IMPROPER TRANSFER OF APPROPRIATED DOLLARS TO THE GOVERNMENT OF INDONESIA PROVIDED TRUST FUNDS

USAID/INDONESIA

Memorandum Audit Report No. 2-497-82-13

July 27, 1982

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UNITED STATES GOVERNMENT

Memorandum

TO : Mr. William P. Fuller, Director
USAID/Indonesia

DATE: July 27, 1982

FROM : Russel E. Aulik, Regional Inspector General for Audit/Manila

SUBJECT: Memorandum Audit Report No. 2-497-82-13
Improper Transfer of Appropriated Dollars to the Government of Indonesia Provided Trust Funds

Introduction

Informally, the Director, USAID/Indonesia requested us to audit specific USAID financial transactions identified by the AID Assistant Administrator, Bureau for Asia (AA-Asia). In January 1982, the AA-Asia questioned the USAID/I's use of fiscal year (FY) 1981 operating expense funds. The AA-Asia had been informed that USAID/I used a portion of the FY 1981 operating expense funds contrary to their intended purpose and had converted trust fund obligations to the FY 1981 dollar operating expense allotment, in order to fully obligate the USAID's allotment. The AA-Asia requested USAID/I to report on these actions.

In April 1982, the Director, USAID/I, in his report to the AA-Asia, stated that he had advised the AID Inspector General (IG) and the Regional Inspector General for Audit/Manila (RIG/A/M) of the situation. The Director also stated that the USAID would wait for a determination by the Inspector General before taking any further action.

We reviewed the pertinent documentation addressed in the AA-Asia letter and USAID/I's reply, but did not limit our audit to the transactions questioned in this correspondence. We reviewed accounting records at the USAID and discussed the various transactions with USAID/I personnel. Also, we reviewed AID regulations and pertinent sections of the U.S. Code covering appropriations and use of those funds. A copy of this report was sent to USAID/I and their comments are noted in this report.

The matters covered in this report are limited to the situation reported in the AA-Asia letter, the USAID/I Director's response and similar USAID/I transactions. A comprehensive audit of the controller function at the USAID is in process, and upon completion, an in-depth report will be published. To expedite management review and action on these fund control matters we are publishing this earlier separate report.

Findings, Conclusions and Recommendations

In three instances, USAID/I converted expenses previously paid from the Government of Indonesia (GOI) provided Trust Funds to their appropriated dollar operating expense funds . These transactions total about

$482,000. In doing so, USAID/I circumvented the fund control procedures established by the Agency, as well as a Federal law, which says that no reserves will be created unless authorized. Also, USAID/I did not adhere to a Federal law defining valid obligations, in that the original obligations had been paid, thus USAID/I did not have valid obligations as of the date of these transfers. Further, the funds improperly transferred have lost value; that is since the transfer dates, the dollar has increased in value against the Indonesian Rupiah.

On January 21,1982, the Acting AA-Asia wrote to the Director, USAID/I that he was informed that $200,000 of FY 1981 operating expense funds, which were provided for the specific purpose of repairs to USAID houses, had not been used for that purpose. The Acting AA-Asia, also said that in past years, USAID/I had obligated, at year end, excess operating expense funds for purposes which were initially obligated under the Trust Fund Account. The Trust Fund obligations, according to the AA-Asia, were converted to dollar funded operating expense allotments. The AA-Asia requested a report on both instances, which should include a determination as to whether the obligations were valid, as prescribed in Section 1311 of the Supplemental Appropriations Act of 1955 (31 U.S.C. 200).

Including the $200,000 transfer identified above, USAID removed about $482,000 in local salary expenses charged to the Trust Fund and charged these expenses to their dollar funded operating expense allotment. The transfer of charges occurred on the last day of each fiscal year, and was done to fully utilize the dollar funds, whose use expired on that date. The local employees salaries expenses were paid earlier in the respective fiscal year. The USAID used Journal Vouchers and the Voucher and Schedule to Effect Correction of Errors to facilitate the transfers. The first transfer affected the FY 1980 operating expense allotment and amounted to about $69,000. The second and third affected the FY 1981 operating expense allotment and involved $213,000 and $200,000, respectively. See Exhibit A.

