA. Also, as a result of not performing these assessments, the Agency does not become aware of specific problems in the host country's procurement system and thus cannot determine the precise nature and extent of PSA services required.

We believe our recommended action to Agency management will result in lower costs through better fee negotiations, improved PSA selection procedures, and better justification for the use of PSA's. (Report No. 85-11, March 21, 1985)

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, 1984, the Agency had obligated \$6.6 billion for 725 active projects of which \$3.7 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.

**AGENCY'S LARGEST
PROGRAM CATEGORY
HAS OBLIGATIONS OF
\$6.6 BILLION**

The objective of our audits in this category is to help ensure the integrity of AID's projects and to bring about improvements in the management and conduct of its activities by evaluating performance and determining whether projects can be accomplished more economically, efficiently, and effectively. Highlights of significant audits performed during this reporting period follow:

—NIGER INTEGRATED LIVESTOCK PRODUCTION PROJECT—

The Government of Niger (GON) places high political importance on developing the livestock sector of their economy. Approximately

**PROJECT BEGUN
DESPITE LACK OF
SUPPORT AND
COMMITMENT BY
AGENCY AND THE
GOVERNMENT OF
NIGER**

900,000 people depend on livestock for their livelihood, but they continually face problems of low herd productivity, malnutrition, illiteracy, and periodic droughts.

Between 1977 and 1983, AID invested \$5.4 million in a project to research and identify this target population, their needs, and appropriate assistance. The project organized herders into associations and established baseline data for use in monitoring the impact of future project phases.



Drought conditions force cattle herds to move from Niger Project Area

With this work completed, the Agency and GON signed a \$17.5 million grant agreement in 1983 for a 5-year project to increase livestock productivity and improve the health, nutrition, and literacy of 18,000 herders.

However, when the grant agreement was signed, neither party could agree on who the project was to help and how, and the level of technical assistance needed. Without objectives to measure the project's progress and lacking essential support and commitment by both parties, the project has continued on an ad-hoc basis with both parties still far from agreement.

In August 1984, after the expenditure of about \$900,000, the project came to a standstill when the current drought caused an exodus of

herders and livestock from the project area. Neither the host government nor the Mission had a drought plan or sufficient information on the plight of the project herds to decide on a course of action to prevent further cattle losses and to respond to the herders' needs.

We recommended that USAID/Niger terminate the project in our draft report. In reply, USAID/Niger officials said that our audit analysis identified important issues in project implementation which helped them reorient the project's direction.

These officials reported that they had made changes and adjustments subsequent to completion of our field work. These included (1) reaching agreement with the GON on project objectives, (2) suspending those activities affected by the drought, (3) intensifying drought planning and infrastructure development activities, and (4) developing an emergency plan to help displaced herders.

They stated that they believed the project was still viable and could achieve the long-term objectives outlined in the grant agreement. They asked that we change our recommendation to reflect a need to redesign rather than terminate the project.

We believe the Mission has made a good beginning in attempting to resolve some of the major problems identified in this review. On the other hand, we believe there are many unknowns, including the critical question of whether and when livestock and herders will return to the project zone. We have decided to support the Missions' approach to redesign the project and have modified our recommendation. In view of the serious questions which remain, we have also asked the Mission to include in the upcoming evaluation certain analyses to demonstrate the economic viability of the project. We will monitor their response to this recommendation as well as two other recommendations dealing with advances and credit funds through our follow-up procedures. (Report No. 7-683-85-4, February 28, 1985)

**—APPROPRIATE TECHNOLOGY
INTERNATIONAL/PROGRAM TO EXPAND
TECHNOLOGY IN DEVELOPING COUNTRIES—**

Improvements have been made in Appropriate Technology International's (ATI's) program since the issuance of our last report in April 1983. In sharp contrast to its prior program, ATI has focused on the commercial viability of specific technologies, improved its reporting to the Agency's Bureau for Science and Technology, and strengthened the management of its projects.

**AMENDMENT TO
AGREEMENT
RECOMMENDED TO
BETTER EXPLOIT
ATI'S SUCCESSES**

Of particular significance, the Bureau and ATI are currently focusing on replication. Under this concept, successful ATI projects would

be replicated at other locations throughout the world by private concerns, AID, other donors and host country government and non-government organizations.

After reviewing the limited success of the Bureau and ATI under the prior grant, we basically agree with this current focus. Through replication the Bureau and ATI can achieve their overall goal of significantly expanding the use of appropriate technology in developing countries and ATI can become a cost beneficial organization.

Although we believe the Bureau and ATI are moving in the right direction concerning replication, there are no institutional requirements for them to pursue this course. Although dissemination was discussed, replication was not specifically addressed by the authorizing legislation or the current cooperative agreement.

More than a year ago, the Bureau urged ATI to develop a long-term strategy that would address the widespread use of successful demonstration projects. ATI prepared a strategy which incorporated the new replication focus, but it is still in draft form and not sufficiently comprehensive to ensure that replication will be achieved.

The draft strategy lacks a description of the Bureau for Science and Technology's specific role in the actual accomplishment of replication. Other areas regarding replication which should be expanded in the strategy are needed organizational changes, selection of projects with replication potential, project development, marketing and financing alternatives, and evaluation of the replicability of completed demonstration projects.

Firmly establishing accountability for replication is essential to keep the program on track and to measure progress in achieving the overall goal of expanding the use of appropriate technology. In addition, the Bureau's and ATI's progress in developing and implementing a strategy that results in replication could be the basis for deciding the benefits of continued AID funding for ATI. Accordingly, we believe a synopsis of the finalized strategy should be included in the annual Congressional Notification for the ATI project.

We recommended that Agency management clearly establish accountability for achieving replication by amending the cooperative agreement to provide specific and measurable objectives and performance criteria, expediting the completion of a joint Bureau/ATI replication strategy, and requiring periodic evaluations of progress in achieving the widespread replication of ATI's successful technologies. (Report No. 85-12, March 26, 1985)

—NORTHEAST SMALL SCALE IRRIGATION PROJECT/THAILAND—

In the fall of 1980, AID made available to the Royal Thai Government (RTG) \$8.6 million in mixed loan and grant funds to launch the Northeast Small Scale Irrigation Project (NESSI). The RTG would provide the remaining funding for this \$16.9 million effort. The project uses both American and Thai consultants to advise and instruct farmers and RTG personnel in the rebuilding and maintenance of irrigation systems. The project was designed to rehabilitate irrigation systems fed by 7 small tanks (reservoirs) situated throughout northeast Thailand and then serve as a "model" to be replicated at over 200 other sites. However, as of July 1984, more than halfway through the project only 30 percent completion had been achieved at one tank site, with no construction begun at the other six sites. Because of increased costs and design changes, the project's scope may be reduced from seven to three sites. Even with this reduced scope, the project manager stated it would require virtually problem-free implementation to complete three sites by the October 1986 termination date.

**ESTABLISHMENT OF
MEASURABLE
PROJECT GOALS AND
INCREASED
EMPHASIS ON LONG-
TERM MAINTENANCE
NEEDED TO ACHIEVE
PROJECT BENEFITS**

We found that, although the NESSI project was over half-way through its anticipated lifespan, construction specifications had not been finalized; the number of irrigation systems to be rehabilitated had not been determined; construction of the initial site had not been completed; and construction contracts for the remaining sites had not been awarded.

Our review also disclosed problems with regard to project funding responsibilities, the development of work plans to direct the efforts of consultants, and a lack of an adequate operations and maintenance component (a problem common to irrigation projects throughout southeast Asia.)

We believe that USAID/Thailand management should review the objectives of the revised Northeast Small Scale Irrigation Project, establish necessary management practices, and take actions regarding operations and maintenance in accordance with Agency policy. Specifically, we recommended that:

- Project goals be quantified, allowing project managers to measure progress and realistically assess project achievement.
- Project consultants be instructed to systematize and prioritize their activities in a detailed work plan.

**NORTHEAST SMALL SCALE IRRIGATION
PROJECT/THAILAND**



Weed growth may soon clog canal without proper maintenance.

- An early decision be made regarding the reduced number of sites to be AID financed, using excess funds to improve the project's operations and maintenance components.
- A long-term solution be worked out regarding the operations and maintenance needs of AID-financed capital projects in Thailand.

Management indicated general agreement with our report and has begun to take action on the recommendations. (Report No. 2-493-85-1, November 30, 1984)

**—ADAPTIVE CROP RESEARCH AND EXTENSION
PROJECT/SIERRA LEONE—**

Agriculture is considered the key to recovery of Sierra Leone's declining economy. The purpose of the Adaptive Crop Research and Extension (ACRE) project was to pioneer and develop food crop research adaptable to the local needs of the farming community. ACRE also supports a participant training component. About 675 farmers were involved in trials and demonstration of the research results. These results were then disseminated to some 20,000 small farmers in the form of minikits containing improved seeds and farming techniques. By using minikits it is expected that farmers will increase crop production and income.

**ACCEPTANCE OF
RESEARCH RESULTS
BY FARMERS CANNOT
BE DETERMINED DUE
TO LACK OF
MONITORING AND
INFORMATION
GATHERING SYSTEMS**

The ACRE project agreement was signed in 1978 and activities began in 1980. The Agency granted a total of \$9 million for the project which is to be completed by June 1987. In addition, as of April 1984, the Government of Sierra Leone has spent the equivalent of \$5.5 million (about \$1.1 million more than obliged) of which about \$3.6 million was generated from PL 480, Title I funds. A \$10 million follow-on project is being designed to strengthen research capabilities and to help distribute results country-wide.

Our review found that the project has enjoyed success in focusing agricultural research, conducting trials and demonstrations, and distributing minikits to nearly 20,000 farmers. We also found that project management had monitored the activities of the 675 trial and demonstration farmers who were closely supervised by extension agents and remunerated for participating. Test results showed good production increases. However, because of flaws in project design which did not establish measurable objectives and milestones or an effective monitoring system, information is unavailable concerning project progress with the larger group of 20,000 farmers who received minikits.

Without this information, project management cannot judge if research results are being adopted by these farmers. Sierra Leone's

farmers are faced with a lack of storage facilities, losses due to pests and insects, shortages of labor and a lack of credit. For example, little is achieved by increasing crop yield only to see the crop rot due to lack of storage. Project management cannot be expected to overcome all of these constraints, but must know how widespread the constraints are if farmers are to be helped. In addition, AID cannot adequately design a follow-on project without knowing how successful the farmers were in adopting this project's technology.

Our review also found that the technical assistance and participant training components of the project were not well managed. The contractor has had continuing problems staffing the technical assistance team. Also, lack of monitoring student courses delayed participant return from training in the United States, limited project progress and increased costs. (This is a worldwide problem with the Participant Training Program as discussed earlier in this report.)

