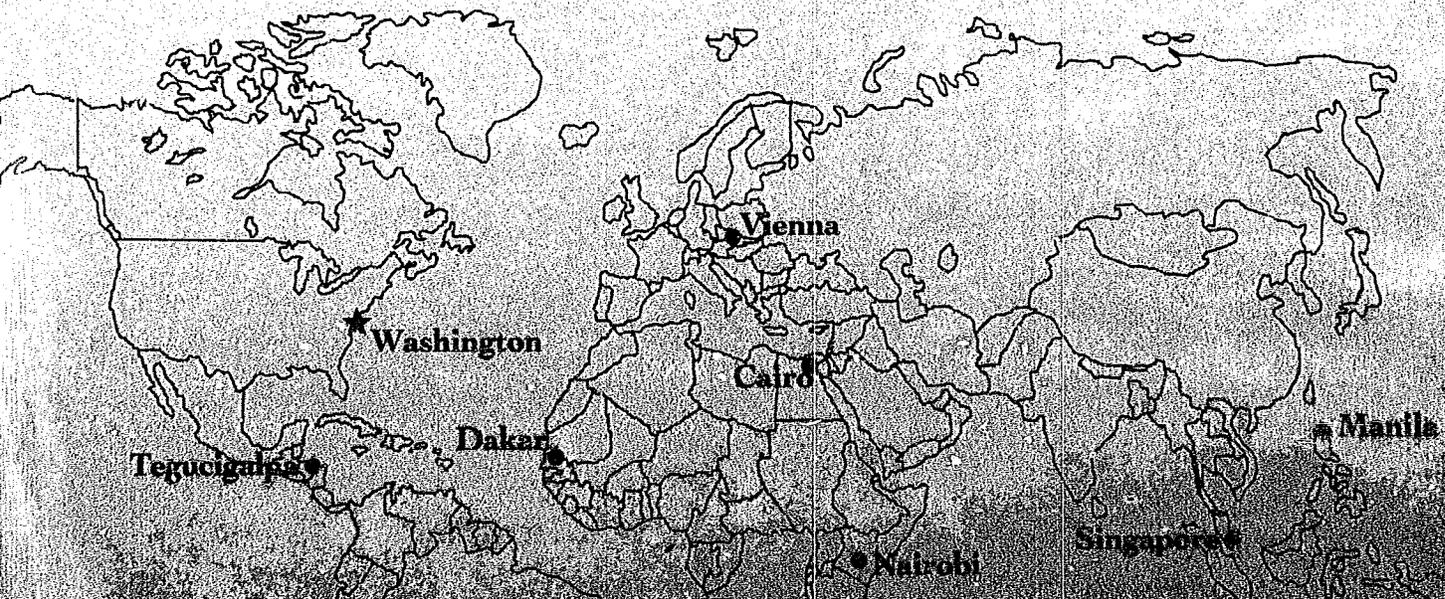


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# SEMIANNUAL REPORT TO THE CONGRESS

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October 1, 1991 - March 31, 1992



BEST AVAILABLE

**AGENCY FOR INTERNATIONAL DEVELOPMENT  
OFFICE OF THE INSPECTOR GENERAL**

**PROFILE OF PERFORMANCE**

<b>Audit, Investigation, and Security Activities</b>	<b>October 1, 1991 through March 31, 1992</b>
Recommended Recoveries (Audit)	\$23,591,301
Recommended Cost Efficiencies (Audit)	\$179,736,516
Commitments to Recover Funds (Audit)	\$4,732,551
Cost Efficiencies Sustained (Audit)	\$115,589,322
Recoveries (Investigations)	\$2,315,675
Savings (Investigations)	\$4,165,107
Convictions/Confinements	4
Suspensions/Debarments	6
Personnel Actions Initiated Against A.I.D. Employees	20
Security Infractions/Violations	211
Background Security Investigations	331
National Security Information Briefings	250

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# SEMIANNUAL REPORT TO THE CONGRESS

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October 1, 1991 - March 31, 1992



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

# FOREWORD

As this reporting period came to a close on March 31, 1992, the United States Agency for International Development found its management practices and performance under intense scrutiny by three separate, but parallel, outside inquiries. A Presidential Commission on the Management of A.I.D. Programs was readying its report; a GAO Management Review was well into the second year of its effort; and an OMB "Swat Team" was four months into a targeted analysis of selected elements of the Agency's management controls.

The simultaneity of these outside interventions into the management of a federal agency may well be unprecedented. They owe their existence in large part to a long history of critical reporting by my office and the GAO, and a perceived unwillingness or inability to effect improvement or corrective action by or from within the organization itself.

The cumulative impact of all of this outside attention which has included sporadic unfavorable media attention has been twofold during this reporting period. First, it has quickened the pace of policy and operational guidance at the Washington level. Second, it has given rise in some quarters of the Agency to an attitude of resentment, dismay and confusion. The reporting period thus has been a time of institutional turmoil and ferment, much of it encouraging, some of it potentially harmful.

The close outside probing of the Agency's management performance and the resulting adverse public attention could not come at a more awkward time. Foreign aid itself in the aftermath of the Cold War is the subject of increasing debate. I believe it is critical that informed discussion of the issues in that debate not be obscured by continuing doubt over our ability to manage our programs with reasonable competence and adequate accountability for resources and results.

Thus, I believe it is a matter for continuing concern that the following pages in this Semiannual Report do not yet reflect the impact of corrective actions that have been taken at the Washington headquarters. Program performance and accountability problems in both Washington and at field missions continue to weaken the impact of foreign aid resources. This fact can only serve, as it already has, to diminish support for foreign aid whatever its form, content and thrust may be in the future. The challenge all of us in this Agency face is clear and probably time critical. We must translate the drive for management improvements in Washington into results in the countries where our foreign aid is delivered.



Herbert L. Beckington  
Inspector General

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## **ABBREVIATIONS**

<b>A.I.D.</b>	<b>Agency for International Development</b>
<b>FSN/TCN</b>	<b>Foreign Service National/Third-Country National</b>
<b>IG</b>	<b>Inspector General</b>
<b>OMB</b>	<b>Office of Management and Budget</b>
<b>OPM</b>	<b>Office of Personnel Management</b>
<b>P.L.</b>	<b>Public Law</b>
<b>PVO</b>	<b>Private Voluntary Organization</b>
<b>USAID</b>	<b>U.S. Agency for International Development</b>

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# SUMMARY OF ACTIVITIES AND INITIATIVES

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The first six months of fiscal year 1992 represented a period of significant change for the Office of the Inspector General. Changes occurred in most aspects of our operations, including audit strategy and methodology; investigative workload complexity and levels; and rapid, explosive increases in our security responsibilities for Agency for International Development (A.I.D.) employees, their families, and Agency resources. This report illustrates the efforts of Inspector General (IG) staff to improve our operations and work with Agency staff to effect significant improvements in accountability for resources and programs. We anticipate that our efforts will foster a productive and collaborative relationship with the Agency.

## OFFICE OF AUDIT

The Office of Audit is responsible for conducting and overseeing audits of A.I.D. efforts to provide U.S. economic and humanitarian assistance throughout the world. The audits, which address both performance and financial aspects of A.I.D.'s programs, are conducted in accordance with government auditing standards established by the U.S. Comptroller General. The Office of Audit has six overseas offices and three offices in Washington, D.C. The overseas offices have assigned geographic responsibilities and the Washington offices are responsible for, among other things, (1) establishing audit policy, (2) performing audits of agency-wide programs and major operating systems; and (3) performing quality control reviews of audits conducted for the IG by other federal audit agencies or independent public accountants.

During this reporting period, the Office of Audit issued 30 performance audit reports and processed 172 financial or financial-related audit reports performed by Agency- and recipient-contracted auditors or other federal government audit organizations. These reports recommended \$179.7 million in deobligations, reprogramming of funds, and other actions that would put funds to better use. The reports also recommended resolution

*Audits Recommended  
Significant Savings  
and Recoveries*

of questioned costs amounting to \$23.6 million, of which \$8.0 million were ineligible and \$15.6 million were unsupported.

*Auditors Assist  
Agency Efforts to  
Improve Accountability*

Agency management is addressing many long-standing internal control weaknesses, and the IG is working with Agency staff to help correct these deficiencies in a variety of ways. For example, IG staff advise and assist the Management Control Review Committee, the donors' working group to improve financial accountability in Latin America, and ad hoc teams such as the joint A.I.D.-Office of Management and Budget (OMB) management review task force. Additionally, the Inspector General is a member of the Food Aid Consultative Group. At management's request, we are advising and assisting A.I.D. staff developing a new primary accounting system for the Agency. This collaboration reflects our joint concern about how the new system will impact on A.I.D.'s ability to prepare, and our ability to audit, the Agency's financial statements in the future.

In April 1991, we developed our first five-year audit strategy for performance, financial, and financial statement audits. In October 1991, the Office of Audit began full implementation of the new strategy which stresses reviews of the Agency's systems of program controls. As part of informing A.I.D. management about the strategy, IG audit staff have briefed A.I.D. managers around the world. In addition, we are publishing a brochure, *Understanding Audit in A.I.D.*, to continue this effort. The brochure explains the:

- benefits that Agency managers can expect from our new focus on performance audits of their internal control systems,
- essential role of management representation letters in both financial and performance audits,
- responsibility of Agency managers for ensuring that grants and contracts contain appropriate financial audit provisions and that required audits are performed, and
- new responsibilities for preparing and auditing financial and performance statements of certain Agency programs imposed on A.I.D. management and the IG by the Chief Financial Officers Act of 1990.

## --Performance Audits--

As noted above, this is the first full year in which the revised performance audit approach will be used. Instead of auditing individual projects, audits are designed to look at all bureau, mission, or office projects in selected program areas and focus on A.I.D.'s adherence to essential internal controls and compliance with laws and regulations. By focusing on systems rather than projects, we hope to identify systemic problems and solutions and expand our audit coverage to a greater number of activities.

*New IG Audit  
Strategy Focuses  
on Internal Control  
Systems*

For audit purposes, we segregated Agency activities into 12 areas<sup>1</sup> based on shared characteristics such as legislation, policy, budget, or implementation procedures. Because many of the Agency's internal control systems are not documented in accordance with Controller General standards, we prepared a two-volume manual, *Internal Control Guidance for Auditing A.I.D. Systems*, describing the Agency's controls for the 12 program areas. Although this manual was prepared primarily for audit staff, we have distributed more than 250 copies throughout the Agency.

During this reporting period, about half of the Office of Audit's performance audit reports covered bilateral project assistance. Audits of similar bilateral project activities in several regions reveal common weaknesses in the Agency's adherence to internal controls for critical management functions.

- Procuring and managing commodities and technical assistance.

In an audit of a family planning project in Egypt, IG auditors found that, in violation of its agreement with A.I.D., the distributor of A.I.D.-financed contraceptives sold about 20 million condoms, valued at over \$1 million, that had been intended for free distribution. (See page 27).

Audit work done in Sri Lanka showed a systemic problem concerning poor documentation in various contracting, monitoring and payment procedures. The audit also identified an apparent Agency-wide problem in establishing proper indirect cost rates and

<sup>1</sup> The 12 areas are: bilateral project assistance, bilateral nonproject assistance, the housing guaranty program, grants and cooperative agreements, participant training, the disaster assistance program, the Private Sector Revolving Fund, the trade credit program, central and regional bureau programs, food aid programs, operating expenses, and the Trade and Development Program.

obtaining periodic audits. Poor documentation weakens internal controls and limits the Agency's assurance that its funds are properly protected. (See page 36).

- **Monitoring and evaluating project activities.**

An audit of a \$190 million basic education project in Egypt showed that the Mission had not established a system to adequately monitor host government activities. It had not taken action to address widespread substandard construction, lack of maintenance, and a frequent absence of basic utility services at hundreds of schools built with A.I.D. assistance. These problems had previously been cited in a 1987 audit of the same project. (See page 31).

- **Monitoring host government contributions and support.**

An audit of selected mission systems showed that USAID/Bolivia had not established an adequate system for monitoring, verifying, or assessing the impact of currency fluctuations on host country contributions. As a result, the Mission did not have adequate assurance that \$169 million in host country contributions promised by the Government of Bolivia were made to 22 projects. (See page 24).

***Representation Letters  
are Integral Part of  
New Audit Strategy***

As part of the new audit strategy, the Office of Audit has begun requesting management representation letters on performance audits. Auditors use management representation letters to ask managers to confirm in writing whether, to the best of their knowledge and belief, they are responsible for the internal control systems being reviewed; have complied with contractual agreements, applicable laws and regulations, and Agency policies and procedures; have provided the auditors with accurate and complete information; and have disclosed all known irregularities.

Management representation letters are not new. They are required for financial audits under the standards of the American Institute of Certified Public Accountants and have been used for decades in financial audits of businesses and government organizations. In 1988, the General Accounting Office expanded the concept to government performance audits, when deemed useful by the auditors. The IG has determined that representation letters are an integral part of our new systems-oriented audit approach. We find them essential for confirming positive statements in

our audit reports. These letters allow us to respond to management's expressed need for IG reports that include the positive aspects of A.I.D.'s performance along with any negative findings.

In this reporting period, management representation letters were requested for 13 audits. In eight instances, Mission or A.I.D./Washington officials provided the representations. However, for five of the audits, conducted in three Missions, Mission officials declined to provide the representations. Without the confirmation of the essential information they requested, auditors were unwilling to risk providing positive opinions of untested Agency performance. As seen in the audits of (1) cash transfers, USAID/Egypt (page 40), and (2) mission compliance with audit requirements, USAID/Zaire (page 49), without management representations, the auditors would not provide a positive opinion on the missions' compliance with Agency policy and procedures in untested areas.

The Agency's Office of Financial Management has agreed that A.I.D. management should provide audit representation letters for IG performance audits. It also recommends that IG and Agency staff work together during the audit to develop formats for these letters, recognizing that A.I.D. managers are responsible for the final letter. While the Office of Financial Management is supportive of representation letters, the Agency had not moved expediently to develop a policy position on their use. The Agency's General Counsel is still reviewing the use of these letters. We are convinced that representation letters will help improve Agency accountability, and we will continue to request them as needed in our audits.