The details of these transfers and our recommendations follow the section outlining AID's fund control procedures and other pertinent criteria.

Fund Control Concepts

The AID fund control requirements are presented in Handbook -19: Financial Management. These requirements are based on Federal law, Office of Management and Budget guidances, and the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies.

The term "fund control" refers to management control over the use of fund authorizations to insure that:

- -- funds are used only for authorized purposes,
- -- they are economically and efficiently used,

-- obligations and expenditures do not exceed the amounts authorized, and

-- the obligation or expenditure of amounts authorized is not reserved or otherwise deferred without Congressional knowledge and approval.

There are three Federal laws which require or directly apply to fund control, as follows:

1. The Antideficiency Act, 31 U.S.C. 665 (also referred to as Section 3679 of the Revised Statutes) was designed to prevent the incurring of obligations or the making of expenditures (disbursements) which would create deficiencies in appropriations and funds, to fix responsibility within an Agency for excess obligations and expenditures and to assist in bringing about the most effective and economical use of appropriations and funds. This section allows reserves to be established solely to provide for contingencies or to effect savings, whenever savings are made possible by or through changes in requirements or greater efficiency of operations. Any reserves so established must be reported to the Congress in accordance with the Impoundment Control Act of 1974.

2. Impoundment Control Act of 1974 prescribes guidelines and procedures for the establishment of reserves or other deferral of budget authority. Under the Act, restraints on obligations for any reason--Antideficiency Act, policy, or other--must be reported by the President to the Congress as proposed rescissions or deferrals. Proposed rescissions cannot be effected without affirmative action by the Congress; proposed deferrals take effect unless disapproved by either the House of Representatives or the Senate. The Comptroller General is required to report to the Congress on proposed or established reserves or the deferrals of budget authority that have not been reported by the President.

3. Section 1311 of the Supplemental Appropriation Act, 1955 (31, U.S.C. 200) provides that no amount shall be recorded as an obligation unless it meets specified criteria and that statements of obligations furnished to the Congress or any of its committees shall include only amounts representing valid obligations as so defined. These specific criteria are:

   (a). A binding agreement in writing between the parties thereto, including Government Agencies, in a manner and form and for a purpose authorized by law, executed before the expiration of the period of availability for obligation of the appropriation or fund concerned for specific goods to be delivered, real property to be purchased or leased, or work or services to be performed; or

   (b). A valid loan agreement, showing the amount of the loan to be made and the terms of repayment thereof; or (c). An order required by law to be placed with a Government agency; or

(d). An order issued pursuant to a law authorizing purchases without advertising when necessitated by public exigency or for perishable subsistence supplies or within specific monetary limitations; or

(e). A grant or subsidy payable (i) from appropriations made for payment of or contributions toward, sums required to be paid in specific amounts fixed by law or in accord with formulae prescribed by law, or (ii) pursuant to agreement authorized by, or plans approved in accord with and authorized by, law; or

(f). A liability which may result from pending litigation brought under authority of law; or

(g). Employment or services of persons or expenses of travel in accord with law, and services performed by public utilities; or

(h). Any other legal liability of the United States against an appropriation or fund legally available therefor.

AID has established a fund control system in compliance with the above legal requirements. The control of funds within apportionments and reapportionments is exercised by (a) an overall operational year budget (OYB) for AID program funds, (b) an overall operating expense plan for operating (administrative type) expenses, (c) allotments and (d) systems for the prevalidation of obligation documents, and control of expenditures (disbursements).

The Controller, Office of Financial Management is responsible for assuring with respect to all funds, including revolving funds, management funds, and <u>trust funds</u>, that:

(a) Apportionments, divisions and subdivision of apportionments are recorded in the accounts and subsidiary records.

(b) Allotments do not exceed apportionments and reapportionments.

(c) Obligations are identified with the applicable appropriations or funds at the time they are incurred.

(d) Obligations are prevalidated for fund availability and recorded before the applicable obligation documents are released.

(e) Obligations are liquidated in the period the goods are received or constructive receipt occurs.

(f) Amounts recorded and reported as obligations are valid obligations as defined by law in accordance with Section 1311 of the Supplemental Appropriations Act of 1955.