We recommended that AID assess project effectiveness by sampling the farmers receiving minikits and measuring the results obtained, develop a system to monitor and measure the progress of adaptive research, trials, and demonstrations among the farming community, and defer design of the follow-on project until the results of the current study have been evaluated. (Report No. 7-636-85-1, October 30, 1984)

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, 1984, the Agency had obligated about \$1.8 billion for 203 health projects of which \$753 million had been expended.

There were two significant audits of health programs performed this reporting period. The purpose of these reviews were to determine if the Agency's objectives were being achieved and if program resources were being used effectively and efficiently. Highlights of the two audits follow:

—STRENGTHENING HEALTH DELIVERY SYSTEMS/SUB-SAHARAN AFRICA—

The Strengthening Health Delivery Systems project was designed to help plan, implement, and manage primary health care systems

**PROJECT'S
EVALUATION AND
MANAGEMENT
INFORMATION
SYSTEMS ARE
INADEQUATE**

for 20 sub-Saharan African countries. The project's major focus is to train people in health care planning and management, nursing, village health care, disease surveillance, and applied research. The two-phase project started in 1975 and has a scheduled completion date of December 1985. The Agency authorized about \$28 million for the project, of which approximately \$19 million had been spent as of October 1984.

As one of AID's largest and more complex health projects in Africa, the project has had many positive results. Some of the project's accomplishments are:

- Collaborating on health care needs through meetings attended by representatives of AID, the World Health Organization, the sub-Saharan countries, and others.
- Expanding an immunization program from three to fourteen countries.
- Providing health related training to over 2,000 Africans.
- Developing an applied research training program including a manual accepted by the World Health Organization.
- Assisting regional institutions to improve health care through staff training, participant support, curriculum development, and the purchase of teaching materials and new equipment.

In spite of these accomplishments, our review showed that the project had limited information available on where the project stands in meeting its objectives, the effectiveness of project activities and the development impact on health care in individual countries.

We found that the project's evaluation and management information systems were not adequate to provide information on the extent to which program objectives were being achieved. Internal evaluations were dropped in 1983 due to budget problems. External evaluations were not performed as planned and those performed were either incomplete or inadequate. The management information system, although improved, was not designed to determine project progress or track project activities. Thus, answers to the following cannot be determined:

- How are trainees using the training received?
- To what extent are regional institutions strengthened and what is their likelihood of self-sufficiency?

What is the nature, amount, and effectiveness of assistance provided to the 20 participating countries?

Our review also found that the Agency provided excessive advances of funds to the World Health Organization. The outstanding advance at October 1984 of over \$660,000 represented more than nine months' cash requirements—far in excess of the 90-day maximum allowable by AID. Substantial amounts of interest monies which may have been earned on AID funds should have been returned to the U.S. Treasury. Although AID and other donor funds are commingled, we estimate that over a two-year period as much as \$157,000 in interest could have been earned by the World Health Organization on AID's outstanding advances.

We recommended that a plan be developed to improve the project's internal evaluation system and that deficiencies in the management information system be corrected. The report also recommends that advances be made to the World Health Organization in accordance with U.S. Treasury and AID regulations, that interest owed the Government be collected, and that procedures be established to monitor and collect future interest. (Report No. 7-698-85-2, December 31, 1984)

—HEALTH MANAGEMENT IMPROVEMENT PROJECT/JAMAICA—

**AGENCY
MANAGEMENT NEEDS
TO EITHER TAKE
IMMEDIATE ACTION
TO IMPLEMENT
RECOMMENDATIONS
OR TERMINATE
PROJECT**

The Health Management Improvement Project, initiated in September 1981, is scheduled for completion in March 1987. The project's purpose is to strengthen the ability of Jamaica's Ministry of Health to plan, implement, and evaluate primary health care delivery and nutrition action programs. Through this project, the Agency hopes to upgrade and expand primary health care and nutrition services to Jamaica's rural population.

The project has nine components monitored by a "Project Implementation Unit." Two renovation components are designed to improve physical facilities in the primary health care system while the other seven components are intended to improve health planning and services. The cost of the project is \$12.9 million, including an AID loan of \$8.6 million, a grant of \$1.0 million, and Government of Jamaica contributions of \$3.3 million. By June 30, 1984, AID disbursements totaled \$2.3 million.

Our review of the health project showed that it was seriously behind schedule with disappointing accomplishments to date. The project was evaluated in February 1983 by Agency consultants. This evaluation led to extensive redesign of the project and extension of the proj-

ect completion date by 18 months. In spite of this attempt to salvage the project, as of our review it remains far behind schedule with only one of the nine project components showing satisfactory progress.

We believe that unless current project implementation problems are quickly corrected, this project will not be completed by March 1987, and rural health care in Jamaica will continue to deteriorate. Failure to implement this project on a timely basis has also had a negative impact on field personnel who will likely decide to leave the primary health care centers, thus causing more patients to be referred to the already overburdened secondary health care centers (hospitals).

Our review also disclosed that a known inadequate supply of drugs has worsened and renovations and maintenance works have been delayed. Under the original plan, all construction activities were to be completed at the end of the third year of the project or August 1984. Instead, only 14 of 62 minor renovations and 1 of 4 major renovations were completed as of June 1984, the date of the audit. Overall expenditures and project activities have occurred at a pace much slower than anticipated. Only 24 percent of the available AID funds had been disbursed as of June 30, 1984, although 50 percent of the revised project time had elapsed.

Because of the problems in implementing this project, we recommended that USAID/Jamaica, in consultation with the Jamaica Ministry of Health, take action within six months on six detailed recommendations designed to correct the problems identified or confirmed during our review or take steps to terminate the project. (Report No. 1-532-85-3, November 19, 1984)

AUDITS OF POPULATION PLANNING

The purpose of the Agency's population planning assistance is to enhance the freedom of individuals in lesser developed countries to voluntarily choose the number and spacing of their children and encourage population growth consistent with the growth of economic resources and productivity. Through September 30, 1984 the Agency had obligated approximately \$1.8 billion for 212 active population planning projects of which \$1.4 billion had been expended.

**ASSISTANCE TO
ENCOURAGE
POPULATION
GROWTH IS
CONSISTENT WITH
ECONOMIC GROWTH
AND PRODUCTIVITY**

In a significant audit performed this reporting period the Regional Inspector General in Manila reviewed the Agency's population program in the Philippines. The audit focussed on the economy and efficiency of operations of this program which has an annual budget of over \$10 million. Highlights of this audit follow:

—POPULATION PROGRAM/PHILIPPINES—

PROJECT IMPLEMENTATION PROBLEMS CAUSED BY INADEQUATE FINANCIAL CONTROL AND MONITORING SYSTEMS

Reduction in the labor force through reduction in the population growth rate is one of USAID's top three development objectives for the Philippines. A dramatic increase in the population of the Philippines from 27 million in 1960 to 52 million in 1983 and an expected 75 million by the year 2000 has caused AID to pledge \$56 million between 1981 and 1985 to support the Philippine Population Commission (POPCOM) in its efforts to distribute birth control pills and other contraceptives through 50,000 volunteers to ultimate users. However, Government of Philippines (GOP) financial support for the program has dropped from \$18 million in 1981 to about half that amount today.

The audit found that USAID/Philippines needs to develop a well-planned policy dialogue with GOP and other donors to use available resources as outlined in "AID's Policy Dialogue Paper," dated December 1982. We recommended that USAID/Philippines develop a systematic approach to its policy dialogue to include a strategy paper for approaching specific GOP officials. We also recommended that procedures be developed and implemented to assure that family planning activities are included in project designs and implementation whenever feasible.

Implementation problems for the project exist because monitoring and financial control systems have not been fully implemented as required by Agency guidelines. As a result, USAID project managers do not know whether project objectives are being achieved or whether special project funds are being spent for intended purposes. Therefore, it is essential that monitoring systems be developed and implemented so that USAID managers can fulfill their responsibilities to assure the most efficient, effective and economical use of U.S. Government resources. The report recommends USAID/Philippines:

- Formally communicate to POPCOM the continuing requirement to receive quarterly progress reports and specify which information should be reported.
- Assess whether the POPCOM automated management information system can be simplified and cost-effectively implemented to produce necessary information and, if not, discontinue financial support for the system.
- Implement a follow-up system so that deficiencies identified during USAID field visits are formally brought to the attention of and corrected by POPCOM management.

- Develop and implement a system of financial accountability over special project fund activities.

(Report No. 2-492-85-2, February 7, 1985)

AUDITS OF SELECTED DEVELOPMENT ACTIVITIES

As the Agency's second largest program category, 378 Selected Development Activity projects had Agency obligations totaling \$3.0 billion through September 30, 1984, of which \$1.9 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 SECOND
LARGEST PROGRAM
CATEGORY HAS
OBLIGATIONS OF \$3.0
BILLION**

A significant audit was performed this reporting period on the Agency's investment packaging program. Our audit reviewed the program's procedures and practices and determined compliance with Agency standards. Highlights of this audit follow:

—INVESTMENT PACKAGING PROGRAM—

The Bureau for Private Enterprise (Bureau) was established about three years ago to spearhead efforts within AID to refocus the bilateral AID program toward promoting private sector development in developing countries. The investment packaging program is an integral part of this effort. It is the means whereby the Bureau can demonstrate positive developmental impact, through projects directed at the private sector in developing countries, in a more cost effective manner. It is anticipated that other Bureaus and Missions would then replicate these projects using their own funds.

**NEW APPROACH TO
GENERATING
DEVELOPMENT
IMPACT SHOULD
CONSIDER REFLOWS**

Compared to the Agency's traditional approaches to generating development impact, this program is introducing some new and cost beneficial alternatives. Projects are financed principally through various loan mechanisms at or near the Government's cost of borrowing versus the usual 2 to 3 percent subsidized rate. Consequently, the Government's costs are significantly reduced, and in some cases may be fully recovered over time.

Leveraging is also an essential ingredient of this program. Each Agency dollar must be matched with at least one other dollar from another source. In some projects, an additional two or three dollars was being leveraged, with most coming from the private sector institutions. Thus, fewer Agency dollars are required in any one project to generate developmental impact. Since the program is new, the program's

overall effect cannot yet be assessed; however, two early projects have demonstrated significant developmental impact.

Our review did note two problems with this new program. First, the Bureau did not always consider the implications of reflows in two-step loan projects. In a two-step loan project, AID signs a loan agreement with a credit institution. This loan agreement establishes the terms and conditions for the credit institution to receive AID monies and to repay AID. In addition, the Agreement establishes certain criteria for relending to sub-borrowers. The credit institution then signs separate loan agreements with sub-borrowers.