### **--Financial Audits--**

The objective of financial audits is to determine whether A.I.D. recipients have used federal monies in accordance with laws and regulations. Both U.S. and foreign recipients are subjected to audits. Financial audits can be conducted by the IG, auditors from other federal agencies, host government audit agencies, or independent public accountants, depending on the type of funding mechanism, the nationality of the recipient, and whether A.I.D. is the cognizant federal agency. Audits can be agency-contracted or recipient-contracted.

*Financial Audits  
Identify Questioned Cost*

During this period, there were 172 financial or financial-related audit reports performed by auditors from other federal agencies or independent public accountants under the oversight of IG auditors. These audits

resulted in recommendations to recover \$21.5 million in questioned costs and to better use \$18.2 million. For example, in an agency-contracted audit of an agricultural planning project, the auditors found that the host government did not have a current physical inventory of the project's fixed assets, which was valued at \$26.2 million. As a result, the government's contributions may have been overstated by as much as \$2.4 million. In addition, the auditors identified about \$626,000 in questioned costs. (See page 61).

*Agency Develops a  
New Audit Management  
Program*

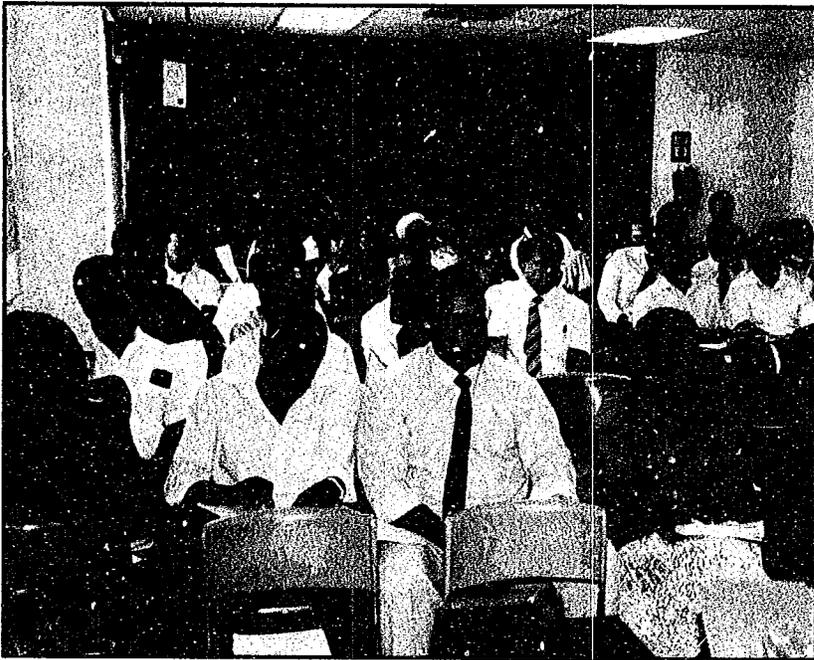
Responsibility for the audit management process--planning, implementation, and follow-up--is shared by Agency managers and the IG. A.I.D.'s Management Control Review Committee recently issued a general notice that outlines a new Audit Management and Resolution Program for the Agency and describes the responsibilities of the Committee, the IG, A.I.D./Washington, and missions and overseas offices in its implementation.

Under this Program, the IG will be responsible for ensuring that financial audits of A.I.D. contracts, grants, and cooperative agreements meet U.S. Government or other acceptable and recognized auditing standards. The IG will also arrange for financial audits when requested by the Agency and provide technical advice and assistance to recipients and their independent auditors. However, A.I.D. management will assume responsibility for developing and maintaining systems to track the audit coverage of all A.I.D. contractors and grantees. Missions are expected to designate audit management officers and integrate audit management into normal project oversight activities.

The Committee noted that most of the larger missions, especially in the Latin America and Caribbean region, and to a lesser extent in East Africa and the Far East, already have audit monitoring programs in place. The Latin America and Caribbean Bureau and its missions lead the Agency in efforts to improve financial accountability, including audit management. The Bureau's Regional Financial Management Improvement Project seeks to provide training, organize national and regional conferences, and generally raise awareness of accountability issues in Western Hemisphere countries receiving A.I.D. assistance. Unfortunately, no other bureau has duplicated this successful initiative.

The Regional Inspector General for Audit in Tegucigalpa has developed a training seminar that has been presented in 12 countries and attended by more than 1,100 representatives from A.I.D. missions, public accounting

firms, organizations receiving A.I.D. grants, and host government audit institutions. A photograph of a training seminar held in Barbados is depicted below. Attenders of the seminar included several Comptrollers General, their staffs, and private sector auditors from the region. There are plans underway for a training program for local auditors on U.S. Government audit standards.



*Regional Training Program Sponsored by RIG/A/  
Tegucigalpa for Public and Private Sector Auditors*

Along with the new Audit Management and Resolution Program, A.I.D. management has implemented new audit requirements for most of its contracts, grants, and cooperative agreements with both U.S. and foreign recipients. These audit requirements parallel to a large degree those used by other federal agencies to meet accountability requirements in domestic assistance programs. The IG and Agency management have agreed that increased audit coverage would provide better assurance that funds are spent as agreed. If successful, these efforts should help correct this "high risk" area, which was included in the Agency's report under the Federal Managers' Financial Integrity Act.

## --Financial Statement Audits--

### *IG Supervises First Financial Statement Audit*

The Chief Financial Officers Act of 1990 requires A.I.D. to prepare financial and performance statements for its revolving and trust funds. Ultimately, A.I.D. may be required to prepare and have audited agency-wide financial statements, including performance measures. The IG is required to either audit or arrange for the audit of these statements.

During this period, the statement on the financial position of the Agency's Housing and Other Credit Guaranty Programs for the year ending September 30, 1990, was audited for the first time. The statement was audited by an independent public accounting firm under our supervision. We reviewed the report and forwarded it and our comments to Agency management.

### *Auditors Were Unable to Express an Opinion on the Financial Statement and Raise Concern on Financial Viability of Program*

The audit found that the accounting records used for the programs, which presently guarantee \$1.6 billion in housing loans, did not sufficiently support various transactions and account balances. The auditors were not able to apply adequate or alternate auditing procedures to satisfy themselves regarding those transactions or balances, so they were not able to express an opinion on the statement.

The auditors also raised serious concerns on the financial viability of the Housing Guaranty Program. For example, they noted that recurring losses from operations have generated a net capital deficiency of over \$730 million. Should such losses continue, as they are expected to, they will ultimately be shifted to the U.S. Treasury. (See page 42).

The audit made a number of recommendations to improve financial reporting to enable auditors to form an opinion on the financial statements.

### *A.I.D. Lacks Reliable Financial Information Needed to Prepare Financial Statements and Manage Its Activities*

The Housing and Other Credit Guaranty Programs are not alone in needing more reliable financial information. Many of A.I.D.'s existing financial management systems are unreliable, difficult to maintain, and require much duplication of effort and redundancy in processing. In 1978, the Agency set out to install a general accounting system. This system, known as the Financial Accounting and Control System, became the Agency's primary accounting system in the mid-1980s. For a variety of reasons, this system was not fully implemented, and the components that were initiated were difficult to operate and maintain. In 1989, an IG review found that the Agency was operating daily at severe risk of undetected financial irregularities and at risk of making inaccurate and incomplete financial

reports to the Congress and the Office of Management and Budget. We reported that the Financial Accounting and Control System did not provide the underpinning of effective internal controls that the Administrator needs to assure the President that the objectives of the Federal Managers' Financial Integrity Act have been achieved.

In response to these and other findings, as well as experiences with the Financial Accounting and Control System and other A.I.D. financial management systems, the Agency planned major improvements in its accounting and financial management operations and related support systems. The foundation for this financial management improvement plan is the A.I.D./Washington Accounting and Control System initiative, which will review and analyze the Agency's basic financial management functions and related information requirements. It will also examine existing A.I.D./Washington financial management operations to identify alternative methods that will simplify processes and procedures. This effort represents a positive movement towards the preparation of agency-wide financial statements that eventually can be audited. It also responds to the high risk area reported to the President and Congress in the Federal Managers' Financial Integrity Act report.

## OFFICE OF INVESTIGATIONS

The Office of Investigations has responsibility for investigating A.I.D. programs in countries receiving U.S. foreign assistance funds. Investigations of serious criminal and administrative violations involve all facets of A.I.D.'s worldwide operations. In compliance with legal requirements, the Office of Investigations refers to the U.S. Department of Justice for prosecutive consideration all investigative findings which indicate possible violations of federal law. However, in many investigations, jurisdiction lies with foreign governments and our agents collaborate closely with foreign judicial and investigative authorities. Investigations also result in administrative sanctions, such as dismissals and suspensions, debarment of companies, and issuance of bills for collection. These actions are taken by A.I.D. officials after reviewing investigative findings.

*Agents Have  
Worldwide  
Responsibilities*

The Office of Investigations received 166 complaints during the current reporting period. The majority, 131, concerned fraud and procurement irregularities. Thirty-eight percent of the total involved A.I.D. contractors and suppliers while seventeen percent involved A.I.D. U.S. Direct-Hire employees and nine percent involved foreign national employees. Ninety-three criminal investigations were opened following evaluation of the complaints.

Results achieved included four convictions or confinements, six companies suspended from participating in A.I.D. programs, twenty administrative/disciplinary actions, \$2,315,675 in recoveries, and \$4,165,107 in savings/avoidance of unnecessary expenditures. Three senior executives of a major corporation were sentenced to significant jail terms, fined, and ordered to make restitution of \$2.5 million after pleading guilty to participation in a kickback scheme involving the USAID/Pakistan Commodity Import Program. Four additional indictments were returned against foreign businessmen involved in the scheme.

An additional indictment was issued in the continuing probe of the A.I.D. Malaria Research Project. A businessman was charged with conspiracy to defraud the Government and submitting false statements concerning expenditure of \$434,347 in research funds.

The owner of a New York maritime firm was sentenced to five years' imprisonment and ordered to pay fines and restitution totalling \$2.8 million after pleading guilty to charges stemming from his having shipped an animal feed product to Sudan in place of non-fat dry milk called for in an A.I.D.-financed contract.

*Investigations Are  
Increasingly Complex  
and Time-Consuming*

A critical issue facing the Office of Investigations is the ever-increasing time required by the investigative and judicial processes to bring cases to conclusion. As IG agents become more skilled at investigating foreign aid fraud schemes, the number of cases referred for prosecution has steadily climbed. This growth in time-consuming cases, which have significant impact on the foreign assistance program, is straining IG resources. The majority of referrals result from strong working relationships with A.I.D. staff members.

Another factor increasingly affecting our performance is the lack of full law enforcement authority. In cases requiring arrests or execution of search warrants, we must seek case-by-case deputation from the Department of Justice. This requires preparing justifications, responding

to requests for additional information, and following up via telephone calls and letters. When deputation is denied or delayed, we must search for another federal agency to assist us. This hampers our ability to react rapidly to changing circumstances. In addition, it is often difficult to obtain assistance when we have conducted the entire inquiry independently.

Our overseas offices must also cope with problems specific to developing countries. One nearly universal factor is weaknesses in financial control systems of the foreign governments with which A.I.D. cooperates. These systems, which may be poorly designed and/or implemented, are vulnerable to fraud involving falsification or forgery of documents. We are achieving more overseas convictions in such cases, but have little impact on the causes of the problem.

Another difficulty involves monitoring of projects managed by contractors or grantees. A.I.D. does not normally receive important procurement documents for purchases made by cooperating organizations. The result is that A.I.D. project officers, who are routinely briefed by our agents on how to spot and deter kickbacks and embezzlement schemes, do not have ready access to documents which might raise their suspicions.

An additional area of concern is the Commodity Import Program, through which A.I.D. provides millions of dollars to finance purchases of materials which are needed by host country businesses and are unobtainable locally. We have found blatant fraud, as in the Pakistan case discussed elsewhere in this report, as well as many less dramatic instances of attempted fraud. In Egypt alone, 15 such cases have been completed in the recent past. Host country merchants are required to identify overseas suppliers through a competitive process, and must submit written price quotations from at least three prospective suppliers to A.I.D. In a number of the cases investigated, merchants arranged to work with favored suppliers and submitted false and altered "losing" pro forma invoices to A.I.D. to create the appearance of a competitive selection.

# OFFICE OF SECURITY

The rapidly developing and changing world--particularly in the Baltics, Eastern Europe and the Newly Independent States--presents A.I.D. with significant challenges in developing new assistance programs. Without the benefit of models, the Agency is collaborating in the development of new economic and political systems to replace failed infrastructures. However, the Agency has experienced some difficulty in prioritizing and establishing a sequence of events.

*A.I.D.'s Expansion and  
New Openness in  
International Relations  
Provide Opportunities  
For Unauthorized Access  
to Sensitive Data*

Yet to be clearly defined are the implications of these initiatives on hiring, contracting, and establishing new U.S. Agency for International Development (USAID) facilities. The Office of Security has been able to react to the growth in USAID facilities overseas; however, the pace of the new initiatives and the establishment of new offices is taxing the limited resources of the office.

The increasing pressures being placed on A.I.D. staff to "do more with less" and the demise of "the Communist threat" have contributed to employees' diminishing appreciation for basic security practices. Competing operational pressures and personnel ceilings have produced a growing dependence on contractors. This has resulted in some breakdowns in procedural security practices and a disregard for or frustration with security clearance requirements.

The events in Eastern Europe and their accompanying uncertainties have, to varying degrees, obfuscated the traditional security views and policies governing fraternization, contact reporting and long-standing counterintelligence concerns for the former Communist regimes. Uncertainties remain as to the direction and fervor with which former "hostile intelligence services" may be operating in support of the Newly Independent States.

As the European initiatives move forward in an era of ill-defined security risks, foreign nationals are being hired to support A.I.D. offices. Moreover, pressure for instant communications with A.I.D./Washington promotes the use of open communications and proliferation of automated systems which provide opportunities for communications interceptions and unauthorized access to potentially sensitive A.I.D. information.

The next year will present the Office of Security with the most significant challenges it has faced to date. We must accurately forecast the security needs of a rapidly changing Agency which is moving quickly into a new operational environment. The 32 percent increase in overseas facilities addressed in this report is a key indicator of the larger workload facing the Office of Security. Each facility must be surveyed, approved, and secured before occupancy. Each new employee and contractor must receive security clearance before assignment. All of these actions have budgetary and personnel resource implications for the Office of Security.