Each official in AID/W and field station receiving an allotment of funds which covers (a) an Operational Year Budget (OYB) for AID program funds, or (b) an operating expense plan for (administrative type) expenses is responsible for restricting obligations to the amounts available in such allotments.

To help allottees meet this responsibility, the designated accounting offices maintain allotment accounts (obligation registers), and prevalidate documents for availability of funds. Obligations incurred or disbursements made in excess of the amount permitted by an allotment constitute violations of Section 665 of 31 U.S.C., the Antideficiency Act.

The allotment accounts are the official accounting records of the Agency and the amounts therein are reported monthly to the Central Accounting Office for entry into the General Ledger. Allottees are also responsible for controlling the rate of obligations to prevent the exhaustion of funds prior to expiration of the apportionment.

For purposes of effective financial planning, including fund control, data on proposed obligations (such as loans or grants that have been authorized) are systemtically accumulated in accounting records in advance of their becoming valid obligations. When the records are used to prepare official reports on obligations incurred, care is exercised to assure that the reports include only valid obligations as defined by law.

Any violation of AID's fund control regulations must be reported to the Administrator. The reporting requirements for violations are contained in Handbook 19, Appendix 1A.

In FY's 1980 and 1981, USAID/I received allotments for operating expenses amounting to about $2.1 million and $2.6 million, respectively. USAID/I recorded these allotments in their general ledger for the operating expense allotment. These funds were available for obligation only in the fiscal year of the allotment.

Establishment of Trust Funds is authorized by Sections 625 (h) and 636 (h) of the Foreign Assistance Act of 1961, as amended. AID regulations state that AID is authorized to enter into agreements with the cooperating country, in this instance the Government of Indonesia (GOI), for the sharing of the costs of authorized activities or functions. According to the bilateral agreement, the GOI makes local currency available for deposits into a U.S. trust account -- known as the Trust Fund. By regulation, the title of these funds remains with the GOI, and the USAID acts as the trustee, reporting thereon to the GOI and AID/Washington.

USAID/I received deposits from the GOI for the Trust Fund amounting to about $900,000 in FY 1980 and $700,000 in FY 1981. These funds were deposited with the U.S Treasury and recorded in the Trust Fund general ledger. These funds are not resticted by time limitations, since they are not appropriated funds.

USAID/I procedures on obligations require that all obligations -- dollar or Trust Fund -- be prevalidated for fund availability. These procedures are in accordance with AID's fund control requirements.

Violation of Fund Control Concepts

In FYs 1980 and 1981, USAID paid local employees' salaries from the GOI provided Trust Funds. Then at the close of the respective fiscal year, portions of these previously paid expenses were converted from the Trust Fund to the appropriated dollar funded operating expense allotments -- $69,000 and $413,000 respectively. These converted amounts were equal to the unobligated balance of the dollar funded operating expense allotment.

First Transfer

On September 30, 1980, about $69,000 remained unobligated in the USAID FY 1980 operating expense allotment and would normally be deobligated since it had not been used in FY 1980. However, on September 30, 1980, USAID/I Controller's office prepared a Journal Voucher in the amount of $69,027.74 deleting the obligation and expenditure from the Trust Fund for local employees' salaries and charging the dollar funded operating expense allotment for these costs. The explanation for the action cited on the Journal Voucher was "To provide for payment of a portion of FSN [Foreign Service National] salaries in dollars due to inadequacy of FY 1980 Trust Fund allocation from the GOI for mission [USAID] operating expenses."

On October 16, 1980, the Controller's Office executed a voucher notifying the U.S. Treasury's Regional Disbursing Officer of the above transactions. This voucher had the effect of charging the dollar allotment for these costs and restoring this amount to the Trust Fund.

According to USAID/I records, the obligations and payments effected were for local employees' salaries during the period January 13 to February 23, 1980 and the period March 9 to 22, 1980. The employees' salaries for these periods totalled about Indonesian Rupiah (Rp.) 52.8 million ($84,600), but USAID/I transferred Rp. 43.0 million ($69,000). Thus, USAID/I left about Rp. 9.7 million ($15,000) charged to the Trust Fund.

According to the USAID Controller Office personnel, they effected this change because the Trust Fund did not have enough funds to cover anticipated obligations. These personnel stated that the dollar operating expense allotment and the Trust Fund can be used for similar expenses. At the end of FY 1980, the Trust Fund had a balance of about $198,000 not including the transfer.