Two-step loan projects involve "reflows" which are not normally a factor in other loan projects. Reflows are created when the sub-borrower repays AID monies to the credit institution. If the sub-borrowers repay the credit institution faster than the institution repays AID, it raises questions as to how these reflows should be used. If the reflows are rolled over into new sub-loans consistent with the loan agreement, then AID gains additional developmental impact. However, if the credit institution uses the reflows for purposes inconsistent with the loan agreement, AID does not receive that additional developmental impact. For example, in one project, the Government may incur additional costs of about \$219,000 and lose potential developmental benefits because reflow implications were not considered. We recommended that the Bureau develop policy and procedures to ensure reflows are fully considered in the loan negotiation process, and that adequate provisions are included in loan agreements.

Second, we found that the Bureau has placed undue emphasis on obligating all the funds provided to the program which has adversely affected the project development process. Similarly, certain analyses were not performed which reduced the effectiveness of the review process. We believe these factors have contributed to extending project completion dates; funds being unnecessarily disbursed; and two projects being deobligated. Recognizing the demonstration element of the program, we believe that the Bureau should stress sound and complete project development. Accordingly, we recommended that the Bureau de-emphasize obligations, and institute better project development procedures. (Report No. 85-13, March 29, 1985)

MANDATED AND MISCELLANEOUS AUDITS

COMPLIANCE AUDITS

There are six specific subjects which the IG has been mandated to audit on an annual basis. These mandated subjects include, among others, reviews of reporting on consultant contracts, internal control

systems and year-end spending. These reviews, as well as audits of miscellaneous topics, are conducted on specific subjects in order to determine compliance with applicable regulations and laws. Highlights of two significant audits performed this reporting period follow:

—AGENCY’S COMPLIANCE WITH THE FEDERAL MANAGERS’ FINANCIAL INTEGRITY ACT—

The Federal Managers’ Financial Integrity Act of 1982 (FMFIA) requires Federal managers to evaluate the internal controls over the operations under their supervision. These evaluations form the foundation for the Administrator’s annual statement to the President and the Congress on the adequacy of the Agency’s internal control and accounting systems.

**TOP MANAGEMENT
NEEDS TO ENSURE
AGENCY FULLY
IMPLEMENTS FMFIA**

Our review found that the Agency needs to put in place the basic framework required by Office of Management and Budget (OMB) guidelines which is necessary to implement the FMFIA. Our report made 19 recommendations to the Administrator that specifically relate to the OMB guidelines and which, if implemented, will provide a proper foundation to fully implement the FMFIA.

The major problems disclosed in our review were:

- The Agency has not obtained sufficient top management involvement in the evaluative process. For example, during fiscal year 1984, only one Internal Control Oversight Committee meeting was held, and only 5 of 13 members were present.
- The Agency has not provided its managers training or technical assistance in conducting vulnerability assessments, internal control reviews, and other requirements necessary for them to carry out their responsibilities under FMFIA.
- The Agency has not properly segmented its operations into assessable units. For example, the AID Mission in Cairo, was classified as only one assessable unit, although this Mission has a budget of over \$1 billion and 113 employees.
- The Agency has not determined the degree of vulnerability of its many organizational, program, and administrative components. The Agency used vulnerability assessments with considerable effectiveness to identify internal control weaknesses of large organizational units. However, OMB intended these assessments be used to quickly determine the risk potential for fraud, waste, and abuse of smaller AID components. We also noted that the Agency’s vulnerability assessments were used to

replace the more rigorous internal control reviews envisioned by OMB.

- The Agency has not properly planned, scheduled, and conducted internal control reviews. Only one such review was conducted in fiscal year 1984.
- The Agency has not corrected identified internal control weaknesses. As of September 1, 1984, 145 of the 285 internal control weaknesses identified in the 1982 vulnerability assessments had still not been reported as corrected.
- The Agency has not assured that all material weaknesses are identified for inclusion in its annual report to the President and the Congress. Only seven of the 285 identified internal control weaknesses were considered sufficiently "material" to be included in the annual report. We believe other weaknesses, such as inadequate monitoring of PL 480 commodities, should also be included in the annual report.
- The Agency has not conducted an evaluation of its accounting system. The Agency is in the process of installing a new accounting system. Unless interim evaluations are made, AID will not report on the adequacy of its new accounting system until at least December 31, 1986, due to a three-year delay in system implementation. To address this problem, AID now plans to report on inadequacies of its current system and work closely with the contractor to assure that the system meets accounting principles established by the General Accounting Office (GAO).

The GAO recently issued a list of second-year expectations which were endorsed by OMB. A comparison of our report findings and these expectations clearly shows that AID has fallen behind in properly implementing the FMFIA. In fact, many deficiencies outlined in our previous report have still not been corrected. It is imperative that AID's top management ensures that this important legislation receives high priority attention. (Report No. 85-7, December 7, 1984)

—EMERGENCY RELIEF AND REHABILITATION/GRENADA—

On October 25, 1983, American and other military forces from the Caribbean area intervened to put an end to the political chaos in Grenada. Two days later, a disaster was officially declared in Grenada and United States disaster assistance efforts headed by the Agency's Office of U.S. Foreign Disaster Assistance (OFDA) were initiated.

The OFDA is responsible for coordinating the provision of immediate emergency relief and shortrun rehabilitation assistance for disaster-stricken countries. Other Agency elements are responsible for providing long-term disaster reconstruction assistance. In carrying out its responsibilities OFDA often uses the resources of other United States Government agencies on a reimbursable basis and the services of private voluntary organizations and private sector entities.

Our review showed that certain medical items either never arrived or arrived late and some equipment arrived incomplete or did not work. At the time of our audit the equipment malfunction problems had finally been resolved. We recommended that OFDA seek to better define the working relationships and responsibilities among principal Agency components normally involved in disaster relief and complete or resolve procurement action on the medical items not yet delivered to Grenada. (Report No. 1-000-85-6, January 11, 1985)

AUDIT RECOMMENDATIONS, FOLLOW-UP AND RESOLUTION

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 funds and in identifying possible waste, program abuse and noncompliance with established policies and regulations.

The Office of Inspector General issued 50 reports internally and processed 82 reports performed by other government audit organizations during this reporting period. These reports questioned the validity of \$3.5 million in costs that had been incurred by the Agency and identified an additional \$8.7 million which should be reprogrammed through deobligation of funds.

**DELAYS IN
COMPLETING
DISASTER RELIEF TO
GRENADA DUE TO
POORLY DEFINED
RELATIONSHIPS AND
RESPONSIBILITIES
AMONG AGENCY
COMPONENTS**

**AUDIT
ACCOMPLISHMENTS**

**—HIGHLIGHTS OF AGENCY ACTION ON POLICY
ISSUES DURING THIS SEMIANNUAL PERIOD—**

**FOLLOW-UP REVIEWS
SHOW
RECOMMENDATIONS
PROPERLY
IMPLEMENTED BY
AGENCY**

Our office performed follow-up reviews of recommendations in six previously issued reports. These reviews indicated that all recommendations had been properly implemented by Agency management. For example, an audit report issued by the Regional Inspector General for Audit/Cairo in July 1983 recommended improved monitoring and internal control procedures over advances made to contractors to preclude excessive advances of Agency funds. Our follow-up review found that USAID/Egypt had improved its control over contractor's advances and had aligned the advances to the contractors' minimum requirements.

**—HIGHLIGHTS OF AGENCY ACTION ON MONETARY
AUDIT RECOMMENDATIONS DURING THIS
SEMIANNUAL PERIOD—**

**\$7.3 MILLION IN
SUSTAINED
RECOVERIES
AWAITING
COLLECTION**

- Agency management reached determinations on \$4,392,528 in recoveries recommended by IG audit reports and recommended recoveries of \$372,033.
- Agency management reached determinations on \$523,781 in recoveries recommended by other governmental agencies' audit reports and recommended recoveries of \$383,095.
- A total of \$650,358 (IG) and \$75,399 (other audit agencies) was recovered as a result of audit work in this and prior periods.
- As of this report, there was \$34.9 million in recommended recoveries awaiting Agency determination, of which \$22.8 million represented recommendations in excess of six months old.
- As of this report, there was \$7.3 million in recoveries sustained by the Agency but awaiting collection, all of which represented recommendations in excess of six months old.

The IG experienced an unusually low sustention of monetary findings by the Agency this reporting period. Approximately, 3.2 million of the \$4.0 million unsustained resulted from decisions on four audit reports.

**COMPTROLLER
GENERAL'S DECISION
RESOLVES INTEREST
INCOME ISSUE**

A 1982 audit report on a program to assist in decentralizing developmental authority in Egypt reported that host country governmental units below the central government were placing grant funds in banks and earning interest. The audit recommended recovery of the interest earned on Agency funds. The Agency took exception to

this recommendation based on their belief that the purpose of the grant was achieved once the funds were disbursed by the Egyptian Government to the lower governmental levels. To resolve this point, a decision by the Comptroller General was requested by the Inspector General on December 2, 1983. During this past semiannual period the Comptroller General's decision was issued supporting the Agency's position in the specific circumstances of this case. This single decision accounted for the recommended \$1.2 million of interest income not being sustained during this reporting period. The issue of interest income earned on our foreign aid disbursements cannot be taken lightly with approximately 20 percent of the United States Government's budget being deficit financed. The IG plans, during the next semiannual reporting period, to review the interest income policy governing foreign aid programs and identify an appropriate course of action to resolve this problem in the best interest of the United States Government.

In the other three reports, approximately \$965,000 was not sustained because the AID General Counsel determined that the private voluntary organization, CARE, had pursued claims and alternatives to the best of its ability and that AID then became time barred from further action; AID's General Counsel determined that a contract to install bakery equipment and accessories at 13 sites in Egypt was ambiguous and thus could be interpreted differently by AID and the contractor, therefore AID could not pursue \$537,000 in questioned costs; and the Cooperative League of the USA, sponsor of a PL-480 grant project, provided documentation supporting suspended costs of approximately \$480,000.