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# OFFICE OF THE INSPECTOR GENERAL ORGANIZATION

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

*Office  
Authority*

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

*Role and  
Responsibility*

The Inspector General Act of 1978 authorizes the Inspector General to conduct and supervise audits and investigations that recommend policies to promote economy, efficiency and effectiveness, and detect and prevent fraud and abuse in the programs and operations of A.I.D. The Inspector General is responsible for keeping the Administrator and the Congress fully informed about problems and deficiencies in A.I.D. programs and operations, as well as the necessity for, and progress of, corrective actions.

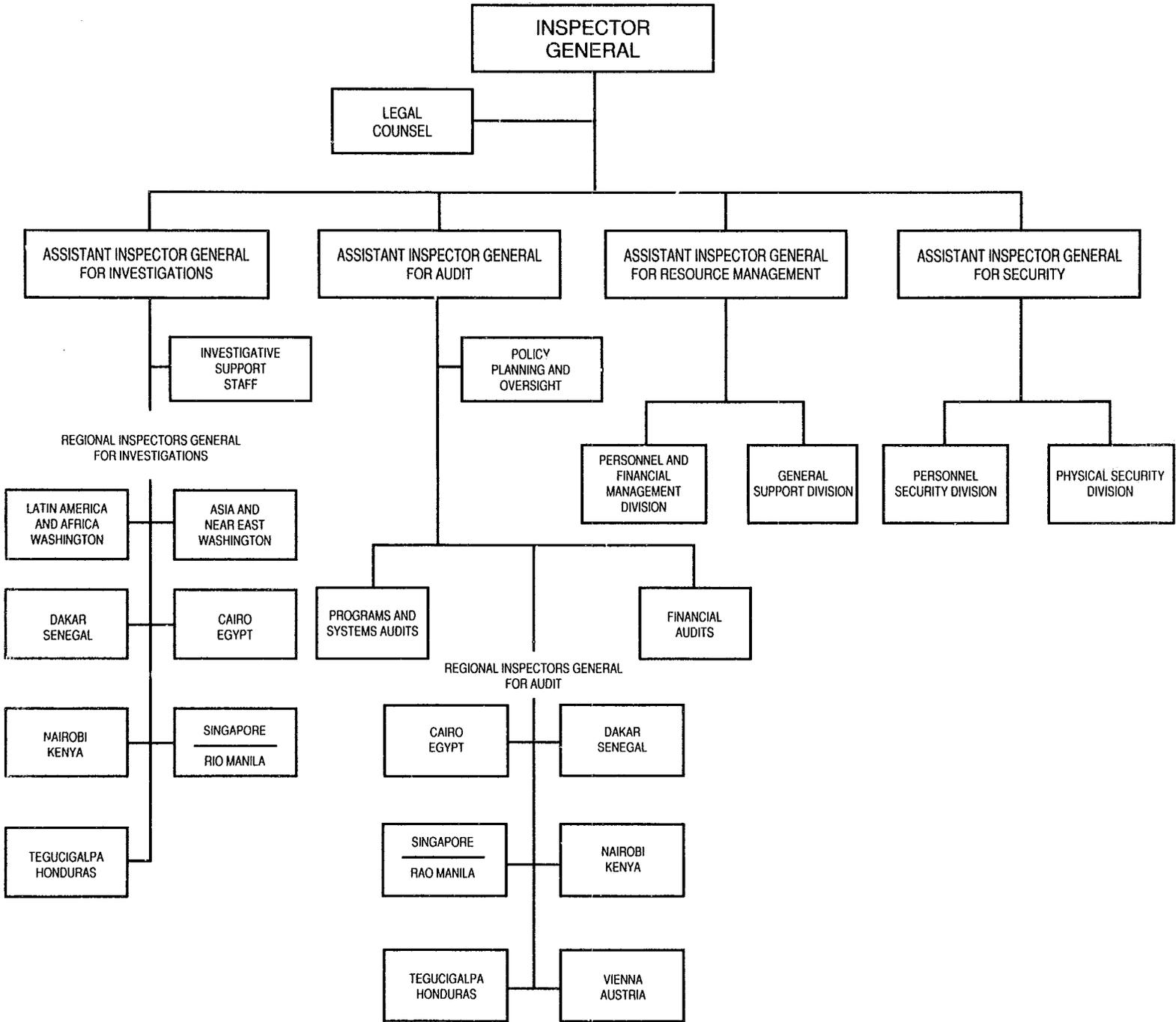
The Office of the Inspector General has four major offices, each headed by an Assistant Inspector General: Office of Audit, Office of Investigations, Office of Security, and Office of Resource Management. Overseas, the Regional Inspectors General for Audit and Regional Inspectors General for Investigations--who are each responsible for assigned geographical areas--report to their respective Assistant Inspectors General. The overseas office locations and assigned geographical areas are presented on the following map.

*Regional Inspector  
General Geographical  
Responsibility*

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# INSPECTOR GENERAL ORGANIZATION CHART



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# OFFICE OF AUDIT

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## *Audit Responsibility*

The Office of the Assistant Inspector General for Audit is responsible for conducting audits of A.I.D.'s worldwide foreign economic assistance activities. Foreign aid helps developing countries meet the basic needs of their people through sustained, broadly based economic assistance. This assistance includes such major funding mechanisms as:

- bilateral project assistance,
- bilateral nonproject assistance,
- grants and cooperative agreements,
- the participant training program,
- the disaster assistance program,
- the housing guaranty program, and
- the private sector revolving fund.

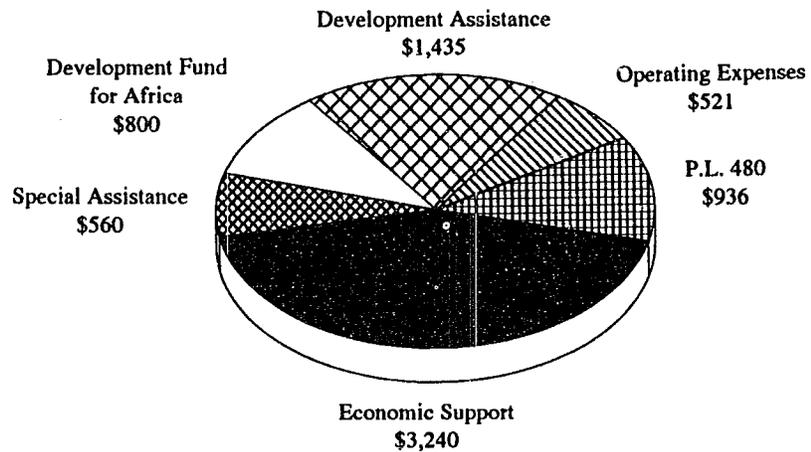
In fiscal year 1992, A.I.D.'s economic assistance budget, as presented to the Congress, is estimated at \$6.5 billion, and is made up of the following appropriations:

- \$3.2 billion for the Economic Support Fund,
- \$1.4 billion for development assistance,
- \$800 million for the Development Fund for Africa,
- \$560 million for special assistance initiatives, and
- \$521 million for operating expenses.

U.S. food aid programs are administered by A.I.D. and the Department of Agriculture, primarily under the authority of the Agricultural Trade Development and Assistance Act, known as P.L. 480, first passed in 1954 and amended most recently in 1990. In accordance with the 1990 legislation, the Department of Agriculture is responsible for administering Title I of the Act, and A.I.D. is responsible for administering Titles II and III. Food aid programs are funded by the Department of Agriculture. The fiscal year 1992 budget for Title II and Title III food aid programs is expected to be about \$936 million.

The following chart illustrates the composition of this assistance.

**ASSISTANCE FUNDING FY 1992  
(Millions)**



***Audit  
Accomplishments***

During this semiannual reporting period, the Office of Audit issued 30 internal audit reports and processed 172 reports performed by Agency- and recipient-contracted auditors or other federal government audit organizations. These reports recommended \$179.7 million in deobligations, reprogramming of funds, and other actions that would put funds to better use. The reports also recommended resolution of questioned costs amounting to \$23.6 million of which \$8.0 million was ineligible and \$15.6 million was unsupported.

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

A.I.D. Management reached resolution on \$108 million in efficiencies (funds to be put to better use) and questioned costs identified in Inspector General audit reports. Of this total, \$107.2 million (\$106.9 million--efficiency and \$365,990--questioned costs) was agreed to by A.I.D.

A.I.D. Management reached resolution on \$34.4 million in efficiencies and questioned costs in financial-related audit reports (external reports) by Agency-contracted, recipient-contracted, and other governmental audit agencies. Of this total, \$13.1 million (\$8.7 million in efficiencies and \$4.4 million in questioned costs) was sustained by A.I.D.

A total of \$18 million (\$17.2 million from Inspector General audit reports and \$821,907 from external audit reports) was actually recovered or saved by A.I.D. management through increased efficiencies during the past six months as a result of audit work in this and prior periods.

*A.I.D. Puts to Better Use or Recovers \$18 Million as a Result of Audit Recommendations*

As of March 31, 1992, \$129.8 million in recommended efficiencies and questioned costs was awaiting A.I.D. determination, of which \$29.2 million (23 percent) represented recommendations over six months old.

As of March 31, 1992, \$180.3 million in recommended efficiencies and questioned costs was agreed to by A.I.D. but final action/collection was not taken.

# AUDITS OF BILATERAL PROJECT ASSISTANCE

A.I.D. uses project assistance to address specific developmental or economic problems. Project agreements are executed with one host government (bilateral) or a group of governments (regional) for activities in areas such as agriculture, rural development, and nutrition; population planning; health; education and human resources; or energy. Agriculture, rural development, and nutrition projects, for example, are designed to increase agricultural production, improve diets, and support agricultural research in developing countries where hunger and malnutrition are major constraints to economic development. Health projects reinforce comprehensive child survival initiatives such as immunizations and prenatal screening, improve the management and logistics of health care and environmental sanitation programs, and support biomedical research and field testing of important new technologies such as malaria vaccines.

In fiscal year 1992, the Office of Audit redirected its resources to evaluate Agency activities using a systems approach which is keyed to specific audit objectives. The objectives for audits of bilateral assistance are specifically selected to evaluate the Agency's internal control systems in providing such assistance.

During the past six months, the Office of Audit has issued significant reports that addressed the internal control systems underlying the Agency's processes for:

- monitoring host country contributions;
- managing commodities;
- monitoring, reporting, and evaluating project activities; and
- contracting for technical assistance.

Highlights of the audits of bilateral project assistance performed during this reporting period follow.

## --Monitoring Host Country Contributions--

### Audit of Health Sector II Project, USAID/Honduras

The Health Sector II Project is designed to reduce infant mortality and increase life expectancy, primarily through child survival interventions and by improving rural water and sanitation services. The \$83 million project, which began in June 1988, builds on the activities of two previous projects. A.I.D. is to provide \$57 million of the total funding and had obligated \$30 million by June 30, 1991. The Government of Honduras reported that \$18 million of its \$26 million contribution had been provided as of March 31, 1991.

The audit found that USAID/Honduras had ensured that the project was properly monitored, commodities were properly purchased and effectively used, and technical assistance was adequately planned and procured. The audit also found that the Mission's internal control systems could be improved by formalizing procedures for monitoring contributions from the Government of Honduras. Specifically, there were no written procedures specifying (1) which Mission official was responsible for monitoring and verifying contributions, (2) what constituted an acceptable contribution, or (3) how exchange rate fluctuations should be handled. The lack of formal, established procedures resulted in a \$7.6 million difference between the Government of Honduras' records and the Mission's records.

In addition to the problems in accounting for host country contributions, the audit disclosed that the Mission could improve its monitoring of project performance by:

- obtaining up-to-date information on planned versus actual project progress, and
- including measurable benchmarks in project contractors' work plans.

In response to the report recommendations, USAID/Honduras is (1) designing and implementing a computerized system to monitor project goods and services, (2) working with the Honduran Government to revise the contractors' objectives and duties for technical assistance, and (3) drafting a Mission Order that will institute a system for monitoring host country contributions. All report recommendations are considered resolved. (*Audit Report No. 1-522-92-001, October 18, 1991*)

### *Mission Needs to Improve Monitoring of Host Country Contributions*



## Audit of Selected Mission Systems, USAID/Bolivia

### *Internal Controls of USAID/Bolivia's \$192 Million Project Portfolio Need Strengthening*



USAID/Bolivia has 43 projects valued at \$192.4 million. Of this amount, \$147.1 million had been obligated and \$101.3 million of the obligated amount had been expended as of March 31, 1991. The objectives of this audit were to evaluate seven major Mission systems used to manage this portfolio.

The audit determined that USAID/Bolivia had adequately ensured that procurement contracts funded by A.I.D. were correctly closed out. But the audit also found that USAID/Bolivia could strengthen its internal control systems for monitoring host country contributions. Specifically, the audit found that USAID/Bolivia had not established an internal control system that established Mission responsibility for (1) monitoring and verifying contributions, (2) valuing host country contributions, or (3) assessing the impact of currency fluctuations on the contributions. Without such a system, the Mission did not have adequate assurance that \$169 million in host country contributions was made to the 22 projects sampled.

In the other five Mission systems reviewed, the audit disclosed that USAID/Bolivia needed to:

- use quantitative indicators to measure and monitor project achievements and fully document the procedures for doing so;
- give project design teams guidance on establishing indicators, quantify the purpose of the projects, and budget funds for gathering baseline data;
- follow up on project evaluation report recommendations;
- strengthen accountability procedures for commodities purchased for projects;
- monitor trainees to ensure that they return to work in the field in which they were trained and for the time specified in their training agreement; and
- prepare and follow through on project assistance completion reports.

The audit made six recommendations for strengthening the Mission's internal controls. Mission management generally concurred with the report's recommendations and has taken corrective actions to close five

recommendations. The remaining recommendation is unresolved. (*Audit Report No. 1-511-92-004, December 31, 1991*)

### **Audit of Rural Infrastructure Fund Project, USAID/Philippines**

In 1987 A.I.D. committed \$170 million for a project to construct and maintain rural Philippine transportation facilities in order to attract investment and sustain economic growth. Planned activities include the construction or upgrade of rural roads and bridges, the repair or construction of municipal feeder ports, and the installation or repair of navigational equipment at several airports. The Philippine Government agreed to contribute \$14.5 million to the project. By March 31, 1991, A.I.D. had spent \$18 million; the Philippine Government had budgeted about \$4 million and expended about \$1 million. The project is to be completed in December 1994.