This transfer took place on the last day of FY 1980, and resulted in obligating the remaining FY 1980 funds prior to the loss of use of these funds. Since the obligations effected by the transfer were fully liquidated (paid) during the year, USAID/I had in fact created a reserve from operating expenses contrary to the legal provisions cited earlier. Further, the USAID had effectively converted a dollar appropriation to the enhancement of the GOI title Trust Funds, without a valid obligation as prescribed by Section 1311.

Second Transfer

On September 30, 1981, USAID/I Controller's Office prepared a Journal Voucher in the amount of $213,014.84 deleting the obligation and expenditure from the Trust Fund for local employees' salaries and charging the dollar funded operating expense allotment for these costs. On the same date, the Controller's Office executed a voucher notifying the Regional Disbursing Officer of the above transaction.

This transaction, as in the first transfer, utilized, on the last day of the fiscal year, a portion of the unobligated balance of the dollar funded operating expense allotment. In this case the obligations and expenditures for the local employees salaries were for the period October 19, 1980 through February 6, 1981. The Journal Voucher cited the same explanation as the first transfer.

According to the Controller, USAID/I, the $213,000 of Trust Fund obligations were transferred to the dollar operating expense allotment because of insufficient Trust Fund receipts from the GOI. He pointed out that only $697,000 in local currency had been received from the GOI by July 1981, leaving a projected funding shortage of about $275,000 in the Trust Fund budget. Thus, USAID decided to charge the dollar allotment for this amount to the extent dollar funds were available to obligate at the end of the fiscal year. At the end of FY 1981, the Trust Fund had a balance of about $139,000 not including the transfers.

Again, the transaction took place on September 30, 1981, or the last day of FY 1981. The result being USAID/I effectively obligated FY 1981 funds prior to the loss of the use of these funds. Thus, USAID violated fund control procedures established by law and regulation, as it had with the first transfer.

Third Transfer

Also on September 30, 1981, the USAID/Controller's Office transferred $200,000 of Trust Fund obligation and expenditures to the dollar operating, expense allotment. As with the previous transfers, the Controllers Office used a Journal Voucher and a voucher notifying the Regional Disbursing Officer of the transaction. The obligations and expenditures covered local employees' salaries for the periods January 25 through March 7, 1981 and June 28 through September 5, 1981.

This transfer is more complicated in that USAID advised AID/Washington that it had done so, and that this amount had been specifically reserved in the Trust Fund for repairs of U.S. government-owned houses occupied by USAID personnel.

In July 1981, USAID had requested additional funds for the operating expense allotment to fund the repairs of houses occupied by certain AID personnel. USAID established that it required $200,000 for the repairs. On September 18, 1981, AID/Washington provided $200,000 to USAID for the specific purpose of repairs to these houses -- the restriction on use of these funds was set out in a cable and the formal notice of allotment increase.

During the intervening period, decisions beyond USAID's control were made to reconstruct rather than repair the subject houses. Also, the title to these houses became an issue and this issue was not resolved by the end of the fiscal year.

According to USAID personnel, the advice of allotment was not received until September 18, 1981. Prior to its receipt, USAID did not believe that valid contracts for repairs could be negotiated by the end of the year and so advised AID/Washington. According to the USAID Controller, he contacted the Regional Controller, Bureau for Asia, on September 21 to discuss the problems in obligating the $200,000. The Asia Bureau Controller agreed with the USAID Controller to transfer the $200,000 to the Trust Fund pending approval of the Deputy Controller - Budget at AID/Washington. According to the USAID Controller, the Deputy Controller-Budget approved the transfer to the Trust Fund on September 22, 1981. No formal approval of these actions was received by USAID.

The record shows that the USAID was aware that it did not have a valid obligation-- housing repairs--for the $200,000 at the end of the fiscal year. The establishment of a "reserve" in the Trust Fund was not an authorized action. Essentially, USAID has circumvented the fund control procedures. In this instance, USAID also violated the "advice of allotment" which specifically required these funds to be used for housing repairs -- not local employees' salaries.