—SAVINGS RESULTING FROM ECONOMIES AND EFFICIENCIES—

In addition to our findings which examine and report on the appropriateness of financial transactions made by the Agency, our reports also contain findings which discuss cost efficiencies and economies which can be realized by the Agency in future funding years. Although savings from these economies and efficiencies are difficult to quantify, they are real and have impact on future Agency resources. Economy and efficiency findings recommend (1) management improvements, (2) efficiencies which result in the reprogramming of funds, and (3) economies that can be realized thereby making the funds saved available for other project purposes. During this past semiannual period, we found that Agency resources totaling over \$25 million could be more effectively used. Some examples follow:

**COST EFFICIENCIES
AND ECONOMIES
HAVE IMPACT ON
FUTURE AGENCY
RESOURCES**

- In one report it was found that AID was allowing the grantee to unnecessarily accumulate a working capital reserve. An ex-

EXCESS WORKING CAPITAL RESERVE ACCUMULATED BY GRANTEE

cess of \$700,000 in this reserve could be productively applied to additional programmatic use or, alternatively, could be used to reduce the Agency's future financial support of the project. Interest costs caused by premature disbursements would also be realized by discontinuing the use of a working capital reserve. (Report No. 85-9, December 20, 1984)

EXCHANGE GAINS SHOULD BE REPROGRAMMED

- In another report it was found that increasing the strength of the dollar, coupled with a local currency devaluation, resulted in an exchange gain of some \$1.2 million. A more timely reprogramming of the funds saved by these exchange gains would result in a more effective use of Agency resources. (Report No. 3-633-85-6, December 14, 1984)

HOSPITAL RENOVATIONS NOT RELATED TO PROGRAM OBJECTIVES

- In a family planning program it was found that renovations to a local hospital were not related to the program objectives. Yet, there was a request for an additional \$7.5 million of project funds to be used for further renovation. Better use of these funds could be realized by using them for project related purposes. (Report No. 6-263-85-2, March 20, 1985)

REPORT RECOMMENDS REPROGRAMMING OF PROJECT FUNDS

- In a small scale irrigation project it was found that a reduction in the number of rehabilitation sites was anticipated and would thereby result in \$870,000 not being needed for that purpose. The audit indicated these funds should be reprogrammed for the operation and maintenance (O&M) portion of the project. A low level of O&M support has caused the project to be less effective than planned. Thus, by reprogramming the funds for this purpose, the funds could be more productively used. (Report No. 2-493-85-1, November, 30, 1984)

—PREAWARD AND CONTRACT/GRANT REVIEWS—

PREAWARD REVIEWS REVEAL POTENTIAL PROBLEM AREAS BEFORE CONTRACTS ARE AWARDED

During the first six months of fiscal year 1985, we issued several significant preaward and contract/grant cost reviews. Preaward reviews are vitally important because they question costs and point out potential problem areas before contracts/grants are awarded. Cost reviews determine if costs are reasonable, allowable and allocable to AID-funded contracts/ grants.

Two of our preaward reviews resulted in reductions in proposed costs amounting to \$1.3 million. Also, as a result of our review at the American Institute for Free Labor Development, further cost reductions may result when they implement proper costing procedures.

Two contract/grant cost reviews performed by the Defense Contract Audit Agency reported questioned costs amounting to approximately

\$300,000. The costs questioned resulted primarily from adjusting for the difference between provisional and audited indirect cost rates.

—COMPARISON OF STATUS OF OPEN RECOMMENDATIONS—

Although the total number of open recommendations at the end of the reporting period increased by 18 percent (231 to 272) from the prior period, the number of recommendations open in excess of six months only increased by 6 percent (81 to 86) from the prior period.

OPEN RECOMMENDATIONS IN EXCESS OF SIX MONTHS

Open Recommendations in Excess of Six Months			
Six-Month Period Ended	Open Less Than Six Months	Open More Than Six Months	Total Open
September 30, 1982	381	101	482
March 31, 1983	230	197	427
September 30, 1983	207	145	352
March 31, 1984	90	131	221
September 30, 1984	150	81	231
March 31, 1985	186	86	272

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

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. But audit recommendations are generally not closed until corrective actions have been completed.) Although the number of IG recommendations open over six months increased by 6 between September 30, 1984 and March 31, 1985, violations of the A-50 requirement for resolution decreased from 28 to 27 during this period.

AGENCY COMPLIANCE WITH OMB CIRCULAR A-50

Status of Open Recommendations			
<u>Six-Month Period Ended</u>	<u>Total</u>	<u>Unresolved, in Violation of Circular A-50</u>	<u>Resolved</u>
September 30, 1982	101	18	83
March 31, 1983	197	74	123
September 30, 1983	145	58	87
March 31, 1984	131	38	93
September 30, 1984	81	28	53
March 31, 1985	86	27	59

—THE SUPPLEMENTARY BUDGET AND RECISSION ACT OF 1980—

AGENCY COMPLIANCE WITH PUBLIC LAW 96-304

The Supplementary Budget and Recission Act of 1980 requires that all audit recommendations open as of the date of its passage (July 8, 1980) be resolved by September 30, 1981, and that all subsequent monetary recommendations be resolved within six months of issuance. As the following schedule shows, the number of audit recommendations in violation of this statute decreased by three over the past six months.

Recommendations Unresolved Over Six Months		
<u>Six-Month Period Ended</u>	<u>Unresolved, Issued Prior to July 8, 1980</u>	<u>Unresolved, in Violation of PL 96-304</u>
September 30, 1982	4	9
March 31, 1983	0	36
September 30, 1983	0	24
March 31, 1984	0	19
September 30, 1984	0	18
March 31, 1985	0	15

—OTHER INSPECTOR GENERAL REQUIREMENTS—

FOLLOW-UP ON CLOSED RECOMMENDATIONS

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 work of each Regional Inspector General for Audit (RIG/A) as a means of evaluating Agency compliance with audit recommendations. In addition, for all recommen-

dations, the IG Policy Office 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 IG reviewed 16 closed recommendations, none of which had to be reopened.

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.

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.

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 period there were no reportable instances under these sections of the Act.

**REFERRALS TO THE
DEPUTY
ADMINISTRATOR**

**REVIEW OF
LEGISLATION AND
REGULATIONS**

**OBTAINING
REQUIRED
INFORMATION OR
ASSISTANCE**

STATUS OF PREVIOUSLY HIGHLIGHTED REPORTS

—REPORTS WITH UNRESOLVED RECOMMENDATIONS AS OF MARCH 31, 1985—

- Food Assistance through PL 480 Titles I and III/Sudan

All funds generated from the sale of Title III commodities were not deposited into a special account, there were problems with the Government of Sudan accountability reports and management controls were inadequate. Recommendations concerned the tightening of controls and clarification of agreements and regulations in terms of what is required by law. As of yet there is not

**SPECIAL ACCOUNT
CONTROLS NEEDED**

agreement on the action that will be undertaken to conform agreements, regulations and laws. (Report No. 3-650-84-14, July 23, 1984)

**NON-OPERATIONAL
PROJECT NEEDS TO
DEOBLIGATE \$10
MILLION**

- Private Investment Encouragement Fund

The Private Investment Encouragement Fund in Egypt never became operational because of inadequate planning, ineffective technical assistance, lack of agreed input by the Government of Egypt (GOE) and GOE apparent lack of interest in making the project operational. AID has deobligated \$22.2 million, but \$10 million remains in the fund. There have been negotiations with General Motors of Egypt for using these funds to extend them a loan. Determinations on the course of action have yet to be made. (Report No. 6-263-84-3, July 26, 1984)

- Road Maintenance Project/Haiti

The Haitian Road Maintenance Organization improved its operations and maintenance of the nation's highways, but needed a better preventive maintenance program, equipment repair, and inventory control system. Only one of five report recommendations remain open. The open recommendation concerns compliance with the shipping requirement that at least 50 percent of the gross tonnage of loan-financed goods transported by ocean are on U.S. flag vessels. Little documentation is available and alternative courses of action are being pursued. (Report No. 1-521-83-13, August 25, 1983)

**COMPLIANCE WITH
SHIPPING
REQUIREMENTS**

**—REPORTS IN WHICH RECOMMENDATIONS ARE
RESOLVED BUT ARE PENDING COMPLETION OF
CORRECTIVE ACTION AS OF MARCH 31, 1985—**

- Host Country Contracting

As of October 1, 1983, AID's slated inventory of active host country contracts totaled \$2.5 billion. This report discusses the Agency's failure to adequately implement a system for evaluating the host country procurement capabilities prior to assigning procurement responsibilities. It was also found that Agency responsibilities in this area were diffused and assigned to offices not possessing adequate monitoring capabilities. Also, the Agency did not maintain a complete record of host country contracts. The Agency has established a task force to address the noted problems. The task force will also review the AID Handbooks which provide guidance in this area to assure continued applicability. (Report No. 84-38, September 28, 1984)

**TASK FORCE
ESTABLISHED TO
ADDRESS PROBLEMS**

- Integrated Rural Development/Panama

The Integrated Rural Development Project in Panama will cost \$19.7 million. AID is contributing \$9.7 million in loan funds with the remaining \$10 million being provided by the Government of Panama. Progress on the Credit and Agro-Industry components of this project were disappointing and adversely affected the achievement of the project's overall objectives. A project evaluation is in process which is designed to make recommendations on the changes needed and the method of implementing those changes to assure successful completion of the project. (Report No. 1-525-84-6, June 28, 1984)

**PROJECT
EVALUATION IN
PROCESS**

- Entente Fund/West Africa

The review of this 21-year assistance program, in which AID has contributed over \$63 million in loans and grants, found that although the fund had been beneficial to some 600 small- and medium-sized businesses and had helped small farmers and livestock herders with the introduction of credit and extension programs, overall the benefits had been limited. As a result of the identified limitations, the Agency terminated the project. The audit identified actions needed so that AID assistance to date would not be wasted. The Agency is financing a senior advisor and an accounting firm to assist in addressing the problems identified. The recommendation will be closed when procedures are in place and training is complete. (Report No. 7-625-84-2, May 18, 1984)

**RECOMMENDED
AUDIT ACTIONS TO
BE ADDRESSED BY
SENIOR ADVISOR**

- Barangay Water Project/Philippines

The Barangay Water Project has authorized loans of \$25.6 million with grants of \$2.5 million to provide 500 potable water systems in communities not exceeding 10,000 people. The report found that lack of maintenance has caused the water system to falter and in some cases fail. There was also a need for technical, financial and management assistance. The Mission funded an independent technical evaluation which is to assist in developing corrective actions and to assist in a determination as to the future of this project and the unexpended funds. The Mission now has the report and is preparing its plan of action. (Report No. 2-492-84-8, September 14, 1984)

**PLAN OF ACTION
CURRENTLY BEING
PREPARED**

ACTION INITIATED TO DEOBLIGATE EXCESS FUNDS

- Citanduy Water and Irrigation Project/Indonesia

In 1976, AID approved a \$12.5 million loan to the Government of Indonesia to construct flood control structures and irrigation canals in Central Java. Project site visits revealed obvious maintenance problems with this large capital investment project. Weeds and erosion could takeover water intakes and canals without immediate maintenance attention. Two recommendations remain open while discussions continue within the host government on operation and maintenance policies. Action has been initiated to deobligate excess project funds. (Report No. 2-497-84-3, March,16, 1984)