The audit revealed that USAID/Philippines had complied with A.I.D. policies and procedures for monitoring, reporting, contracting, and accounting for A.I.D. funds. However, the Mission was not monitoring the extent to which the Philippine Government was fulfilling its financial commitment to the project. The Philippine Government tracked its contributions, but it did not provide this information to the Mission. In addition, the audit found that the government's report of expenditures for right-of-way acquisitions was overstated by at least \$176,000 because the government recorded fund releases to field offices as expenditures.

USAID/Philippines also did not have procedures to review contract bid documents, detailed construction cost analyses, or payment vouchers to preclude the payment of host country, value-added taxes. Of nine host country construction contracts valued at \$41 million, the auditors reviewed three contracts valued at \$38 million. The audit disclosed that about \$3.2 million in value-added taxes had been included in A.I.D.'s payment commitments for these contracts and about \$100,000 had apparently been paid for value-added taxes as of March 1991. The Mission also did not have procedures to ensure that mobilization payments to construction contractors were recouped in accordance with contract terms. Finally, some A.I.D.-funded vehicles were being used for unauthorized purposes, and some project commodities were not properly marked.

The auditors recommended that the Mission develop a system to monitor host government contributions, adopt procedures to recoup mobilization

*Mission Needs to Improve Monitoring of Host Country Contributions and Contract Administration*



payments and preclude payment of identifiable taxes in host country contracts, recover taxes already paid to the Government of the Philippines, and request the Philippine Government to provide routine commodity and vehicle use reports. The Mission agreed with the auditors' findings and has taken steps to implement their recommendations. (*Audit Report No. 2-492-92-001, October 10, 1991*)

## **--Commodity Management--**

### **Audit of Food Crops Research and Watershed Development Projects, Office of A.I.D. Representative/Cape Verde**

#### ***Environmental and Agricultural Projects Need Better Commodity Management and Local Currency Controls***

Because of its inadequate rainfall and poor soil, the tiny Atlantic Ocean archipelago of Cape Verde suffers from chronic food shortages and unemployment. Since 1982, A.I.D. has funded two major projects for food crops research and watershed development, obligating \$12.3 million for both. The projects are designed to strengthen the country's employment, agricultural research, and soil and water conservation.



The audit of the projects showed that the Office (1) procured qualified and eligible technical assistance at a fair price and generally obtained timely and effective contract performance, (2) procured eligible commodities and safeguarded them, and (3) made reasonably sure that the Government of Cape Verde allocated the local currency obtained by selling food grains furnished under P.L. 480 to the Watershed Development Project.

However, the audit also disclosed that the Office did not ensure that the Government of Cape Verde effectively controlled the \$2.6 million inventory of A.I.D.-financed commodities. Problems included:

- issuance of \$778,000 in construction materials and supplies without approvals or documentation,
- failure to list \$151,000 in equipment on project inventory records, and
- failure of host country officials to locate or account for \$22,000 in laboratory equipment.

In addition, the Office delayed implementation of both projects because over \$1 million in needed commodities were not procured in a timely, coordinated manner. In some instances, commodities were not ordered until three years after the need for them was identified.

The audit also found that the Office was not preparing, reviewing, and implementing reports and work plans, nor did it require the Government of Cape Verde to place the local currency generated by selling P.L. 480 food grains into a special account.

The report made six recommendations, all of which were resolved by actions taken or planned by the Office. (*Audit Report No. 7-655-92-002, October 24, 1991*)

### **Audit of Population/Family Planning II Project, USAID/Egypt**

A.I.D. began the Population/Family Planning II Project in 1983 to help the Government of Egypt increase family planning among married couples. A.I.D. authorized life-of-project funding of \$117.6 million for the project, including \$29.5 million for contraceptives, and had expended \$72 million, as of March 31, 1991. The Government of Egypt's contribution is expected to total \$63.5 million before the project ends on May 31, 1993.

The audit was designed to determine the reported progress of the project and whether USAID/Egypt complied with (1) A.I.D. policies requiring that A.I.D.-financed contraceptives be safeguarded against waste, loss, and misuse; and (2) OMB guidance requiring that recipients of federal assistance be audited.

According to USAID/Egypt officials, the project has helped to increase family planning in Egypt. The use of contraceptives among the target population increased from 24 percent in 1980 to 38 percent in 1988. Preliminary data show that the crude birth rate declined from 39.8 to 33.2 live births per 1,000 population between 1985 to 1989.

Contraceptives purchased and donated by A.I.D. are distributed through two main channels, one of which is a public sector company under the auspices of the Ministry of Health. Under the terms of a revenue agreement with the Mission and the Ministry, this company agreed to distribute without charge at least 60 percent of the contraceptives it received to family planning service delivery institutions. It would then sell

*Public Sector Company  
Sold 20 Million Condoms  
That Were Intended for  
Free Distribution*



the rest to pharmacies and use the sales proceeds to cover on-going project costs. However, in 1990 the distributor sold more than 94 percent of the condoms it received, most of which were sold to only a few pharmacies. The condoms were apparently resold to wholesalers and resold again to a variety of vendors.

The audit determined that the distributor sold about 20 million condoms, valued at more than \$1 million, in excess of the number authorized under its revenue agreement with the Mission. In addition, the distributor was unable to provide reasonable assurances that the excess condoms sold were used as contraceptives. The audit also found that the Mission did not adequately plan for the required audits of project grantees' expenditures of grant funds, nor is there any evidence that these audits were performed.

The auditors recommended that USAID/Egypt have the project grantees audited, amend its agreement with the major distributor to preclude sale of A.I.D. contraceptives, and seek a refund from the Government of Egypt of over \$1 million, the cost of the approximately 20 million condoms that the distributor sold inappropriately. The Mission has taken steps to implement the first two recommendations. The recommendation to seek a refund is unresolved. (*Audit Report No. 6-263-92-001, January 26, 1992*)

#### **Audit of Regional Rail Systems Support Project, USAID/Mozambique**

The Regional Rail Systems Support Project was designed to strengthen and expand the railway systems within the southern African countries of Mozambique, Swaziland, and Malawi. Under the Mozambique component, A.I.D. funded the improvement of Mozambique Railways, particularly its two largest rail lines in the central and southern regions of the country. Project funds were used to renovate several locomotive workshops and to purchase tools, equipment, and spare parts to rehabilitate older diesel locomotives. The project began in August 1988 and is scheduled to end in December 1994. A.I.D. authorized \$55.5 million for the Mozambique component and had provided \$8.2 million by May 1991. The Government of Mozambique is to contribute resources equivalent to \$3 million.

The auditors determined that USAID/Mozambique's procedures and controls adequately ensured that project expenditures were monitored and reported and that only eligible commodities were obtained. However, payments totalling \$61,246 were made for several unsupported freight claims, and \$36,094 in unused project funds was not de-committed from expired commitment documents. The Mission also did not ensure that (1)

*Mission Quickly  
Implemented  
Recommendations to  
Improve Commodity  
Management*



*Mozambique*

project commodities valued at \$1.9 million were cleared from the ports in a timely manner, (2) goods were safeguarded while in transit and storage, and (3) stored commodities were properly recorded in inventory records. Finally, because of typographical errors, the Mission ordered 580 drums of grease, when only 12 were needed. The excess grease cost about \$100,000.



*Significant Oversupply of Grease Noted During the Audit Will be Returned to Supplier for Refund*

USAID/Mozambique agreed with the auditors' findings and recommendations. The Mission has (1) requested a supplier to document its claim for \$70,317 in freight and insurance, which includes \$61,246 questioned by the auditors; (2) de-committed \$75,320 from expired letters of commitment, which includes \$36,094 identified by the auditors; (3) taken steps so that commodity shipments are cleared from the ports and delivered to storage facilities within 45 days of arrival; and (4) agreed to return 568 drums of grease for refund. (*Audit Report No. 3-656-92-005, February 28, 1992*)

## Audit of Commodity Management, USAID/Swaziland

### *USAID/Swaziland Lacks System to Monitor Commodities Purchased for A.I.D. Projects*



Swaziland

Since 1978, USAID/Swaziland's portfolio contained 21 bilateral development assistance projects, 13 of which involved procuring commodities. Individual projects for health, education, crop research, and water-borne disease required commodities that were purchased by USAID/Swaziland, which was also responsible for monitoring their receipt, storage, use, and disposal. In July 1991, eight of these projects were audited. Together, these projects had commodity obligations of \$3.8 million, expenditures of \$2.1 million, and planned procurements of \$1 million.

Although USAID/Swaziland planned appropriately for commodity needs, it did not establish a system to monitor the commodities. Lists of commodities were not kept; without such lists, USAID/Swaziland could not determine whether commodities that had been ordered and paid for were received, stored, and used as intended. When lists were available, they highlighted problems with commodity monitoring. For example, in one case, equipment sat unused for seven years because of incorrect voltage, lack of accessories, or because too many items had been ordered for the project. In another case, motor vehicles and motorcycles valued at \$53,125 were sold before the project was completed without USAID's knowledge or approval.

USAID/Swaziland also did not monitor the disposal of commodities when projects ended. No system existed that required accounting, reconciling, and taking complete physical inventories when disposing of commodities. Of the \$2 million worth of commodities procured under five projects that had been completed, USAID/Swaziland did not have complete assurance about the disposal of commodities valued at \$1.7 million. Many of these monitoring problems occurred because project officers were unclear about who was responsible for monitoring or because USAID/Swaziland did not consider monitoring a high priority.

The audit recommended that USAID/Swaziland take several actions. USAID/Swaziland should establish a system to monitor the receipt, storage, and use of A.I.D.-financed commodities for all on-going and future projects. A system to account for commodities disposed of when projects are completed should be established, and money should be collected if items were determined to be disposed of improperly. Finally, USAID/Swaziland should request audits of commodities disposed of under the five completed projects. USAID/Swaziland generally agreed with the recommendations. (*Audit Report No. 3-645-92-009, March 26, 1992*)

## **--Monitoring, Reporting, and Evaluation--**

### **Audit of Basic Education Project, USAID/Egypt**

A.I.D. started the Basic Education Project in August 1981 to help the Egyptian Government expand enrollments and increase the efficiency and effectiveness of education in grades 1-8, thereby improving the physical quality of life for rural youth. A.I.D. authorized and obligated \$190 million for the project. It spent \$154 million, as of October 31, 1991.

The audit was designed to determine the reported progress of the project and whether USAID/Egypt monitored project activities to ensure that (1) school construction and maintenance and (2) control and use of A.I.D.-financed materials and equipment complied with the grant agreement, A.I.D. handbooks, and applicable Mission orders.

According to the Mission, the project met or exceeded targeted outputs by, among other activities, financing the construction of more than 1,800 schools, training more than 13,000 teachers and inspectors, and distributing equipment and instructional materials to about 15,000 primary and secondary schools.

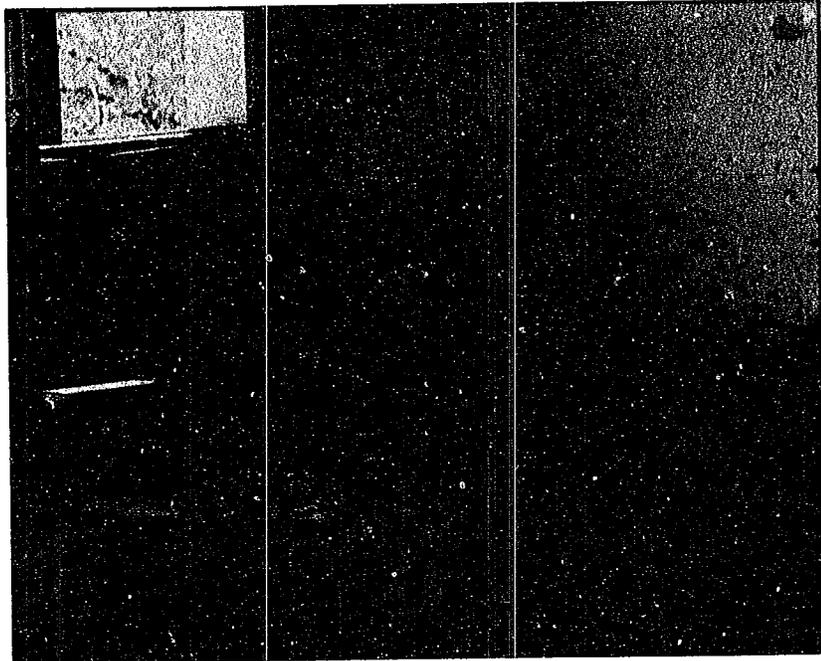
The audit found that the Mission had not established a system to adequately monitor project activities and was, therefore, unaware of widespread substandard construction; almost total lack of maintenance; and the frequent absence of basic utilities such as electricity, sewer, and/or water. The auditors noted that (1) the Mission did not seek or receive information on maintenance inspections, (2) site visits and annual project evaluations were ineffective, (3) competent engineering advice was not obtained, and (4) the grant agreement did not require the Egyptian Government to provide a maintenance plan or budget sufficient funds for maintenance. The auditors could not attribute the Mission's lack of good project monitoring to a specific cause and noted that the problems they found had occurred over many years and through the tenure of several Mission directors and other A.I.D. personnel. Problems with project construction and maintenance inspection activities were previously reported to the Mission in 1987.<sup>2</sup> In that audit the IG recommended the Mission establish standards for construction and maintenance inspections. From all

*Substandard  
Construction and  
Inadequate Maintenance  
Mar Project Successes*

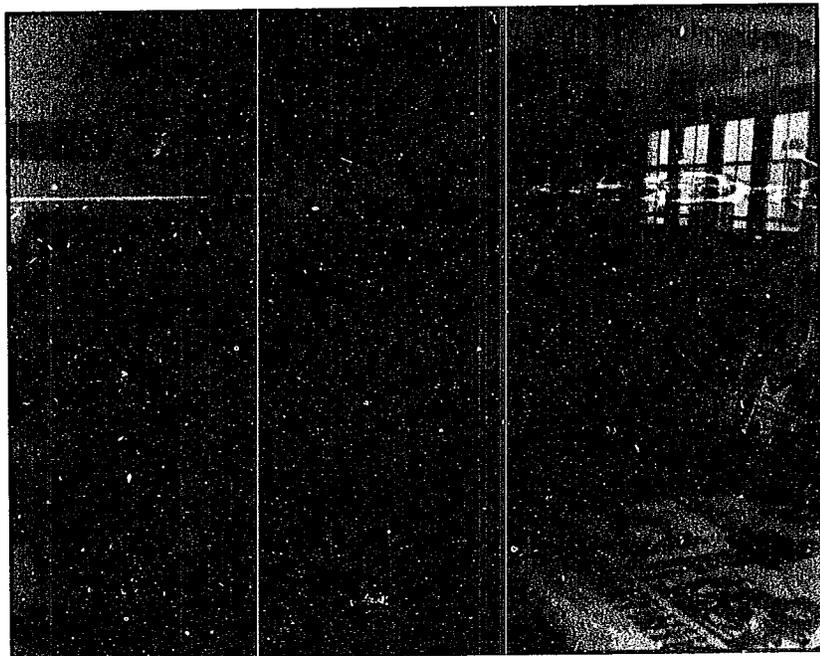


<sup>2</sup> Audit Report No. 6-263-87-005, April 27, 1987.

indications, the intent of the recommendation was unheeded because 112 of the schools included in the sample never received or implemented the maintenance program guidance. In addition, the system used by the Mission to monitor project activities failed to provide information on problems at individual schools.