Trust Fund Transfers and Reserves Lost Value

When USAID transferred appropriated dollar operating expense funds to the Trust Fund, the rate of exchange was lower than it is currently. The rate of exchange in effect September 30, 1980 was Indonesian Rupiah (Rp.) 624 per U.S. dollar and on September 30, 1981, it was Rp. 632. But as of April 30, 1982 the exchange rate was Rp. 650 per U.S. dollar. Thus to recover the dollars transferred to the Trust Fund, USAID would have to remove more local currency from the Trust Fund than was transferred into it. The following shows the losses in value:

Transfer Loss at Current Rate of Exchange

Transfer Date	Amount Transferred Dollar	Amount Transferred Rupiah	Value of Transfer At Current Rate 1/	Loss in Value Rupiah	Loss in Value Dollars
9/30/80	$ 69,027.74	Rp 43,073,310	Rp 44,868,031	Rp 1,794,721	$ 2,761.11
9/30/81	213,014.84	134,625,379	138,459,646	3,834,267	5,898.87
9/30/81	200,000.00	126,400,000	130,000,000	3,600,000	5,538.46
Total	$482,042.58	Rp304,098,689	Rp313,327,677	Rp 9,228,988	$14,198.44

1/ Exchange rate as of April 30, 1982: Rp 650 = $1.00 U.S.

The Controllers Office was maintaining the value of the $200,000 transfer in the Trust Fund general ledger. That is, each time the exchange rate changed, the USAID accountant increased the amount reserved for the housing repairs. However we do not believe that USAID has a basis to charge the Trust Fund, which are GOI monies, for the loss in value for improper transactions done by USAID.

Conclusions

USAID/I circumvented the fund control procedures established by the Agency, as well as the Antideficiency Act, which says that no reserves will be created unless authorized. And USAID/I did not adhere to Section 1311, in that the USAID did not have valid obligations as of September 30, 1980 or 1981 for which to obligate funds.

Local employees' salaries were obligated and liquidated (paid) in the respective accounting periods and during the respective fiscal years. These costs were obligated and liquidated by charging the Trust Fund. Subsequently, USAID reversed these transactions, and charged these costs to the dollar funded operating expense allotment. This is contrary to the Controller's responsibility to ensure that obligations are identified with applicable appropriations of funds at the time these are incurred and that obligations are liquidated in the period the goods or services are received. In essence, USAID transferred excess operating expense dollar funds to the Trust Fund prior to losing authority for the use of the dollar funds. Thus, USAID actually transferred $482,000 of U.S. appropriated dollars to the GOI title Trust Funds. We find no legal authority for these actions.

Further, the U.S. Treasury should not have incurred a loss in value from these transactions. Had the USAID returned these funds in question at the close of the respective fiscal year, there would have been no loss in the value of the dollars transferred to the Trust Fund.

Recommendation No. 1

USAID/I recover the $482,000 of operating expense funds for fiscal years 1980 and 1981 which were improperly transferred to the Trust Fund, and return these funds to the U.S. Treasury.

Recommendation No. 2

USAID/I establish controls to assure compliance with AID fund control procedures and preclude improper transfers between dollar funded operating expense allocations and the Trust Fund.

Recommendation No. 3

USAID/I coordinate with Controller, M/FM and prepare the appropriate report on the matters disclosed herein and report to the Administrator, AID, as required by Handbook 19, Chapter 1 Appendix 1A.

USAID/I Comments and Our Analysis

USAID/I did not concur either in full or in part with the report's findings and recommendations. (See Appendix A). The Director pointed out that the decision to obligate appropriated dollars or GOI provided Trust Funds for operating expenses is the responsibility of the USAID Controller. Also, he wrote that during and at the end of each fiscal year, continual decisions must be made to determine the extent each of these two fund sources shall be utilized in support of the USAID's operating expense.