Crop Protection Project/Philippines

BILLS OF COLLECTION NEED TO BE ISSUED

Serious procedural defects in the bidding, documentation, and receipt, delivery and utilization of goods were discovered during a crop protection project audit which reviewed \$2.2 million in procurement transactions. Source and origin of commodities supplied to the project has been investigated. Closure awaits issuance of bills of collection. (Report No. 2-492-83-5, March 21, 1983)

- Emergency Food Assistance/Nicaragua

Our review of PL 480 assistance to Nicaragua found that of \$2.6 million generated from Title I commodity sales, less than \$500,000 had been used for project purposes. A request for closure of one remaining open recommendation involving the transfer of local currency equivalents from one fund to another for reprogramming has been received. Disposition of the recommendation is under consideration by the IG. (Report No. 1-524-81-15, May 18, 1981)

CLOSURE UNDER CONSIDERATION BY IG

- Nonformal Education for Women Project/Morocco

This \$4.3 million development training project to benefit women had serious design problems and lacked host country contract administration. Four of the five recommendations in this report have been closed. The final recommendation, calling for revision of Handbook 11 to include current AID policy on participants under AID-financed host country contracts, has not been closed. Cognizant management officials are currently determining the specific requirements of the revision. (Report No. 0-608-82-47, February 22, 1982)

REVISION OF HANDBOOK 11 UNDER CONSIDERATION

- Integrated Development Project/Mali

This \$9.2 million integrated development project did not achieve its objectives because of erroneous assumptions and insufficient detail on how project objectives were to be met. The remaining recommendations concern the accounting for allowable costs of various segments of the project. A contract team has prepared its analysis, USAID/Mali is reviewing the report and upon completion of the review a settlement will be made. (Report No. 7-688-83-3, May 3, 1983)

**SETTLEMENT
PENDING ANALYSIS
REVIEW BY
USAID/MALI**

- Agricultural Development Systems Project/Egypt

This report demonstrated the lack of contractor management controls in Egypt over the use of \$5.4 million of dollar and local currency payments made to implement programs in research, training and extension to further the development of the agriculture sector in Egypt. One of the original twenty recommendations in this report remain open. This recommendation deals with control of vehicles. (Report No. 6-263-83-8, August 29, 1983)

**VEHICLE CONTROL
RECOMMENDATION
REMAINS OPEN**

OFFICE OF INVESTIGATIONS

INVESTIGATIVE RESPONSIBILITY

The Inspector General's Office of Investigations (IG/I) has investigative oversight responsibility for AID projects and resources located in over seventy countries. Operating out of seven regional investigative offices, the AID investigators face the complexities of conducting investigations in an international environment.

TWENTY-FOLD INCREASE IN MONETARY RECOVERIES AND SETTLEMENTS OVER PREVIOUS PERIOD

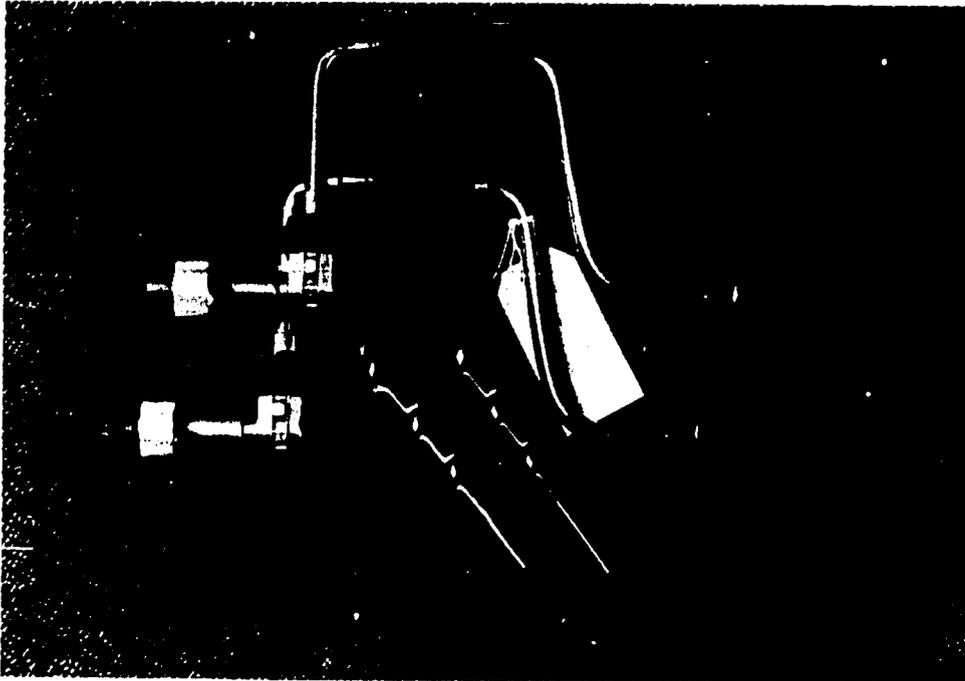
Investigations within the international sphere are often difficult to pursue due to international jurisdictions and foreign policy considerations. Judicial and administrative action is frequently a laborious process which may take months, and even years, to resolve. Nevertheless, monetary recoveries, settlements, program suspensions, bills for collection issued and deobligations, as a result of investigative activity, totaled over \$7.5 million during the first half of fiscal year 1985, a twenty-fold increase over the previous six-month period. In addition, judicial and administrative actions were taken against contractors and direct-hire employees for illegal and irregular activity.

During this reporting period five individuals, including AID direct hire employees, contractors or foreign officials, were convicted of illegal activities involving AID funds or property. Eleven AID direct hire or contractor personnel were fired or resigned as a result of illegal or irregular activities. Also, six direct hire or contractor personnel were counselled or suspended for various infractions or violations. These judicial and administrative actions, coupled with the substantial increase in monetary savings and recoveries noted above, represent the highest results achieved by IG/I during a six-month reporting period.

These statistics were especially significant in that they were accomplished by the lowest level of investigative staff since the establishment of the IG. The IG/I investigative staff, inclusive of supervisory and headquarters staff positions, was composed of nineteen U.S. direct hire inspectors (criminal investigators) worldwide.

INVESTIGATIVE OVERSIGHT

Investigative resources and efforts continued to be focused in two of AID's most vulnerable areas, from a potential fraud standpoint: commodity procurement and contract administration. Some of the more significant cases follow:



Photograph by Gannett News Service

Ineligible Tools Sold to AID by Texas Company.

- Working with the AID Office of Commodity Management and a U.S. Attorney, Inspector General investigators found that officers of a Texas company supplied counterfeit tools as part of an AID-funded procurement for Egyptian schools.

After purchasing cheaper tools in Brazil and Japan, the company officials altered the place of manufacture on the tools to have them appear as though they had been manufactured in the United States. Equipment financed under this procurement was required by law to be manufactured in the United States.

The company president and vice president pled guilty to defrauding AID and were sentenced to five years' probation and a \$10,000 fine, and four years' probation and a \$5,000 fine, respectively.

- Following a four-year investigation by the Inspector General and a U.S. Attorney, a former AID Foreign Service Officer was convicted of embezzling over \$25,000 while occupying the position of Budget and Fiscal Officer at the AID Mission in Somalia.

The officer used his position to divert over 100 checks to his personal account. He substituted checks which other employees had paid the AID Mission for excess travel costs or for local currency exchange with Somali shillings which he had obtained from unauthorized sources at illegal exchange rates.

**OFFICERS IN
COMPANY SUPPLYING
AID-FUNDED TOOLS
TO EGYPT PLEAD
GUILTY TO MAKING
FALSE STATEMENT**

**AID OFFICER
CONVICTED OF MAIL
FRAUD AND
EMBEZZLEMENT**



Somali Currency Found in Foreign Service Officer's Safe Leads To Guilty Verdict On Charges of Mail Fraud And Embezzlement

The former Foreign Service officer was convicted on fourteen counts of mail fraud and embezzlement and sentenced to five years' imprisonment, all but six months of which were suspended, and three years' probation.

**DEFICIENCIES IN
PROJECT
MANAGEMENT IN
MAURITANIA RESULT
IN DEOBLIGATION OF
OVER \$6 MILLION**

The recent deobligation of over \$6 million in rural development project funds in Mauritania was the final action in an investigation which began in 1982. The contractor for the AID-funded Renewable Resources Management Project spent over \$162,000 without having specific contractual authority, as required by AID procurement regulations. In addition, the host country had not provided financial support for the project as required by the Project Agreement. As a result, AID spent over \$151,000 for costs which should have been paid by the host government. Based on these findings, USAID/Mauritania terminated the contract and canceled the Project Agreement. In addition, the Mission conducted a comprehensive review of its rural development project portfolio and identified a series of deficiencies. This review culminated in the cancellation of a proposed contract extension valued at \$5 million as well as the deobligation of rural development project funds.

- An investigation into unexplained losses from the pouch mail system at USAID/Sri Lanka resulted in four employees of the Mission being terminated. Using modern investigative techniques, the IG was able to identify the supervisor and three other mailroom employees as responsible for the thefts. The supervisor admitted stealing items from the pouch mail over a fourteen-month period. Mission officials took immediate steps to institute corrective measures to restore the integrity of the mail system.
- Two investigations in Kenya disclosed that AID suppliers had shipped machinery to Kenya which was in violation of the Agency's source and origin requirements. Based upon the results of the Inspector General's inquiry, the suppliers were required to reimburse the Agency for the machinery costing over \$60,000.
- A host government accountant embezzled AID project funds in Niger. In reviewing project vouchers, a project official discovered two vouchers which appeared to have been forged. When confronted, the accountant admitted falsifying vouchers totaling approximately \$12,000. As a result, he was arrested by host country officials and his assets were seized. The Mission received cash reimbursement of approximately \$3,000, with the balance to be obtained through a Niger court-ordered liquidation of his personal property.
- An investigation of the contractor supervising renovation and rehabilitation of the AID office building in Chad resulted in the termination of the contractor's services. Problems noted in our investigation included the contractor's failure to properly account for approximately one-third of a \$34,000 contingency advance received for construction purposes, submission of documentation containing false declarations pertaining to the legal status of the contractor's dependents, and submission of a voucher requesting reimbursement for the cost of health insurance before any expenses had been incurred. The contractor's personal services contract was terminated for the convenience of the government, allowing USAID/Chad to deobligate \$133,750.