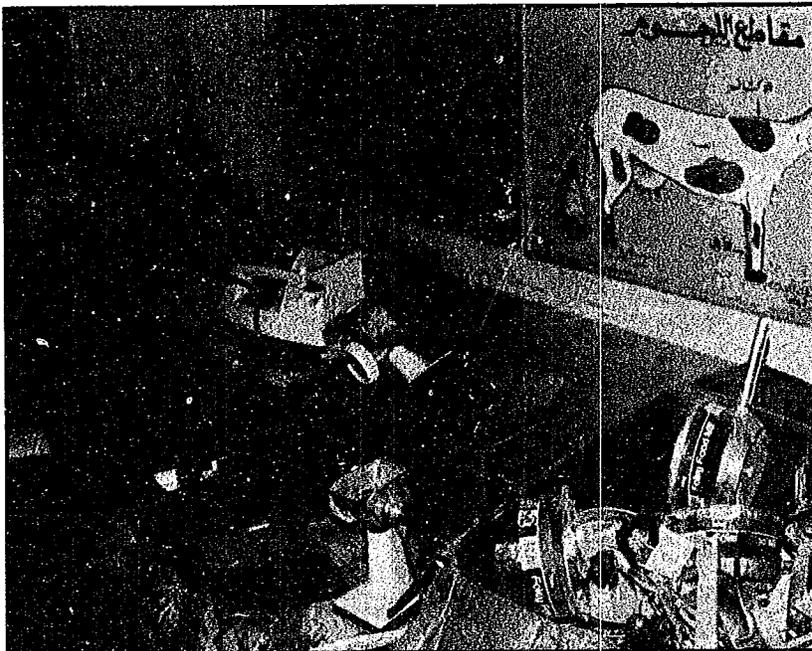


*Most Classrooms Were in Poor Condition*



*Some Classrooms in Newer Schools Were Attractive and in Good Repair*

The audit also found that the Mission had not adequately planned for the procurement of project commodities or ensured that the Egyptian Government had adequate systems to control the receipt, storage, distribution, and/or use of project commodities. As a result, \$40 million in A.I.D. funds was spent on equipment and instructional material that was mostly unused or was inappropriate for project purposes. Auditors reviewed the use of equipment provided to 150 schools, from a universe of 15,000 schools receiving equipment, and found that less than 10 percent of the equipment and material received had been used extensively, about half had been used to some extent, and the rest had never been used. No needs assessments had been performed to determine whether schools received equipment appropriate to their student bodies, curriculum, or facilities. As in the case of school construction and maintenance, the IG had previously reported similar problems in property management under this project in 1987.<sup>3</sup>



*Much of the A.I.D.-Financed Equipment and Instructional Material Donated to Elementary and Secondary Schools Was Never Used*

The Mission responded to the current audit's findings and took action to implement internal controls to monitor project performance, develop a

<sup>3</sup> Audit Report No. 6-263-87-008, May 31, 1987.

school maintenance plan, increase inspections, seek engineering help, increase maintenance funding, undertake a project evaluation, and find a cost-effective solution for the problem of widely scattered, unused equipment. The Mission has indicated that it will not finance the construction of any additional schools and will not proceed with a planned \$100 million follow-on project. In correspondence subsequent to the audit, the Mission indicated that its decision not to fund the follow-on project was due to (1) the audit results, (2) the Mission's overall strategy to consolidate the USAID/Egypt portfolio, and (3) the availability of other-than-U.S. funding sources. (*Audit Report No. 6-263-92-004, March 26, 1992*)

### **Audit of Transportation Support to Cambodian Noncommunist Resistance Program, A.I.D./Office of Khmer Affairs**

Under special 1985 legislative authority, A.I.D. provided nonlethal assistance--primarily medicines and medical supplies, equipment, vehicles, and training--to the two noncommunist resistance groups opposed to the Vietnamese-installed regime in Cambodia.

In 1989, A.I.D. entered into a fixed amount reimbursement agreement with a Thai cooperating agency to provide transport vehicles and logistical support within Thailand for these resistance forces. As of March 31, 1991, A.I.D. had paid the cooperating agency approximately \$1.4 million for transportation services. This third audit of the program was designed to determine whether A.I.D.'s Office of Khmer Affairs followed A.I.D.'s procedures for fixed amount reimbursement agreements.

The audit found that the Office successfully arranged for the transportation of a large amount of medical and other nonlethal commodities to the resistance forces on the Thailand/Cambodia border. However, the auditors determined that the fixed amount reimbursement method used was inappropriate for this transportation arrangement and recommended that the Office terminate the current agreement and negotiate another using a different payment method. The auditors also concluded that the A.I.D. Office lacked adequate information to determine whether the cost was reasonable and whether the services provided were used only for authorized purposes--transporting non-lethal supplies.

The A.I.D. Office did not entirely agree with the auditors. It believed that it had made an adequate effort to ensure that the costs were reasonable. It also explained that, to make multi-donor assistance effort more efficient,

### **Office of Khmer Affairs Needed to Make Improvements in Procuring Transportation Services**



**Cambodia**

it had agreed to provide transport vehicles for not only A.I.D.-financed supplies but those of other donors as well. Because these donors considered their assistance to be confidential, the Office could not obtain specific information on vehicle usage or commodities transported. However, the Office terminated the arrangement in question and entered into a new agreement that addressed the auditors' concerns and reflected changing assistance strategies. (*Audit Report No. 5-442-92-002, November 7, 1991*)

### **Audit of Cash Advances and Expenditures for Projects and Programs, USAID/Rwanda**

The A.I.D. program in Rwanda focuses on reducing fertility rates, generating employment, and raising agricultural production. As of August 31, 1991, USAID/Rwanda was responsible for the financial administration of 14 projects as well as one program with \$73.6 million in obligations and \$41.7 million in expenditures.

Recently, three Agency-contracted audits revealed weaknesses in the internal controls of host government recipient offices resulting in \$4.2 million of questioned and unsupported costs out of \$7.8 million audited. Because of concerns raised by these audits, IG auditors conducted a performance audit of USAID/Rwanda's own financial management systems and internal control procedures.

The audit found that, since 1990, USAID/Rwanda substantially improved its own internal controls as well as its oversight of recipients' financial operations. However, problems continued in three areas. USAID/Rwanda's procedures have not ensured that weaknesses are corrected in recipients' accounting and internal controls systems. In addition, USAID/Rwanda's ability to monitor, account for, and control project expenditures has been hampered by insufficient documentation of its own processing and accounting procedures. Finally, USAID/Rwanda has not controlled or accounted for its check request forms and has not reconciled its transactions with disbursements.

To resolve these problems, the audit recommends USAID/Rwanda provide financial training and technical assistance to recipient offices and perform pre-award surveys of future recipients. Further, USAID/Rwanda should prohibit withdrawals from the local currency account for the Policy Reform Initiatives in Manufacturing and Employment Program. Systems

*USAID/Rwanda  
Improves Financial  
Management Systems;  
Additional Improvements  
Recommended*



and procedures for processing and accounting for project payments should be fully documented. Check request forms should be controlled and accounted for, and accounting transactions should be reconciled with disbursements.

USAID/Rwanda agreed with these recommendations. (*Audit Report No. 3-696-92-008, March 25, 1992*)

## **--Award Process for A.I.D. Direct-Contracted Technical Assistance--**

### **Audit of A.I.D. Technical Assistance Contracts, USAID/Sri Lanka**

A.I.D. contracts for technical assistance services to support A.I.D.-sponsored development projects in Sri Lanka. As of December 31, 1991, USAID/Sri Lanka had 10 active contracts for technical assistance with estimated costs of \$46.2 million. For these contracts, USAID/Sri Lanka determines the need for technical assistance, monitors contractor performance, and ensures that A.I.D. funds are accounted for properly. The A.I.D. Regional Contracting Office in New Delhi is responsible for the procurement process.

An audit of USAID/Sri Lanka's technical assistance contracts identified significant problems with controls over direct contracts. For example, USAID/Sri Lanka did not prepare work statements and cost estimates in sufficient detail. In addition, the A.I.D. Regional Contracting Officer did not obtain appropriate indirect cost rates or document cost analyses and determinations of contractor responsibility. Although USAID/Sri Lanka planned appropriately for technical assistance, it did not always ensure that contracts were procured from qualified contractors at a fair price, monitor contractor performance, or follow Agency payment policies.

To strengthen the contracting process, the audit made several recommendations such as:

- including measurable performance standards in contractor work statements, work plans, and reports;
- providing more detailed contract cost estimates;
- clarifying procedures for obtaining appropriate overhead rates for U.S. contractors;

*Controls Over  
Procurement, Monitoring  
and Payment for  
Technical Assistance  
Projects in Sri Lanka  
Need to be Improved*



- obtaining more information from contractors to support subcontracts for goods and services;
- improving controls over non-expendable property; and
- requiring periodic audits of contractors with A.I.D.-funded cost reimbursement contracts.

In addition to citing problems in Sri Lanka, the report noted an apparent Agency-wide problem in establishing proper indirect cost rates and in obtaining periodic audits of contractors. As a result, the audit included several recommendations to the Associate Administrator for Finance and Administration.

USAID/Sri Lanka, the A.I.D. Regional Contracting Office, and the A.I.D. Directorate for Finance and Administration agreed with the recommendations. (*Audit Report No. 5-383-92-04, March 19, 1992*)

## **AUDITS OF BILATERAL NONPROJECT ASSISTANCE**

Bilateral nonproject assistance is generally used as a mechanism for providing dollar or commodity resources to alleviate the balance of payments and/or budgetary problems of a host country. These dollar or commodity resources are often provided to a host government on the condition that it undertake specified stabilization or policy reform actions to address the obstacles which are the cause of the balance of payments and/or budgetary problems. This conditionality is predicated on the rationale that the host government would increase its dependence on such assistance without appropriate corrective measures. In providing nonproject assistance, three methods are used:

- Commodity Import Program,
- cash transfers, and
- sector grants.

As noted previously, the Office of Audit has redirected its approach to internal audits by using a systems approach which is driven by specific audit objectives. The objectives are designed to evaluate the effectiveness of the Agency's internal control systems. Some of the more significant internal controls evaluated during this reporting period were:

- accounting for the arrival, port clearance, and use of commodities;
- monitoring of deposits, withdrawals, and use of local currency; and
- ensuring that conditions precedent were met prior to disbursement of funds.

Highlights of audits issued in the current reporting period follow.

### **--Commodity Import Program--**

#### **Audit of Commodity Import Programs, USAID/Kenya**

#### ***Local Currency Problems Persist in Kenyan Programs***



The Structural Adjustment Assistance Program and the Fertilizer Pricing and Marketing Reform Program are commodity import programs that help the Government of Kenya meet its foreign exchange requirements and finance economic development projects. A.I.D. pays the commodity suppliers, generally U.S. exporters, in U.S. dollars but requires private importers and Kenyan Government ministries to pay for the goods in local currency. The local currency is deposited into special accounts to be used for development projects. A.I.D. obligated and spent \$107 million and \$88 million, respectively, for these programs between September 1984 and May 1990. As of August 1990, the local currency equivalent of about \$70 million had been deposited into special accounts, of which \$64.3 million had subsequently been withdrawn.

The audit of these programs was designed to determine whether USAID/Kenya's monitoring of the arrival of commodities and deposit, programming, and withdrawal of local currencies complied with applicable laws, regulations, policies, and procedures. In addition, the audit assessed USAID/Kenya's compliance with A.I.D. policies and procedures for identifying and correcting internal control weaknesses. To accomplish these objectives, the audit included reviews of 36 transactions, involving commodities valued at about \$7.9 million.

The audit found that USAID/Kenya did not adequately monitor the arrival of commodities included in the audit nor did it adequately monitor whether local currency deposits were made into special accounts for these transactions. Because it did not adequately monitor the withdrawal of funds from these accounts, USAID/Kenya did not have reasonable assurance that \$55 million in local currency was withdrawn for authorized purposes. The audit also found no evidence that an additional \$1.3 million in local currency sales proceeds had been deposited or that dishonored checks for another \$1.7 million were re-presented and paid into the special accounts. In addition, \$6 million in local currency was held in non-interest-bearing accounts.

The report concluded that USAID/Kenya should:

- improve its system for monitoring the arrival of commodities and reconciling their disbursement with local currency deposits;
- ensure that \$1.3 million in local currency is deposited into special accounts and that dishonored checks are paid;
- establish procedures to determine that all withdrawals from the special accounts are allowable and reconcile the withdrawal of \$55 million in local currency from these accounts with applicable authorizing documents; and
- reconsider its decision not to deposit local currency funds generated under these programs into interest-bearing accounts.

This Mission has begun to take corrective actions in response to the report.

In a December 1991 memorandum to the A.I.D. Administrator, the Inspector General noted that few subjects bearing on Agency accountability have received more attention over the past few years than local currency. Yet this report reflected a condition of flawed accountability that was basically indistinguishable from earlier reports on similar programs. He requested the Administrator to ensure not only corrective action for the Kenya programs, but also urged higher levels of accountability over local currency throughout the Agency. He suggested that Agency staff use the report as a case study for designing solutions to long-standing problems. (*Audit Report No. 3-615-92-003, November 29, 1991*)

## --Cash Transfers--

### Audit of Cash Transfers, USAID/Egypt

*Without a Representation Letter, Auditors Were Unable to Fully Answer Audit Objectives, But Found No Problems*

Since 1984, the U.S. Government has transferred about \$1.4 billion to the Government of Egypt to provide immediate relief for its urgent foreign exchange needs. The objective of the audit was to determine whether USAID/Egypt complied with A.I.D. policies and procedures with regard to the transfers.