We agree that this is the USAID Controller's responsibility. We recognize that the Controller and the staff make continual decisions on which source of funds should be charged. At the time an obligation is incurred, AID's funds control procedures require that each obligation be identified with the source of funds to be charged for paying the obligation. Once the obligation is paid (liquidated), the valid obligation, as established by Section 1311, no longer exists. The three transfers accomplished by USAID reversed liquidated Trust Fund obligations to charge the dollar operating expense fund. That is, costs paid earlier in the fiscal year were switched from one fund account to another. However, at year end, USAID did not have a valid obligation for which to charge the dollar operating expense fund, since the obligations were previously paid. We find no basis to recover payments from the Trust Fund, since the obligations were valid when incurred and paid. Thus, the effect of USAID's transfers of payments was to purchase new monies creating a reserve in the Trust Fund with unused appropriated U.S. dollars. This is illustrated in USAID's comments on this report (Appendix A) in that they explain that they reserved $200,000 in the Trust Fund for specific housing repairs.

For FY 1980 and 1981, the USAID decided to "fully utilize" the dollar operating expense funds, according to the Director. He points out that the USAID had a budgetary shortfall of $90,000 and $400,000 respectively, in the GOI Trust Fund account. However, the three transfers cited above were made on the last day of FYs 1980 and 1981 and after the $69,000 and $413,000, respectively, were paid by charging the Trust Fund. It is unlikely that the Controller, in making his "continual decisions" would not have anticipated a "budgeting shortfall" in the Trust Fund before September 30, 1980 and 1981. In fact, the Trust Fund balance (unobligated) at the end of FY 1980 and FY 1981 was substantial. The ending balance for FY 1980 amounted to about $267,000 including the $69,000 transferred from the dollar operating expense account, or about $198,000 net of the transfer. For FY 1981, the ending balance was about $543,000 including the transfers of $413,000, or about $130,000 net.

We question USAID's decision to fully utilize the dollar funds prior to the end of their availability. U.S. Government policy is to use appropriated funds only to the extent necessary. As stated by the Office of Management and Budget in August 1981 concerning "Reducing and Controlling Unnecessary Year-End Spending: *** Public funds will be used only for necessary program purposes and will not be obligated solely to commit funds before they [use of these funds] lapse.***" The USAID had transferred liquidated obligations from the Trust Fund to the dollar operating expense fund to avoid the lapse (use) of these dollar funds.

The USAID explained that AID/W had approved the use of the $200,000 transfer for normal operating expense and thus had removed the advice of allotment restriction. The USAID said they expected to receive a formal notification of this action but none was received. If AID/W had intended to do this, it seems unlikely the AA-Asia would have questioned USAID's use of these funds in January 1982. Further, USAID claims that they did not establish any reserves as the result of the transfer; yet, their own correspondence and records show that they established a reserve of $200,000 in the Trust Fund. This Trust Fund reservation was in the exact amount and for the same purpose as the $200,000 allotment for housing repairs, which was the third transfer.

LIST OF FUNDS EFFECTED AND RESPONSIBLE PERSONNEL INVOLVED IN FUND CONTROL CIRCUMVENTION

	First Transfer	Second Transfer	Third Transfer
Appropriation No.:	72-1101000	72-1111000	72-1111000
Allotment No.			
Dollar	000-50-497-00-10-01		100-50-497-00-10
-11 100-50-497-00-10-11			
Trust Fund	148-50-497-00-69-00		148-50-497-00-69
-00 148-50-497-00-69-00			
Date of Violation:	9/30/80	9/30/81	9/30/81
Amount:	$69,027.74	$213,014.84	$200,000.00
Responsible Personnel:			
Controller USAID/I	Robert L. Bourquein		Robert L.
Bourquein Robert L. Bourquein			
Certifying Officer	Horace W. Hunter		Horace W.Hunter
Horace W. Hunter			
Regional Controller- for Asia	-	-	Richard
P.Solloway			
Deputy Controller- Budget	-	-	Robert K. Clark

UNITED STATES GOVERNMENT

memorandum

DATE: June 27, 1982

REPLY TO ATTN OF: William P. Fuller, Director - USAID/Indonesia

SUBJECT: Draft Audit Report - Improper Transfer of Appropriated Dollars to the Government of Indonesia Provided Trust Funds

TO: Mr. Russel E. Aulik, RIG/A/Manila

USAID has reviewed the subject draft report and does not concur either in full or in any part with the report's findings and recommendations.

The decision to obligate appropriated dollars or trust funds for operating expenses during a fiscal year is a responsibility of the USAID Controller. During the fiscal year and at the end of each fiscal year, continual decisions must be made to determine the extent each of the two sources of funds shall be utilized to support the operating expenses of USAID.