**FOUR EMPLOYEES OF
AID MISSION IN SRI
LANKA FIRED FOR
MAIL THEFTS**

**SUPPLIERS OF
MACHINERY TO
REIMBURSE \$60,000**

**ACCOUNTANT
ORDERED TO REPAY
\$12,000**

**AID CONTRACT IN
CHAD TERMINATED
DUE TO
IRREGULARITIES BY
CONTRACTOR**

PROACTIVE INSPECTIONS

The President's Council on Integrity and Efficiency (PCIE) has continued to emphasize the need for Inspectors General to do more to prevent fraud, waste and abuse in Federal Government programs. In line with this, the Office of Investigations has taken a proactive approach in identifying and recommending correction of systemic deficiencies before they become illegal or improper activities. The vehicle for this initiative, as opposed to the more traditional reactive

**IDENTIFICATION OF
SYSTEMIC
DEFICIENCIES**

strategy of pursuing allegations as they are received, has been the implementation of fraud prevention and detection inspections. During the past six months, investigative management has continued to emphasize the importance of initiating as many inspections as possible, as well as performing the normal investigative responsibilities. These fraud prevention and detection inspections include the following:

**PLANS TO CHARGE
UNAUTHORIZED
EXPENDITURES
DETECTED IN
THAILAND PROJECT**

- Inspection of a seed development project in Thailand disclosed evidence that indicated host government officials were planning to charge unauthorized expenditures to the project's revolving account. The project, funded with an AID loan and grant totaling \$6.2 million, is to complete the institution building process begun under a previous AID seed project. It is assisting the host government in the establishment of an efficient program to increase farmers' use of high quality seed. At the same time, the project is expanding the role of private sector participation in the program.

Preliminary inspection findings disclosed the AID mission was unable to provide a detailed accounting of charges applied to the project's \$1 million Working Capital Account (WCA). The WCA was established as a revolving fund to be used primarily for the purchase of foundation seed, production supplies and inoculants as well as for payments to contract seed growers. A proactive inspection was initiated to detect indications of fraud, waste and abuse in the use of these funds.

While the inspection did not disclose any indications the funds had been misused, it did detect evidence that host government officials planned to begin charging operating costs for such items as electricity and gasoline directly against the WCA. This action would be contrary to agreements requiring the host government to absorb such costs. In addition, such unauthorized charges could deplete the fund and not leave sufficient working capital for legitimate expenses.

The results of this inspection were furnished to the USAID so that it could institute the necessary controls in order to prevent unauthorized charges against the project.

**INSPECTION IN
INDONESIA
DISCLOSED LACK OF
COMMODITY
CONTROLS**

- In Indonesia, an inspection disclosed that no internal controls had been developed by the host government to assure proper utilization of 1,200 AID-funded refrigerators purchased at a cost of \$635,000. The refrigerator procurement was part of a \$13.2 million AID loan/grant for a nationwide preventative health program. The refrigerators, which are capable of operating on both

electricity and kerosene, are to be used to store vaccine in small villages which do not have adequate electricity.

The inspection disclosed that proper procedures had been followed throughout the procurement process and through receipt of the commodities by the host government. However, a list reflecting the twenty-six provinces to which the refrigerators were purportedly delivered was the only distribution record maintained by the AID mission. AID officials had conducted no site visits to ensure that the refrigerators had arrived at specific villages and that they were being used properly. In fact, neither the AID mission nor the host government had any idea which refrigerators were located at what specific village locations. The refrigerators had not been assigned by serial number nor by any other means of identification or control.

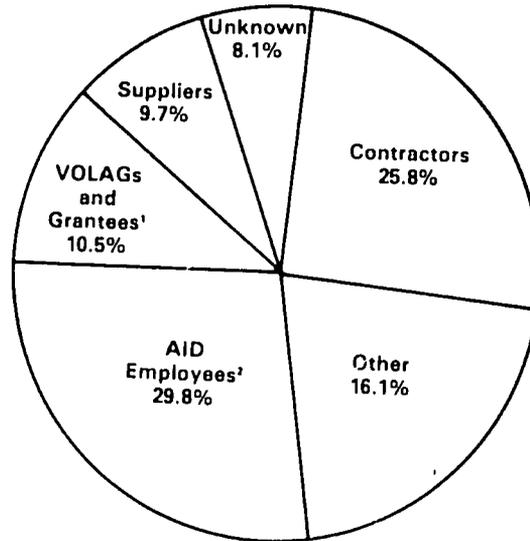
Mission officials were advised of the control weaknesses which could lead to misuse of the refrigerators. They agreed to take immediate steps to assist the host government in formulating and implementing adequate internal controls. Moreover, a mission-authorized procurement of 5,000 additional refrigerators will not be delivered until these controls are approved and in place.

CASELOAD SUMMARY

The following graphs illustrate the various types of subjects of allegations and complaints as well as the types of inquiries conducted by IG/I during the reporting period. Agency employees (29.8 percent) and contract employees and firms (25.8 percent) comprised over one-half (55.6 percent) of all the subjects of allegations received. Investigations of fraud and procurement irregularities such as bribery and embezzlement (61.5 percent) far surpassed all other types of inquiries such as thefts of Government property, customs violations, blackmarketing, postal violations, conspiracy and other criminal activities. These statistics illustrate the continuing need to stress employee integrity, particularly in the management of Agency funds.

**INVESTIGATIONS OF
FRAUD AND
PROCUREMENT
IRREGULARITIES
SURPASS OTHER
INQUIRIES**

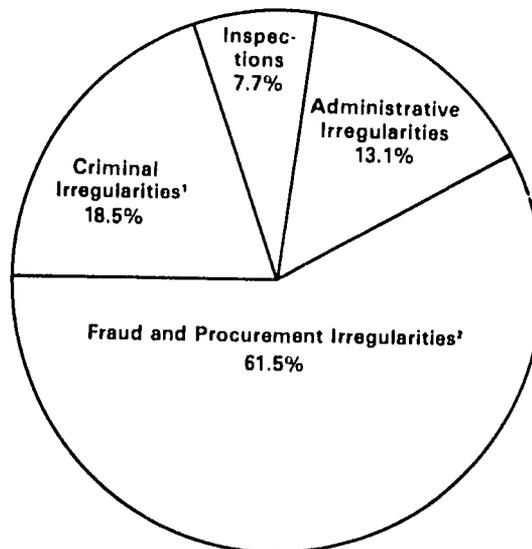
SUBJECTS OF ALLEGATIONS



¹Includes Voluntary Agencies (VOLAG) and grantees, both foreign and domestic, which are recipients of AID funding.

²Includes U.S. direct hire, Foreign Service National and Third Country National employees.

TYPES OF INVESTIGATIONS



¹Includes theft of U.S. Government property, improper use/diversion of Government personnel or property, intimidation, etc.

²Various illegal activities related to fraudulent manipulation of AID financial records.

LESSONS LEARNED

In early 1983, IG/I began issuing "Lessons Learned" upon completion of investigations in which procedural or operational weaknesses were identified. They are not intended as directives nor do they require a response by the receiving unit. Their purpose is simply to alert AID managers to potential vulnerabilities or problem areas where fraud, waste or abuse may occur in AID programs and projects. During this reporting period, the Regional Inspectors General for Investigations (RIG/I) began issuing "Lessons Learned" to AID missions within their respective regions and to other RIG/I's for their information. Topics on which Agency management received "Lessons Learned" this reporting period were on procurement contracts, travel voucher documentation, loss reporting and accountability, and supervisory responsibilities.

**"LESSONS LEARNED"
ALERT AGENCY
MANAGEMENT TO
POTENTIAL FRAUD,
WASTE OR ABUSE
AREAS**

EXECUTIVE MANAGEMENT STAFF

EMS RESPONSIBILITY The Executive Management Staff (EMS) provides consultation and advice to the Inspector General and the three Assistant Inspectors General concerning personnel and financial management, procurement and contract management, logistical and administrative management for the IG Washington Office and the six overseas Regional Inspector General Offices.

RELOCATION OF RIG/LAC OFFICE

- During this reporting period we have relocated the Regional Inspector General's Office for Latin America and the Caribbean from Washington, D.C. to Tegucigalpa, Honduras. We have recruited 19 U.S. professional staff, ten of which are currently stationed in Honduras. The remaining staff are attending an intensive Spanish language course and will report to Honduras this summer. We have also filled eight of the nine positions for professional Foreign National employees and all support staff have been hired. The office is fully operative and has in place or on order the office furniture and equipment necessary to efficiently and smoothly perform at the full staffing level.

STATUS OF RIG/KARACHI RELOCATION

- The Inspector General is attempting to move the Regional Inspector General Office from Karachi, Pakistan to Bangkok, Thailand. The office in Karachi has been declared unsecurable and only by constructing a new building and perimeter can the deficiencies be corrected. The Agency is currently discussing the matter with the Department of State.

RECRUITMENT PROGRAM

- During this reporting period EMS has continued its intensive recruitment program to fill all vacancies. These vacancies were created by both attrition and the 12 additional positions created for the Regional Inspector General's Office in Honduras. The recruitment program should be completed by April 1986. Presently we have ten auditor and six inspector applicants in processing.

IG'S BUDGET PROCESS

- The Inspector General's budget process has been the subject of two recent reports by GAO and the House Committee on Government Operations. The reports have recommended more independence for the IG in the Agency's budget process.

The Director of EMS has submitted to the Agency's Budget Officer a set of procedures for the formulation and implementation of the IG budget. If adopted by the Agency, these procedures should achieve greater independence in the IG operations. As of this report we have not received a response.

The Agency's budget process for the IG has improved during the fiscal year 1985 and fiscal year 1986 cycle. For the first time, the Inspector General was consulted before the budget was sent to OMB. The Inspector General discussed the OIG budget with the Agency's Budget Examiner at OMB. He also participated in the preparation of the narrative for the Congressional Presentation. The Director of EMS has requested that these procedures be continued in the future.

- The Office of the Inspector General was deeply saddened by the murder of Bill Stanford and Chuck Hegna and the brutal beating of Chuck Kapar. In December 1984, the three were returning from an audit in Sanaa, Yemen, to the IG office in Karachi, Pakistan when the Kuwaiti Airliner was hijacked by terrorists and flown to Tehran, Iran. Mr. Kapar is still undergoing extensive medical treatment.

SUPREME SACRIFICE

INSPECTOR GENERAL MANAGEMENT INITIATIVES

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

AUDIT STRATEGY AND PLANNING DOCUMENT BEING DEVELOPED

- During this semiannual reporting period, the Inspector General has started to develop an Audit Strategy and Planning Document. This document will set forth the strategy and priorities for developing audit plans relating to the audit universe outlined in the "Workload Assessment and Staffing Profile" report which we commented on in the last reporting period. In regard to that workload assessment, we indicated the current staffing level only provides for about half of the audit coverage required by OMB Circular A-73. Recognizing this serious lack of adequate staffing, the strategy and planning document will spell out the ground rules for redirecting part of our limited staff resources toward broad issue and problem type audits that cut across the Agency's programs, projects and functions. Project audits will continue to remain the mainstay of our efforts so long as the Agency's program remains project oriented. To facilitate the planning of these audits, we are in the process of prioritizing projects in the six major program categories of assistance. On the basis of this prioritization, emphasis will be given to project audits that account for a significant level of funding and are most vulnerable to waste, abuse and mismanagement.