The auditors were unable to determine whether the Mission fully complied with applicable A.I.D. policies and procedures regarding the deposit, control, and use of cash transfer proceeds because USAID/Egypt declined to provide written representation concerning information that the auditors considered to be essential to their ability to render a complete and professional opinion. For example, Mission management would not confirm that, to the best of its knowledge and belief,

- it had provided the auditors with all essential information,
- the information it provided was accurate and complete, or
- it had followed A.I.D. policies.

Without these confirmations, the auditors could not fully determine whether the Mission had done what it was required to do. However, records provided to the auditors showed that the \$393 million transferred in fiscal years 1989, 1990, and 1991 were deposited into separate, interest-bearing, special investment accounts at Citibank/Cairo for the Central Bank of Egypt. By July, 31, 1991, \$277 million of the \$396.5 million available (principal plus interest earned) had been used to repay the Government of Egypt's debts, and \$23.7 million had been spent to purchase corn. Mission records also showed that USAID/Egypt had (1) complied with A.I.D.'s policies and procedures as well as the grant agreements in the deposit, control, and use of cash transfer proceeds, and (2) ensured that the Government of Egypt generated, deposited, and reported local currency in compliance with applicable laws, regulations, policies, and the terms of the grant agreements. Consequently, the auditors made no recommendations. (*Audit Report No. 6-263-92-002, February 20, 1992*)

## **Audit of Four Cash Grants Programs, USAID/Senegal**

Between 1987 and 1990, USAID/Senegal authorized \$79.3 million and disbursed \$47.3 million to the Government of Senegal through three Economic Support Fund Programs--ESF-V, ESF-VI, and ESF-VII--and the African Economic Policy Reform Program II (AEPRP-II). These programs were designed to help the Government of Senegal maintain economic and political stability by undertaking policy reforms in the agricultural, tax, and banking sectors. In consideration of these reforms, A.I.D. agreed to make cash grants to the Government of Senegal upon evidence that it had met certain conditions precedent to disbursement.

The auditors found that, although the bilateral agreements for these four programs included relevant authorizations and legal provisions, they did not include time limitations for the completion of any of the conditions precedent as specified in the project authorization. The auditors noted that the lack of time limitations had not been a factor in the implementation of the three ESF programs because disbursements under those programs had been made generally on schedule. However, at the time of the audit, disbursements under AEPRP-II were 18 months behind schedule because of the government's failure to meet the conditions established in the agreement. The Mission argued that the criteria cited by the auditors did not apply to these programs because they were funded through the Development Fund for Africa, for which A.I.D.'s Africa Bureau had issued draft guidance that did not require time controls. However, the Mission agreed to ask the Bureau to issue final guidance governing this type of nonproject assistance.

The audit also found that USAID/Senegal had not always complied with A.I.D. policy and procedures requiring it to verify and document that the conditions precedent to disbursements had been met before releasing funds. For example, a condition precedent to the first AEPRP-II disbursement was the requirement that a new bank be established in Senegal. However, because the Government of Senegal needed funds to pay government salaries, the Mission accepted preliminary legal documentation as evidence that a bank had been established and disbursed \$12 million. The Government of Senegal and the Central Bank of West African States have since decided not to open the bank.

The audit made three recommendations, all of which were resolved upon report issuance. (*Audit Report No. 7-685-92-007, March 26, 1992*)

*Mission Disbursed \$12 Million Despite Government of Senegal's Failure to Meet Required Condition*



# AUDITS OF THE HOUSING GUARANTY PROGRAM

The Housing Guaranty Program, managed within the A.I.D. Bureau for Private Enterprise, assists host countries to provide improved shelter and related infrastructure to the less advantaged portions of their population. Through this program, U.S. organizations such as private sector banks and insurance companies provide long-term loan financing for low-income shelter and neighborhood upgrading programs in developing countries. The U.S. Government, through A.I.D., guarantees repayment of the loans to the U.S. private investors. The U.S. investors in turn charge the host countries below market interest rates to reflect the A.I.D. guaranty of repayment. For this guaranty, A.I.D. charges the host government a guaranty fee to cover operating expenses and possible loan losses incurred under the program and requests the host government to provide a guaranty to repay A.I.D. if losses occur.

The IG's strategy is to ensure that financial audits of the Housing Guaranty Program's financial statements are performed annually; and to conduct audits of selected performance aspects of the program using IG audit staff.

These audits are in response to the Chief Financial Officers Act of 1990. The Act requires the Inspector General to audit the Agency's financial statements in accordance with generally accepted government auditing standards, including the application of audit procedures to assess the reliability of program performance data included in management's overview of the reporting entity.

The Chief Financial Officers Act requires that annual audits be performed on the Housing Guaranty Program starting in fiscal year 1991. In anticipation of this requirement a financial audit was performed during this reporting period covering fiscal year 1990. That audit is discussed below.

## **Financial Audit of Housing and Other Credit Guaranty Programs for the Year Ended September 30, 1990**

### *Auditors Question Viability of Housing Program*

Pursuant to IG audit strategy, this first financial audit of A.I.D.'s Housing and Other Credit Guaranty Programs was conducted by independent public accountants. The IG reviewed and issued the report. The purpose of the audit was to determine whether the financial statements for the 12-month

period ended September 30, 1990, fairly presented the financial position, results of operation, and cash flows of the programs.

The auditors questioned the financial viability of the housing guaranty program. They noted that the program has suffered recurring losses from operations and has accumulated a net capital deficiency of over \$735 million. However, the housing guaranty program has unlimited authority to borrow directly from the U.S. Treasury, it can continue to operate regardless of its losses and capital deficiency. In fiscal year 1990, fees were insufficient to fund program costs including interest on prior year borrowings. As a result, further borrowings will be necessary to pay interest on existing Treasury debt. The auditors concluded that because such losses are expected to continue into the foreseeable future and are unlikely to be repaid, the burden of program losses will effectively be shifted to the U.S. Treasury. In its comments to the report, Agency management noted that it must develop a budget plan to ensure that nearly \$1 million per month in interest expenses to the U.S. Treasury will be covered with appropriated funds.

The audit also found that the accounting records used for these programs, which presently guarantee \$1.6 billion in housing loans, did not include enough evidence supporting various transactions and account balances to permit the application of adequate audit procedures. Furthermore, because the records did not permit the necessary audit tests of cash, accounts payable, accrued expenses and other liabilities, fiduciary liabilities, claims receivable, and furniture and equipment, the auditors were unable to express an opinion on the financial statements. In fact, even after the Agency made a \$774 million retroactive adjustment to its loan loss reserves, the auditors could not express an opinion on the statement.

The auditors noted the following specific problems:

- Borrower security deposits in a commercial bank account, interest earned thereon, and claim payments made from the account were not recorded in the accounting records. Records of individual borrower accounts were not maintained.
- The fund balance with the U.S. Treasury had not been fully reconciled to cash disbursement records, nor had there been an analysis of the \$52 million balance in an unapplied disbursement account to determine its effect, if any, on the fund balance with Treasury, accounts payable, and accrued expenses and other liabilities.

- Claims receivable and outstanding guaranties were not adequately supported by accounting records that identify the lenders and host country administrators to which they relate.
- Furniture and equipment balances and transactions were not supported by the accounting records.

The audit resulted in 14 recommendations to correct these problems. Upon report issuance, one recommendation was closed and nine recommendations were resolved. To date one recommendation is unresolved. (*Audit Report No. 0-000-92-001-N, December 11, 1991*)

## **AUDITS OF FOOD AID PROGRAMS**

U.S. food aid programs are administered by A.I.D. and the Department of Agriculture, primarily under the authority of the Agricultural Trade Development and Assistance Act, known as P.L. 480, first passed in 1954 and amended most recently in 1990. In addition, Section 416(b) of the Agricultural Act of 1949, as amended, authorizes the use of available surplus commodities for food aid programs. These programs are aimed at feeding hungry people, encouraging agricultural and overall economic development abroad, building commercial markets for U.S. products, and supporting U.S. foreign policy.

Substantial revisions to the Agricultural Trade Development and Assistance Act were effected by 1990 legislation. Now, the Department of Agriculture is responsible for administering Title I (Trade and Development Assistance) and Section 416(b) activities. A.I.D. is responsible for administering Title II (Emergency and Private Assistance Programs) and Title III (Food for Development Program).

A.I.D. recently issued new internal delegations of food aid authorities and functions. The new delegations reflect both the 1990 legislative changes and A.I.D.'s 1991 reorganization. Guidance clarifying the delegations discusses an aspect of program implementation that has been neglected in the past--mission capacity to monitor in-country food aid activities. No food aid programs, except for donations through the World Food Program or other United Nations agencies, will be approved without clearance from appropriate bureau and mission officials who will then be responsible for monitoring all food aid activities in the country, unless other arrangements are approved. In addition, bureaus must ensure that each field post has the

resources needed to implement and/or monitor in-country food aid activities.

IG staff audited two food aid programs during this reporting period. One of these audits is discussed below.

### **Audit of Food Monetization Program, USAID/Mozambique**

The U.S. Government provides aid to Mozambique partially through food programs that are designed to provide food relief while also encouraging the Government of Mozambique to make policy changes that will increase domestic food production. A.I.D. donated \$150 million in food commodities to Mozambique during fiscal years 1988 through 1990. Most commodities were distributed free of charge. However, commodities valued at about \$48.9 million were sold commercially. The Government of Mozambique was required to deposit local currency equal to the cost of the commodities, as calculated by A.I.D., into special accounts to be used for general budget support. In addition, the Government of Mozambique agreed to undertake self-help measures to achieve basic food security. Targets and benchmarks were established annually to measure achievements.

*Computational Errors  
Reduced Special Account  
Deposits by \$2.8 Million  
in Local Currency*



*Mozambique*

The audit was designed to determine (1) the progress that the Government of Mozambique had made in meeting the measures specified in program agreements and (2) whether USAID/Mozambique's accounting for the arrival and sale of food commodities and the deposit and use of local currency complied with A.I.D. procedures and program agreements.

The audit showed that the program had made satisfactory progress; USAID/Mozambique had followed A.I.D. procedures in accounting for the arrival and sale of food commodities shipped from the United States; and local currency was used in accordance with program agreements and A.I.D. guidelines. However, the Mission had not established procedures to ensure that adequate reviews were conducted of its calculations of local currency deposits to detect and correct errors.

The audit reviewed all shipping, survey, and accounting documents associated with the commodities used in the sales program for fiscal years 1988 through 1990. The auditors found that the Mission used incorrect data or exchange rates in calculating the amount of local currency due to the special accounts in 47 percent of the calculations done. These errors

were undetected because of internal control weaknesses. As a result, the government did not deposit \$2.8 million in local currency owed to the special accounts.

The audit recommended that the Mission (1) request the Government of Mozambique to deposit the equivalent of \$2.8 million to the special accounts and (2) formalize its accounting and review procedures. USAID/Mozambique agreed with the findings and recommendations. Before the audit report was issued, the Government of Mozambique deposited the local currency into the special accounts and the Mission formalized its accounting and review procedures. (*Audit Report No. 3-656-92-002, November 15, 1991*)

## **AUDITS OF MAJOR MANAGEMENT SYSTEMS, OPERATING EXPENSES, AND MANDATED SUBJECTS**

The Office of Audit reviews major management systems to determine the efficiency and effectiveness of Agency foreign assistance programs or the systems used to administer assistance dollars on a country-specific, regional, or Agency-wide basis. The Office of Audit undertakes audits of operating expenses to evaluate the effectiveness and efficiency of Agency administrative operations. Also, the Office of Audit is required by the Congress or the Executive Branch to review areas of special interest.

Highlights of significant audits performed this reporting period follow.

## **Audit of the Panama Assistance Program, USAID/Panama**

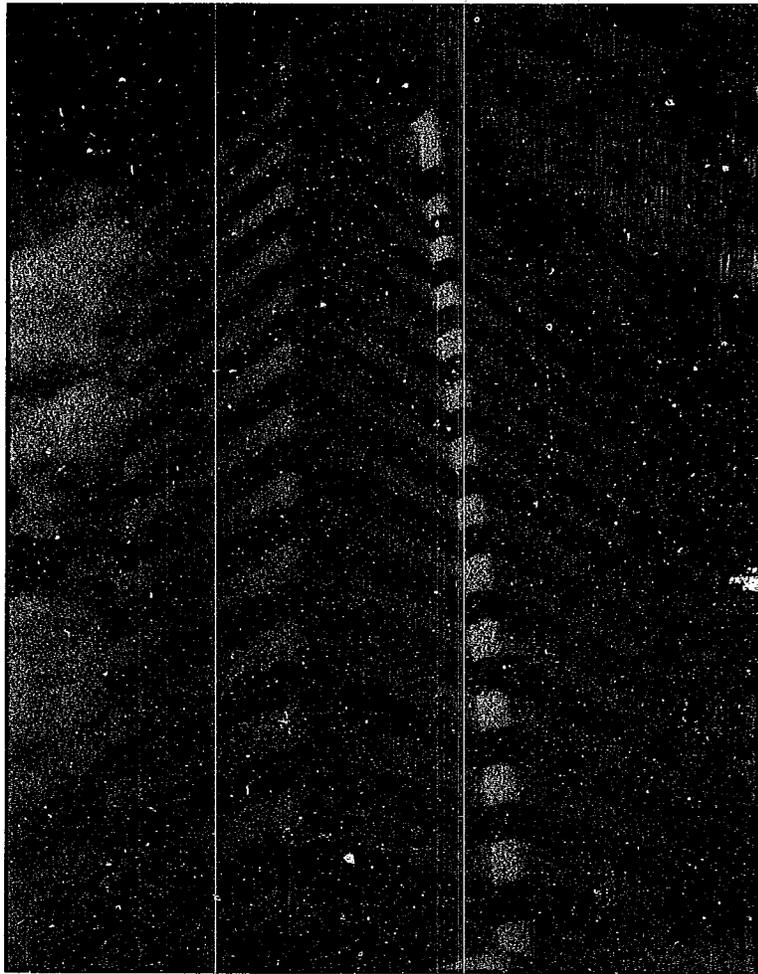
The Dire Emergency Supplemental Appropriations Act of 1990 provided \$420 million in Economic Support Fund assistance for Panama and required the A.I.D. Inspector General to audit the resulting A.I.D. programs to assess their financial and administrative control systems. A.I.D. developed two cash transfer programs--the Private Sector Reactivation Program and the Economic Recovery Program--and funded 19 development projects in response to requirements of the Act.