During FY 1980 the amount of trust funds received by the end of the fiscal year was less than budgeted by dols. 90,000. Further USAID anticipated a possible reduction by the GOI in future trust fund contributions and for negotiating purposes believed that the appropriated dollar allotment should be fully obligated. Therefore the USAID Controller made correcting entries to fully utilize the amount of dollar allotment authorized for budgeted FY 1980 operating expenses.

Similarly in FY 1981, the amount of trust funds received from the GOI by the end of the fiscal year was about dols. 400,000 less than the amount budgeted. The USAID Controller again decided to fully utilize the amount of the dollar allotment authorized and correcting entries at the end of the fiscal year were made. The USAID Controller had understood that the appropriate controller personnel in AID/W had approved the utilization of the dols. 200,000 allotment (initially restricted for the repair of residential houses on the FOA compound) for regular expenses incurred under the approved FY 1981 operating expense budget. USAID expected that an amended advice of allotment removing the restriction would be forthcoming from AID/W. To assure availability of local currency funding for the repair of the residential houses on FOA compound and in accordance with USAID's commitment to the Embassy, the USAID Controller reserved within in the trust fund accounts, sufficient funds to provide up to dols. 10,000 equivalent rupees for the repair of each of the twenty residential units, as previously agreed until such time as a decision could be made to either utilize the funds or withdraw USAID's responsibility for repairs.

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(REV. 1-80)
GSA FPMR (41 CFR) 101-11.6
5010-112

In both fiscal years, USAID has made only valid obligations for operating expenses within the amount of appropriated dollars authorized and alloted. No dollar appropriated funds were set aside as reserves.

Specific corrections to the facts contained in the subject report are as follows:

--Page 1. Quote indirectly, the Director, USAID/Indonesia requested us to audit the specific financial transactions identified by the Assistant Administrator Bureau for Asia (AA-ASIA) unquote. Although a formal letter was not sent to the RIG/A/Manila requesting the audit, the Director did orally request the RIG/A/Manila representative at USAID/I to review the situation. We suggest that the word indirectly be changed to informally.

--Page 14. Quote the record shows that USAID was aware that it did not have a valid obligation for the dols. 200,000 at the end of the fiscal year unquote. This statement is not supported by fact nor reference and USAID does not concur in the statement. The obligations which were incurred were recorded in USAID accounts in accordance with Agency fund control procedures and Section 1311 criteria. These obligations could be funded from either the Trust Fund account in accordance with the GOI-USAID/I Trust Fund agreement or from the Operating Expenses dollar appropriation.

--Page 17. Quote this is contrary to the Controller's responsibility to ensure that obligations are identified with applicable appropriations or funds at the time these are incurred and that obligations are liquidated in the period the goods or services are received unquote. The USAID Controller has the authority to decide the amounts that trust funds or appropriated dollars will be respectively charged for authorized operating expenses within any fiscal year. Adjusting entries may be made at any time during the fiscal year and adjustments between appropriated dollar funds and local currency trust funds are a responsibility of and within the decisive authority of the USAID Controller.

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REPORT RECIPIENTS

USAID/Indonesia	
Director	
AID/W	
Deputy Administrator	1
Bureau for Asia:	
Assistant Administrator	2
Deputy Assistant Administrator (Audit Liaison Officer)	1
Office of Indonesia and South Pacific/ASEAN Affairs (ASIA/ISPA)	1
Bureau for Science & Technology:	
Office of Development Information & Utilization (S&T/DIU)	4
Bureau for Management:	
Office of Financial Management (M/FM)	5
Accounting Systems Division (M/FM/ASD)	1
Office of the Inspector General:	
Inspector General (IG)	1
Executive Management Staff (IG/EMS)	12
Policy, Plans & Progams (IG/PPP)	1
Office of Legislative Affairs (LEG)	1
Office of the General Counsel (GC)	1
OTHERS	
Inspector Generals	
RIG/A Washington	1
RIG/A/Nairobi (Africa East)	1
RIG/A/Abidjan (West Africa)	1
RIG/A/Cairo (Egypt)	1
RIG/A/Karachi (Near East)	1
RIG/A/Latin America	1
RIG/II/Manila	1