SEPARATE ALLOCATION OF PROGRAM FUNDS SOUGHT TO FUND NONFEDERAL AUDITS

- During this reporting period we have had discussions with Agency management on the need to promulgate provisions or guidelines to implement the funding of non-federal audits from program funds, as sanctioned by the Administrator's Payment Verification Policy Statement No. 6. Without these guidelines the Agency cannot enhance or expand its audit coverage and attempt to correct a significant internal control weakness cited to OMB and the President under the Federal Managers' Financial Integrity Act. To ensure proper planning, funding and management of the non-federal audit program throughout AID and ensure proper management, control and oversight of the non-federal audit program by the Inspector General as required by the IG Act, a separate allocation of program funds during each year's budgetary process should be established. This process would provide funding of non-federal audits from program funds as envisioned by Policy Statement No. 6 and not diffuse the funding process in individual project papers.

- AID has more than 50 computerized systems containing information for financial, program, commodity and contract management, project implementation, and payroll, personnel and administrative control. The IG is gathering information from management offices and system users on the contents of each system, with the purpose of accessing and developing retrieval capabilities for these systems. For our overseas Regional Inspectors General offices, the IG has established a minimal ADP configuration of microcomputers and related software. Currently, about half of our offices have procured ADP equipment. The IG intends that all regional offices have ADP capability in the near future and is currently working with budget and procurement personnel to ensure this. In the area of telecommunications, the Agency has successfully tested a pilot satellite link between AID/Washington and USAID/Egypt. Through this system, the IG has received information from our regional office in Cairo; however, easy transmission to the Cairo office is hindered by IG hardware limitations. Efforts continue to resolve these difficulties. As the Agency establishes data links with more USAID's, communications among IG offices will be improved.

**ENHANCEMENTS TO
THE IG'S ADP
CAPABILITIES ARE
BEING MADE**

- The Office of Audit was reorganized during this reporting period. The primary effect of the reorganization was the establishment of an Office of Programs and Systems Audits (PSA). The PSA Office has three major audit responsibilities: program results audits of the effectiveness or results obtained from foreign assistance programs; audits of the efficiency and effectiveness of systems used by the Agency to administer its programs; and audits of automated data processing (ADP) systems and operations as set forth in the GAO standards for audit. The PSA Office consists of two divisions. One division performs centrally directed audits of Agency programs in the broad, AID-wide context. The other division, consisting of computer specialists and auditors with ADP backgrounds, performs audits of ADP systems and operations, provides ADP technical support for the other IG audit staffs, and performs mandated audits of ADP activities such as the A-71 security review required by OMB Circular A-71, or ADP systems design requirements as set forth in the GAO audit standards.

**REORGANIZATION
ESTABLISHES OFFICE
OF PROGRAMS AND
SYSTEMS AUDITS**

- Decentralization of the case management process, initiated by the Assistant Inspector General for Investigations during the previous six months, continued in this period. For example, the Regional Inspector General in Washington, now makes direct referrals and completes follow-up actions with AID/Washington staff offices, functions which were previously handled by the IG/I headquarters staff. This direct involvement by Regional Inspec-

**DECENTRALIZATION
PROCESS CONTINUES**

tors General enhances the opportunities for more rapid adjudication of investigative matters.

**HOTLINE POSTER
DISTRIBUTED
WORLDWIDE**

- The Hotline poster developed during the previous reporting period was distributed to all AID missions and AID/Washington offices during this period. In addition, a copy of the Hotline poster was incorporated into the AID telephone directory to serve as a reminder to employees of their reporting responsibilities.

**ORIENTATION
HANDBOOK
DEVELOPED**

- During the reporting period, IG/I developed an orientation handbook. The handbook details the authorities and responsibilities of the AID Inspector General. In addition, it furnishes summaries of actual investigations and inspections as well as sample allegations to give the reader an idea of the scope of investigative and inspectional areas handled by IG/I. The handbook has an organizational chart and list of addresses and telephone numbers of IG/I's headquarters staff and regional offices. The handbook is being utilized as a handout and briefing document at new employee orientation briefings, contracting officer seminars, and management conferences to enhance AID employees' knowledge of IG/I's capabilities and activities.

**REVIEW OF
INVESTIGATIVE
GUIDELINES
INITIATED**

- IG/I has initiated a comprehensive review of its investigative policies and procedures. Other investigative agencies have been contacted to determine their procedures in order to facilitate our review. The goal of the process is to consolidate the numerous individual operating instructions into an investigative handbook.

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.

AUDIT 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 personnel and physical security program. 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, each headed by 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 location and geographical responsibilities are:

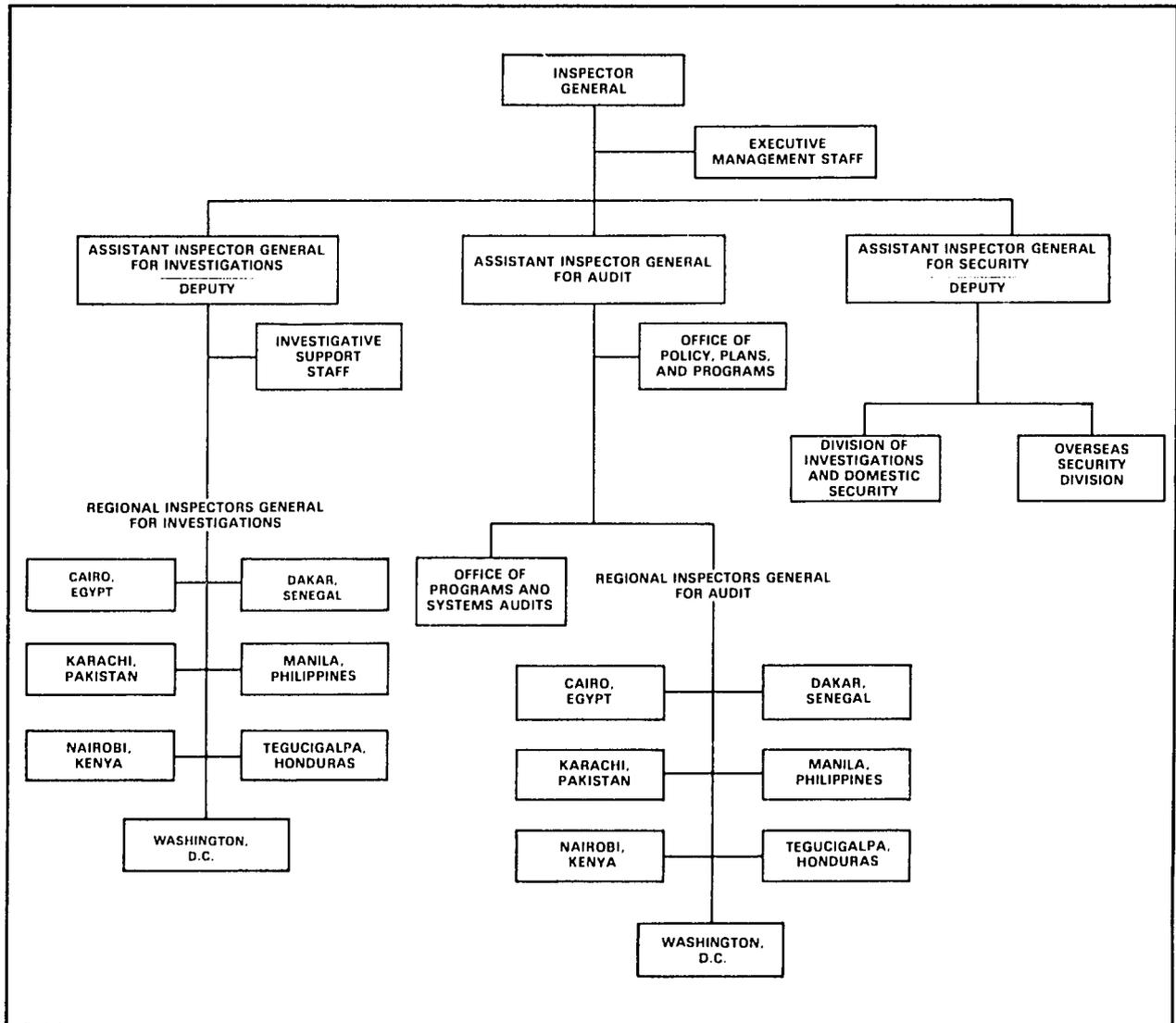
Regional Inspector General Geographical Responsibility	
Location	Countries
Cairo, Egypt	Egypt
Dakar, Senegal	West Africa
Karachi, Pakistan	Near East, South Asia
Manila, Philippines	East Asia
Nairobi, Kenya	East and North Africa
Tegucigalpa, Honduras	Latin America, Caribbean
Washington, D.C.	United States, Europe

Organization, staff distribution, and budget for the Office of Inspector General are on Tables 1 to 3.

OFFICE OF INSPECTOR GENERAL

ORGANIZATION CHART

Table 1



INSPECTOR GENERAL STAFFING—MARCH 31, 1985
Table 2

<u>Professional Staff</u>	<u>Positions</u>	<u>Vacancies</u>
Office of the Inspector General	2	0
Executive Management Staff	3	0
Office of Investigations:		
U.S.	24	3 ¹
Foreign Nationals	7	2 ²
Office of Security	13	0
Office of Audit:		
U.S.	94	3 ¹
Foreign Nationals	14	1 ¹
Total Professional Staff	<u>157</u>	<u>9</u>
<u>Support Staff</u>		
U.S.	32	0
Foreign Nationals	5	0
Total Support Staff	<u>37</u>	<u>0</u>
Total Staff (U.S. and Foreign National)	<u>194³</u>	<u>9</u>

¹Candidate(s) selected.
²New positions being established.
³Includes full-time equivalent of part-time positions.