The auditors concluded that the \$107.9 million Private Sector Reactivation Program was not implemented in accordance with its authorization document. Specifically, a provision in the authorization document which would have established a linkage between the program's funds and new lending to reactivate Panama's private sector was not incorporated into the program agreement with the host country. This provision would have required that A.I.D. funds be used for only private sector loans resulting from applications submitted by participating banks to the National Bank of Panama for its prior review and approval. A.I.D. funds were to be provided to the banks only after they had actually made the loans to these specific loan applicants.

However, in its agreement with the Government of Panama, USAID/Panama modified this provision. The agreement, with the modified provision and as implemented by USAID/Panama, allowed banks to obtain A.I.D. funds merely by submitting evidence of prior loans that they had made to the private sector. Funds were provided to banks without any specified use being designated. These changes led to the entire \$107.9 million under the program being disbursed based on past versus prospective lending activity. There was no way to assess whether the participating banks would have made the loans in the absence of the program, or whether program funds resulted in increased lending for the specific types of activities the program was intended to support. USAID/Panama did not agree with the auditors and believes that program funds increased the liquidity of the Panamanian banking system, increasing credit to the private sector and accomplishing the purpose of the program.

*Mission Does Not Know  
How \$107.9 Million  
Disbursed for Private  
Sector Reactivation Was  
Used; Unforeseeable  
Events Delayed  
Disbursement of \$214  
Million Beyond Planned  
Time Frame*





*Headquarters of National Bank of Panama Which,  
as the Implementing Agent for A.I.D.'s Private  
Sector Reactivation Program, Managed \$107.9  
Million in Program Funds.*

The Economic Recovery Program's purpose was to provide \$243.85 million to support the Government of Panama in implementing policy reforms for economic recovery and to help restore the credit worthiness of the Panamanian public sector. A.I.D. planned that all of the funds would be disbursed by March 1991. USAID/Panama implemented the Economic Recovery Program in accordance with program authorization documents and agreement terms and effectively supported efforts to achieve desired policy reforms. However, unforeseeable events delayed the Government of Panama's meeting certain conditions precedent to disbursement. As a result, only \$29.9 million had been disbursed as of March 31, 1991. Although additional funds were disbursed after that date, \$42 million remained to be disbursed as of January 31, 1992.

USAID/Panama implemented development project activities in accordance with A.I.D. policies and procedures. However, some improvements were needed to ensure that internal controls were adequately documented and required audits were performed.

The report recommended that USAID/Panama evaluate the impact of the Private Sector Reactivation Program to determine whether it is still needed to assist Panama's private sector; amend the agreement for that Program to require participating banks to plan their lending activities for the program's funds which would be disbursed only when the planned lending takes place; and develop procedures to correct internal control and compliance deficiencies concerning development project activities. (*Audit Report No. 1-525-92-006, March 26, 1992*)

### **Audit of Mission Compliance with Audit Requirements, USAID/Zaire**

USAID/Zaire had 32 active projects as of September 30, 1990. Mission activities related to 12 of these projects were reviewed during this audit. As of August 31, 1991, \$110.2 million had been committed to these 12 projects and \$76.9 million had been disbursed. This represented 70 and 74 percent respectively of total Mission commitments and disbursements for active projects.

The audit was designed to determine whether USAID/Zaire had complied with applicable federal and Agency policies and procedures concerning audit coverage of funds provided to grantees and contractors. Specifically the audit sought to determine whether USAID/Zaire ensured that (1) audit needs were assessed and project budgets included sufficient funds for required audits, (2) contracts and agreements contained applicable standard audit clauses, and (3) required audits and pre-award surveys were performed. A fourth objective was dropped because the necessary audit work could not be conducted due to serious civil disturbances and riots in Zaire.

Four of the audited projects were implemented in whole or in part by indigenous organizations. In such cases, A.I.D. policy required missions to assess the need for audits, budget funds for audits, and determine the recipient's ability to control and account for U.S. funds prior to making the award. The auditors found that the Mission, in three of the four projects, had not assessed the need for audits nor had it budgeted funds to conduct such audits. Available records did not reveal why past Mission managers

*Auditors Were Unable to Give Positive Opinion Because Mission Management Was Unwilling to Confirm Essential Information*



had not conducted pre-award surveys of the four organizations. The Mission eventually committed \$10 million to these organizations without assurance that they had adequate accounting, financial, or monitoring systems. The Mission had not identified these weaknesses in its vulnerability assessment statement under the Federal Managers' Financial Integrity Act.

The auditors were unable to fully answer the audit's objectives because Mission managers were unwilling to provide written confirmation that, to the best of their knowledge and belief, they had provided the auditors with all essential information and the information provided was accurate and complete, followed A.I.D.'s policies and procedures, and disclosed all known irregularities. Management was willing to assert only that it had provided the auditors with all the information requested and available before the military insurrection and that it was unaware of any other relevant information. Management believed that additional representations were unwarranted in view of the absence of an Agency policy on such letters and the fact that conditions in Zaire had precluded the auditors from completing the audit, holding an exit conference, or working with management to develop an acceptable representation letter.

Management's refusal to make representations needed by the auditors constituted a limitation to the scope of the audit and precluded an opinion on the reliability of internal controls related to the audit's objectives. The auditors made several recommendations, one of which was resolved upon report issuance. The remainder have been suspended pending the Mission's reopening. (*Audit Report No. 7-660-92-006, March 24, 1992*)

### **Audit of A.I.D.'s Procedures for Processing Personal Property Claims Submitted by Evacuees, USAID/Liberia and USAID/Somalia**

#### *A.I.D. Overpaid Claims From Employees Evacuated From Liberia and Somalia*

In the face of civil unrest, A.I.D. hastily closed its missions in Liberia and Somalia and evacuated its employees and their dependents in June 1990 and January 1991, respectively. During their absence, many employees' personal effects were either stolen or destroyed. As of June 1991, A.I.D. had received 25 personal property claims totalling \$1.6 million and had settled 22 of them at a cost of \$1.15 million.



The audit was designed to determine whether A.I.D. complied with applicable laws, regulations, and procedures in settling claims submitted by Agency employees evacuated from Liberia and Somalia and in paying similar claims by the employees of contractors and grantees.

A.I.D.'s compensation in these cases is limited by the Military Personnel and Civilian Employees' Claims Act of 1964 to not more than \$40,000 per claim. However, A.I.D. incorrectly used the authority of the Foreign Assistance Act of 1961 to waive the \$40,000 limit. In addition, A.I.D. waived dollar limits established for individual categories of items and did not require employees to substantiate the amounts claimed. As a result, 13 of 22 of the claims adjudicated at the time of audit were settled above the \$40,000 limit. In some cases, these settlements more than doubled the cost that the Government would have paid if the claims had been properly adjudicated. A.I.D.'s actions uniquely provided these employees benefits not available to other U.S. Government employees. In addition, without any legal obligation to do so, A.I.D. agreed to pay the claims of employees of its contractors and grantees in these countries.

The Office of Inspector General and A.I.D. management disagree on the appropriateness of A.I.D.'s actions in settling these claims. In view of this impasse and the likelihood that future evacuations will result in claims that need to be settled, the Office of Inspector General recommended that A.I.D. request a formal decision from the Comptroller General on (1) the use of its \$40,000 waiver authority, (2) the payment of claims for employees of contractors and grantees, and (3) the administrative processes used to settle the claims. On February 27, 1992, the Agency submitted a request to the Comptroller General for a decision on these matters. (*Audit Report No. 9-000-92-002, November 25, 1991*)

### **Audit of Internal Controls of the Automated Mission Accounting and Control System, Regional Financial Management Center/Nairobi**

The Regional Financial Management Center in Nairobi, Kenya is part of the Regional Economic Development Services Office for East and Southern Africa. It provides financial management services for A.I.D. organizations and activities in 13 countries and operates the Mission Accounting and Control System, a computer-based accounting and financial management system. During fiscal year 1990, the Regional Financial Management Center obligated \$45.2 million, committed \$29.2 million, and disbursed \$38.5 million, excluding local trust funds that are denominated in local currency.

This audit studied the system's internal controls. It covered six countries, the Regional Housing and Urban Development and Regional Economic Development Services Offices for East and Southern Africa, and the

*Audit Finds Most Controls Are Adequate, Recommends Improvements to Voucher Examination Process*



Regional Inspector General Office in Nairobi. The auditors found that the Center has acceptable procedures for handling (1) budget allowances, obligations, earmarks, and commitments; (2) disbursements; (3) reconciliations; (4) advances; and (5) unliquidated obligations. However, the auditors found that Center voucher examiners did not reconcile amounts claimed on vendors' invoices against service contract rates, because they were unaware that such contracts existed.

The auditors recommended that the Regional Financial Management Center ensure that voucher examiners reviewing vouchers invoicing for services determine whether underlying service contracts between A.I.D. and the vendor exist and, if so, reconcile invoice amounts against service contract rates. Center management officials agreed with the recommendation and issued appropriate instructions to its voucher examiners. (*Audit Report No. 3-698-92-006, February 14, 1992*)

### **Audit of Internal Controls of the Automated Mission Accounting and Control System, USAID/Indonesia**

*Controls in  
USAID/Indonesia  
Automated Accounting  
System Were Generally  
Adequate*



This audit assessed USAID/Indonesia's internal controls over the Mission Accounting and Control System, a computer-based accounting and financial management system. The Mission used this system to account for the \$5.0 million it obligated and the \$5.2 million it spent during fiscal year 1990.

The auditors found that the Mission Controller's Office designed and properly followed procedures for (1) budget allowances, obligations, earmarks, and commitments; (2) disbursements; (3) reconciliations; (4) advances; and (5) unliquidated obligations. However, the auditors did find two problem areas:

- The correction of data entry errors did not include adequate documentation and supervisory reviews of the adjusting accounting entries.
- Monthly reconciliation of disbursements with the Regional Administrative Management Center in Bangkok did not ensure that unreconciled items were ultimately reconciled.

USAID/Indonesia implemented the two audit recommendations. (*Audit Report No. 5-497-92-001, November 21, 1991*)

## Audit of Operating Expenses, USAID/Nepal

This audit assessed the operating expenses of the A.I.D. Mission in Nepal. The auditors found that the Mission generally followed A.I.D. policies and procedures in managing and controlling its approximately \$2 million in annual operating expenses. Mission personnel properly budgeted, obligated, and disbursed operating funds and satisfactorily provided general and administrative support, travel, and personnel services.

The current management of the Mission had asked for a review of the lease for the Mission compound because the payments represent such a large proportion of the Mission's operating expenses. The auditors found that previous Mission managers did not follow A.I.D./Washington's directives or A.I.D. policies and procedures in 1986 when they executed a \$2 million, 10-year, lease-purchase agreement for the Mission compound. The Mission signed the agreement even though there was clear evidence that the host government might not give the necessary purchase approval. The Mission could not justify the acquisition of so much space, and the rental figure it used to justify its purchase was unreasonably high. Furthermore, the seller's title to one-fourth of the property was not assured. Now, after five years and almost \$1.3 million in lease payments, there is serious doubt as to whether A.I.D. can obtain legal title to the property. Without aggressive action to protect A.I.D.'s interest, the Mission could pay the full \$2 million without ever obtaining title or any refund.

The auditors also found that USAID/Nepal did not adequately follow the Agency's property management procedures. The Mission did not properly conduct its physical inventories or identify all excess property, and its internal control assessments did not identify known problems. Thus, U.S. government property valued at \$2.3 million was not sufficiently protected.

Current Mission officials are taking action to protect A.I.D.'s interest in these matters. They improved property management procedures and recently obtained about \$120,000 from the sale of excess property. (*Audit Report No. 5-367-92-003, December 27, 1991*)

*Mission Generally  
Manages Operating  
Expenses Properly But  
Needs to Protect A.I.D.'s  
Interests in Lease-  
Purchase Agreement*



## **Audit of A.I.D. Consulting Services, A.I.D. Worldwide**

### ***A.I.D.'s Consulting Services Need Tighter Management Controls***

To support management and improve agency operations, federal agencies contract for consulting services. Such services cost A.I.D. \$77.8 million in fiscal year 1991. The Money and Finance Act (Public Law 97-258), enacted in 1982, requires agencies to identify and justify amounts required for consulting services. The law also requires the Inspector General of each agency to submit an annual report to the Congress on the Agency's progress in instituting management controls over consulting services. Office of Management and Budget (OMB) Circular A-120 and the Federal Acquisition Regulation also provide guidance for federal agencies to follow in managing and reporting these services.

The audit reviewed 93 A.I.D. contracts to determine if A.I.D. was procuring and managing consulting services as required. A.I.D. complied with OMB Circular A-120 and the Federal Acquisition Regulation except for two requirements: justifying the need for service procurement and obtaining necessary approvals for procurement of \$1 million or more. A.I.D. did not justify the need for 49 of the 93 contracts sampled, and seven contracts of \$1 million or more were not approved at the required level. Although A.I.D. did establish and implement systems to monitor, report on, and evaluate consulting services, reports were incomplete, and 21 of the 25 completed contracts were not evaluated.

The audit recommended that A.I.D. implement checklists to help contracting offices recognize and comply with requirements, establish procedures to remind contracting officers quarterly of reporting responsibilities, and issue instructions to contracting officers to ensure that closed-out projects are evaluated. The Agency has completed all actions recommended in the report. (*Audit Report No. 9-000-92-003, February 14, 1992*)

## **Audit of Lobbying Restrictions, A.I.D. Worldwide**

### ***A.I.D. Did Not Always Ensure That Recipients of Federal Funds Were Aware of Lobbying Restrictions***

Federal Law (31 U.S.C. 1352) restricts lobbying efforts of recipients of federal contracts and loans. Specifically, the law prohibits recipients of federal contracts, grants, or cooperative agreements over \$100,000 from using appropriated funds to pay any person for influencing or attempting to influence federal or Congressional employees or officers. Recipients of loans over \$150,000 are subject to the same restrictions. To ensure these requirements are met, federal agencies are responsible for notifying those requesting or receiving awards of the restrictions and compiling and

reporting disclosure statements. The Inspector General of each agency must report annually to the Congress on the agency's compliance with the lobbying restriction requirements.