INSPECTOR GENERAL BUDGET
Table 3

<u>IG Component Office</u>	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>
Office of Security	\$ 2,637,787	\$ 3,603,921
Office of Investigations	2,369,209	2,595,481
Office of Audit	9,867,685	11,788,822
Inspector General	185,896	203,000
Executive Management Staff	289,973	443,476
Total	<u>\$15,350,550</u>	<u>\$18,634,700</u>

AUDIT REPORTS ISSUED

October 1, 1984 through March 31, 1985

INTERNAL AUDIT REPORTS

Report Number	Date of Report	Report Title
0-000-85-1	10/01/84	Memorandum Report on International Statistical Institute
0-000-85-2	10/03/84	Planned Parenthood Federation of America, Inc.
0-000-85-3	10/17/84	Memorandum Report on Financial Audit of Ronco Consulting Corporation
0-000-85-4	10/18/84	Memorandum Report on Maxima Corporation
0-000-85-5	10/18/84	Memorandum Report on Town Affiliation Association of the U.S., Inc.
0-000-85-6	11/29/84	Strengthening Grants Program—Need for Better AID Direction to Participating Universities
0-000-85-7	12/07/84	AID Needs to do More to Comply with the Federal Managers' Financial Integrity Act
0-000-85-8	12/07/84	AID's Participant Training Program Can Be Made More Effective
0-000-85-9	12/20/84	AID's Management of International Executive Service Corps Grants
0-000-85-10	02/28/85	Memorandum Report on Edward L. Bateman, Inc.
0-000-85-11	03/21/85	Audit of AID's Use of Procurement Service Agents
0-000-85-12	03/26/85	Appropriate Technology International: Accountability for Replicating Its Successes Must Be Defined
0-000-85-13	03/29/85	Audit of the Bureau for Private Enterprise's Investment Packaging Program
0-000-85-14	03/29/85	Audit of Closeout of Expired Contracts
1-522-85-1	10/25/84	Monitoring Dollar and Local Currency Resources Under Economic Recovery and PL 480 Title I and III Programs in Honduras
1-517-85-2	11/19/84	Rural Health Services Deteriorate and Improvements in Water and Sanitation Delayed in the Dominican Republic
1-532-85-3	11/19/84	Health Management Improvement Project: Disappointing Accomplishments to Date, Successful Completion In Doubt - USAID/Jamaica
1-520-85-4	12/28/84	Contract Close-Out Procedures Employed by USAID/Guatemala
1-522-85-5	01/10/85	Use of and Accountability for Local Currency Revolving Funds Generated by USAID/Honduras' Economic Recovery Program
1-000-85-6	01/11/85	Emergency Relief and Rehabilitation for Grenada Under the Foreign Disaster Assistance Program

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
1-522-85-7	02/27/85	Long-Term Objectives of the Rural Trials and Access Roads Project in Jeopardy
2-493-85-1	11/30/84	Measurable Goals and Long-Term Maintenance Should Be Emphasized for the Revised Northeast Thailand Small Scale Irrigation Project
2-492-85-2	02/07/85	The Philippine Population Program Should Be Given Higher Priority and be Better Managed
3-615-85-1	10/02/84	Kenya Program Grant Could Have Been More Effective
3-645-85-2	10/12/84	The Cropping Systems and Extension Training Project in Swaziland
3-664-85-3	10/12/84	Poor Maintenance Pre views Future Recurring Cost Problems for the Rural Community Health Project in Tunisia
3-615-85-4	10/31/84	The Regional Financial Management Center Concept As Being Implemented in Nairobi Needs to be Reviewed
3-615-85-5	12/11/84	Attempts Should Be Made to Sustain the Successful Aspects of Kenya's Renewable Energy Development Project
3-633-85-6	12/14/84	Botswana's Rural Sector Grant Shows Progress on Major Objectives, But Its Financial and Administrative Affairs Need Improvement
3-679-85-7	12/27/84	The Congo Smallholder Agricultural Development Project Will Be Jeopardized Unless Project Problems Are Resolved
3-615-85-8	02/15/85	Structural Adjustment in Kenya Needs to be Evaluated
3-615-85-9	02/28/85	USAID/Kenya Needs to Implement Agency Policy Related to an Orderly Closeout of Expired Contracts
3-621-85-10	03/28/85	Audit of the Zanzibar Malaria Control Project No. 621-0163
5-383-85-1	10/31/84	Audit Report on Mahaweli Basin Development I Project in Sri Lanka
5-386-85-2	11/28/84	Integrated Rural Health and Population Project in USAID/India
6-263-85-1	10/31/84	An Audit of the Decentralization Support Fund Activity No. 263-K-605.4—An Activity Under Egypt's Decentralization Sector Support Program
6-263-85-2	03/20/85	Audit of USAID/Egypt's Population and Family Planning Projects I and II
6-263-85-3	03/27/85	AID's Rice Research and Training Project—USAID/Egypt
6-263-85-4	03/31/85	USAID/Egypt's Closeout of Expired Contracts

INTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
7-636-85-1	10/30/84	Progress and Problems in Implementing Adaptive Crop Research and Extension Project in Sierra Leone
7-698-85-2	12/31/84	Strengthening Health Delivery Systems in Sub-Saharan Africa— Need for Better Evaluations and Financial Management Controls
7-682-85-3	01/04/85	USAID/Mauritania Local Currency Accountability, Rural Medical Assistance Project
7-683-85-4	02/28/85	Need to Redesign the Niger Integrated Livestock Production Project
7-688-85-5	03/27/85	Progress and Problems in Managing the Mali Livestock Sector II Project
AM 85-1	10/01/84	Review of a Cost Proposal Submitted by Grace V. Vaughn and Associates, Inc.
AM 85-2	10/03/84	Review of International Federation for Family Life Promotion
AM 85-3	10/11/84	Review of Indefinite Quantity Contract Proposal Submitted by Laramore, Douglass and Popham
AM 85-4	10/22/84	Review of the Inspector General's Investigation and Inspection Confidential Fund
AM 85-5	11/15/84	Review of a Proposal for a Support Grant Submitted by US-ASEAN Center for Technology Exchange
AM 85-6	03/11/85	Review of Indirect Cost Allocation Proposed by Children's Television Workshop Under Grant No. NEB-0193-G-SS-4119-00

EXTERNAL AUDIT REPORTS

TR 85-1	10/04/84	Creative Associates
TR 85-2	10/04/84	Development Management Systems, Inc.
TR 85-3	10/02/84	University Research Corporation
TR 85-4	10/03/84	Camp, Dresser and McKee, Inc.
TR 85-5	10/05/84	Institute for Development Anthropology
TR 85-6	10/10/84	Petro-Engineering, Inc.
TR 85-7	10/19/84	Resource Development Associates
TR 85-8	10/22/84	African American Institute
TR 85-9	10/19/84	P.S.I. Associates, Inc.
TR 85-10	10/22/84	The Population Council
TR 85-11	10/23/84	Action Programs International
TR 85-12	10/31/84	Logical Technical Services Corporation
TR 85-13	10/31/84	Tulane University
TR 85-14	11/02/84	Washington University

EXTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
TR 85-15	11/09/84	Roy F. Weston, Inc.
TR 85-16	11/19/84	Biomedical Research Institute
TR 85-17	11/19/84	Booz, Allen, and Hamilton
TR 85-18	11/19/84	IADS Operations, Inc.
TR 85-19	11/19/84	University of New Mexico
TR 85-20	11/19/84	Institute of Public Administration
TR 85-21	11/19/84	PRC Harris, Inc.
TR 85-22	11/26/84	Roy Jorgensen Associates, Inc.
TR 85-23	12/10/84	YMCA
TR 85-24	12/10/84	PRC Harris, Inc.
TR 85-25	12/10/84	Dresser Petroleum Engineering Services
TR 85-26	12/10/84	Roy F. Weston, Inc.
TR 85-27	12/10/84	John T. Boyd Company
TR 85-28	12/10/84	Cornell University
TR 85-29	12/10/84	Episcopal Church of the USA
TR 85-30	12/10/84	PRC Harris, Inc.
TR 85-31	12/12/84	Cornell University
TR 85-32	12/12/84	Cornell University
TR 85-33	12/12/84	Price Waterhouse and Co.
TR 85-34	12/12/84	Bechtel Group, Inc.
TR 85-35	12/14/84	South-East Consortium for International Development
TR 85-36	12/27/84	Cornell University
TR 85-37	12/17/84	American Institute of Biological Sciences
TR 85-38	12/27/84	Arthur Young and Company
TR 85-39	12/27/84	PRC Harris
TR 85-40	12/28/84	University of California
TR 85-41	01/16/85	Phelps-Stokes Fund
TR 85-42	01/11/85	Social Science Research Council
TR 85-43	01/11/85	The Pennsylvania State University
TR 85-44	01/11/85	University of California
TR 85-45	01/11/85	Hoskins-Western-Sonderregger, Inc.
TR 85-46	01/11/85	Planning Assistance, Inc.
TR 85-47	01/24/85	Development Associates, Inc.
TR 85-48	01/24/85	World Relief Corporation
TR 85-49	01/25/85	CH2M Hill, Inc.
TR 85-50	01/24/85	University of Missouri
TR 85-51	01/31/85	Academy for Educational Development, Inc.
TR 85-52	01/31/85	Frank E. Basil, Inc.
TR 85-53	01/31/85	Cornell University
TR 85-54	01/31/85	Logical Technical Services Corporation
TR 85-55	01/31/85	Transcentury Corporation
TR 85-56	02/07/85	Interface Video Systems, Inc.
TR 85-57	02/07/85	Pennsylvania State University

EXTERNAL AUDIT REPORTS (Cont'd)

Report Number	Date of Report	Report Title
TR 85-58	02/08/85	Atlanta University
TR 85-59	02/07/85	Lutheran World Relief, Inc.
TR 85-60	02/08/85	CARE, Inc.
TR 85-61	02/08/85	Auburn University
TR 85-62	02/08/85	CH2M Hill, Inc.
TR 85-63	02/08/85	VITA
TR 85-64	02/08/85	International Council on Education for Teaching
TR 85-65	03/11/85	African-American Labor Center, Asian-American Free Labor Institute and American Institute for Free Labor Development
TR 85-66	03/11/85	Development Sciences, Inc.
TR 85-67	03/11/85	PADCO, Inc.
TR 85-68	03/11/85	Florida A&M University
TR 85-69	03/15/85	Colorado State University
TR 85-70	03/11/85	The University of Rhode Island
TR 85-71	03/11/85	University of Minnesota
TR 85-72	03/25/85	Cexec, Inc.
TR 85-73	03/11/85	Cornell University
TR 85-74	03/11/85	Planning Assistance, Inc.
TR 85-75	03/11/85	Daniel International Corp.
TR 85-76	03/25/85	Applied Systems Institute
TR 85-77	03/25/85	ABT Associates, Inc.
TR 85-78	03/25/85	Planning and Development Collaborative International (PADCO)
TR 85-79	03/25/85	Arthur Young and Company
TR 85-80	03/25/85	A.L. Nellum and Associates, Inc.
TR 85-81	03/25/85	Asian-American Free Labor Institute
TR 85-82	03/25/85	Colorado State University