In fiscal year 1991, A.I.D. awarded 1,934 contracts, grants, and cooperative agreements totalling nearly \$1.8 billion that were covered by these restrictions. In addition, A.I.D. awarded four loans with a value of \$8.5 million dollars also subject to the lobbying restrictions. The audit reviewed 107 of the grants and loans to determine if A.I.D. complied with the certification and disclosure requirements. Sixty-one, or more than half, of the covered award recipients did not satisfy the certification and disclosure requirements. In each of the 61 cases, contracting officers did not include certification requirements in the contract solicitation or final contract, grant, or cooperative agreement. As a result, the anti-lobbying requirements were rendered ineffective in these cases.

The audit recommended that A.I.D. management develop and implement procedures that could help contracting officers and negotiators ensure that solicitation and final award documents include certification and disclosure provisions. The Agency is currently implementing the recommendation. (*Audit Report No. 9-000-92-004, February 14, 1992*)

### **Audit of A.I.D.'s Procedures to Approve Payments for Storage Services, A.I.D./Washington**

The Transportation and Storage Branch manages the storage of household effects for employees serving overseas. The Branch authorizes, procures, and approves payment for storage services. As of August 1991, the Branch was accounting for 3.5 million pounds of household effects for 870 employees. These services cost \$1.2 million.

*Procedures Used to Approve Storage Service Payments Need to be Improved*

A.I.D. did not follow consistently its policies designed to ensure that invoices for storage services were valid for payment, and the audit revealed problems with the Branch's documentation and review procedures. To avoid late payments, all invoices processed by the Branch must be paid within thirty days of receipt. However, the Branch had no system to log invoices in and out or to determine how long invoices remained at the Branch. Although the Branch did have a procedure to date-stamp invoices when they were received, 54 of 78 invoices reviewed were not date-stamped. In addition, the Branch did not follow provisions

defining benefit allowances and limits. For example, the Branch processed invoices for employees who were no longer eligible for the benefit, paid storage costs for household effects for two deceased employees, failed to require and list storage and validating weights, and made duplicate payments. Finally, invoices were paid without appropriate authorization.

The audit recommended that a document control system and validation procedures be designed and implemented and nine duplicate payments for \$11,547 should be recovered. The Agency agreed with the report's recommendations and has recovered \$9,921 and notified the storage companies of the duplicate payments. (*Audit Report No. 9-000-92-005, March 9, 1992*)

## FINANCIAL AUDITS

Financial audits of A.I.D. and A.I.D.'s contractors and grantees are an integral part of the Agency's internal control structure to ensure that federal funds are adequately accounted for and used for their intended purposes. IG policy is that Agency management is responsible for ensuring that audits are performed and that appropriate action is taken on audit recommendations. In turn, the IG is responsible for determining whether the Agency is meeting its responsibility with respect to financial audits of its grantees and contractors and that the audits meet the appropriate auditing standards. In general, Agency-contracted auditors, supervised by the IG, or other cognizant federal auditors perform audits of for-profit contractors; and recipient-contracted independent auditors perform audits of grantees.

Requiring foreign recipients to arrange for financial audits is relatively new. Regional Inspectors General for Audit have developed a variety of programs to help missions and overseas offices strengthen this aspect of their audit management plans. For example:

- The Office of the Regional Inspector General for Audit in Tegucigalpa distributed guidance to the missions and offices in its region on how to implement recipient-contracted audit programs and gave them standard statements of work and a list of public accounting firms pre-qualified to participate in the program. The Office also developed a training program that has been presented in 12 countries and attended by more than 1,100 representatives from A.I.D. missions, public accounting firms, organizations receiving A.I.D. grants, and host

government audit institutions. There are plans underway for a training program for local auditors on U.S. Government audit standards.

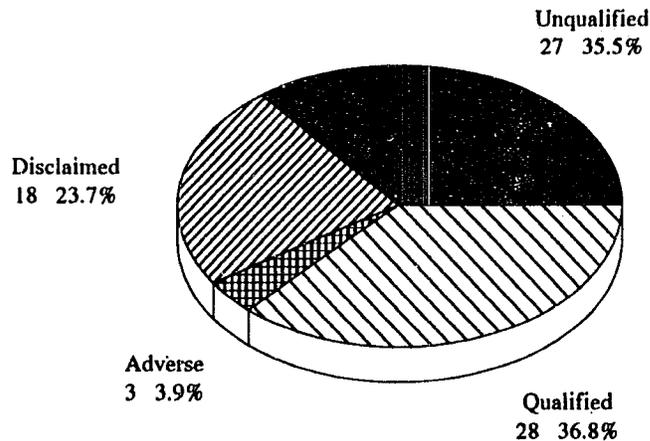
IG auditors in Nairobi also distributed guidance to the missions and offices in its region and has already visited about half of them to discuss the new program. The Regional Office has developed a computerized data base of A.I.D.-funded grants, cooperative agreements, and contracts. The Office is identifying qualified and recommended audit firms and acceptable supreme audit organizations for each country in the region. It is also developing a short training program for recipients and their auditors in countries with substantial numbers of recipients-contracted audits.

### **--Agency-Contracted Audits--**

The Office of Audit continues to use a worldwide program of Agency-contracted audits to conduct financial and financial-related audits of A.I.D. contracts, grants, and cooperative agreements. The objectives of the Agency-contracted audits are to express opinions on the fairness of the auditee's financial statements (A.I.D.-provided funds) and report on the adequacy of the auditee's internal controls and their compliance with A.I.D. agreements. During this reporting period, 76 Agency-contracted audits, of which 1 was a pre-award review, were issued through the IG's Regional Inspectors General for Audit and the Office of Financial Audits. These reports included recommendations for the resolution of questioned costs totalling over \$19.6 million, as well as numerous recommendations to improve internal controls and compliance with laws and regulations.

Only 27 of the 76 reports (36 percent) that gave an opinion on the financial statements expressed an unqualified (favorable) opinion. In the accompanying reports on internal controls and compliance, less than half reported adequate internal controls and sufficient compliance with laws, regulations, and agreements. The chart below provides an analysis, by type, of financial statement opinions.

## SUMMARY OF FINANCIAL STATEMENT OPINIONS IN AGENCY-CONTRACTED AUDIT REPORTS



*Unqualified opinions* are given when no significant exceptions are found. *Qualified opinions* are given whenever material exceptions are noted. *Adverse opinions* reflect the lowest level of accountability the auditor can report and are given when the financial statements are materially misstated or when internal controls are not adequate to prevent fraud, waste and abuse. *Disclaimer opinions* are usually given due to inadequate records. Adverse and disclaimer opinions are rarely reported by auditors in the U.S. government's domestic assistance programs.

We compared the findings of 51 Agency-contracted financial audits of foreign entities to 25 similar audits of U.S.-based organizations conducted during this reporting period. The results show why expanded audit coverage of foreign entities is so critical. We found that, on average, audits of foreign entities reported about twice the number of material and reportable internal control weaknesses and about one-third again as many instances of material and reportable noncompliance as did audits of U.S. organizations. Audits of host government organizations consistently reported significant problems in accounting for U.S.-provided funds and commodities. The high incidence of these findings in audits of foreign aid expenditures reflects the highly vulnerable environment in which A.I.D. does business. This reporting of disturbing problems in financial accountability for A.I.D. funds demonstrates the continued need for the Agency to develop and implement a much more comprehensive program of financial audits of its contractors and grantees.

In accordance with the Chief Financial Officers Act of 1990, financial statement audits of A.I.D.'s revolving funds and trust funds and other A.I.D. activities involving substantial commercial activities can be performed by either IG or Agency-contracted independent auditors under IG supervision. The IG has determined that financial audit requirements will be performed by Agency-contracted independent auditors but performance audits will be performed by IG staff. To date, one financial statement audit, performed by Agency-contracted independent auditors, has been completed. (This audit is summarized on page 42 of this report.)

Summaries of some of the significant Agency-contracted audits follow.

### **Audit of Family Planning Services Project, USAID/Guatemala**

In 1985, USAID/Guatemala and the Government of Guatemala agreed to a \$4.2 million expansion of the Family Planning Services Project for which the Government of Guatemala agreed to contribute \$1.3 million. The Guatemalan Ministry of Public Health and Social Welfare is implementing this project to (1) distribute contraceptives throughout Guatemala, (2) train Ministry personnel in family planning, and (3) provide family planning information and services. Through June 30, 1990, the Ministry received \$893,238 from USAID/Guatemala for this project.

The audit disclosed that the Ministry had not set up an adequate, formal accounting system for the project's operations, assets, and liabilities. As a result, the auditors were unable to perform sufficient work to express an opinion on the Ministry's fund accountability system. As for the Ministry's internal control structure, the audit identified five material weaknesses:

- lack of an adequate accounting system,
- insufficient management and control of project funds,
- deficient controls over the distribution of contraceptive materials,
- inadequate warehouse inventory controls, and
- deficient documentation of project disbursements.

*Suspension of \$4.2  
Million Project  
Recommended Until  
Accounting Problems Are  
Resolved*



There were also specific areas of material noncompliance, including (1) lack of periodic audits, (2) absence of adequate accounting records, (3) inadequate marking of project assets, (4) ineligible use of project funds, and (5) lack of control over host country contributions.

The audit recommended that A.I.D. recover the entire \$893,238 provided to the Ministry and suspend further funding until USAID/Guatemala and the Ministry jointly develop and implement a project accounting system and correct the internal control and compliance deficiencies identified. As of March 31, 1992, the report recommendations were unresolved. (*Audit Report No. 1-520-92-004-N, November 1, 1991*)

### **Audits of Costs Claimed by a U.S. Contractor, USAID/Nepal, USAID/Somalia, and USAID/Egypt**

#### ***Auditors Questioned 10 Percent of Contractor's Claimed Costs***

Three A.I.D. missions contracted with a U.S. firm to supply technical assistance to the Governments of Nepal, Somalia, and Egypt. The assistance included engineering, economic, and planning services from 1981 to 1990 under various mission projects. Total contract expenditures were \$2.2 million for Nepal, \$7.8 million for Somalia, and \$5 million for Egypt.

The IG engaged an independent public accountant to conduct audits of the contracts' expenditures. The audits were conducted at the contractor's U.S.-based headquarters. The auditor questioned \$1.5 million out of the total \$15 million in costs, primarily because sufficient supporting documents were not available at the auditee's headquarters. The contractor had not always complied with relevant contract provisions and had inadequate controls over the retention and filing of accounting documentation. Therefore, the allowability of about 10 percent of the expenditures charged to the contracts could not be determined.

In total, the audits made 26 recommendations about the questioned costs and the need to improve compliance and internal controls. The recommendations are unresolved. (*Audit Report Nos. 0-000-92-002-N, 0-000-92-003-N, and 0-000-92-004-N, February 12, 1992*)

## **Audit of Agricultural Planning and Institutional Development Project, USAID/Peru**

This \$26.2 million project was designed to help the Government of Peru to form, implement, and manage sound agricultural policies. USAID/Peru is providing grant and loan funds of \$17.7 million, and the Government of Peru is contributing \$8.5 million. The project was scheduled for completion on December 31, 1991.

The audit concluded that the Peruvian Ministry of Agriculture's fund accountability statement fairly presented the financial activities of the project. However, the report did identify questionable costs of \$626,000 due to lack of supporting documentation.

The audit also found that the Ministry did not have a current physical inventory of the project's fixed assets; nor did the Ministry maintain its accounting records in compliance with generally accepted accounting principles; nor did it properly account for the funds contributed by the Government of Peru. This resulted in a \$2.4 million overstatement of Peruvian Government contributions, which was caused by claiming ineligible expenses, lack of supporting documentation, and the use of incorrect monetary exchange rates.

The audit recommended that the Mission resolve and recover the questionable costs, require periodic physical inventories of fixed assets, and ensure that funds contributed by the Government of Peru are properly recorded and expended for eligible purposes. As of March 31, 1992, both recommendations were unresolved. (*Audit Report No. 1-527-92-012-N, December 17, 1991*)

*Lack of Proper Procedures Causes \$2.4 Million Overstatement of Host Country Contributions*



## Audit of Cost Reimbursement Contract, USAID/Sri Lanka

### ***Contractor Has Not Supported Overhead Rates Paid by A.I.D.***



***Sri Lanka***

The quality and coverage of domestic water supply and sanitation services in Sri Lanka ranks among the bottom third of all developing countries. In 1984, USAID/Sri Lanka authorized the \$19.6 million Water Supply and Sanitation Project to strengthen the institutional capabilities of the National Water Supply and Drainage Board, construct and rehabilitate water schemes, construct facilities, improve health education, and increase community development. USAID/Sri Lanka was to provide \$12.3 million of the project's budget, and the Government of Sri Lanka was to contribute the remaining \$7.3 million.

In April 1985, USAID/Sri Lanka signed a cost-plus-fixed-fee contract with a U.S. contractor, for professional management, technical assistance, consulting services, and training and commodity procurement for this project. This financial audit examined more than \$6 million disbursed to the contractor from April 1985 through March 1991.

The auditors found that more than \$2 million for overhead costs was paid on the basis of provisional rates even though final rates were required. The auditors could not obtain information to determine whether these provisional rates were reasonable because the contractor had not provided final rate information and apparently had not included this contract in its overhead pool. The auditors also found \$10,000 in payments that were not allowable and some property purchased with U.S. funds that was not properly tagged.

As recommended, the contractor has made sure that all U.S. government property in its care is properly marked, and it found and rectified the errors that led to the \$10,000 in unallowable payments. The company agreed that the Mission should deduct funds for the unallowable claims from its final payment. The recommendation that final overhead rates be determined and any excess overhead costs already paid be recovered remains unresolved. *(Audit Report No. 5-383-92-009-N, January 17, 1992)*

## **--Recipient-Contracted Audits--**

OMB Circular A-73 requires agencies to rely on recipient-contracted financial audits of an agency's grantees provided such audits are made in accordance with generally accepted government auditing standards and otherwise meet the needs of the agency. A.I.D. management has accepted responsibility for ensuring that financial audits of its grantees and contractors are performed.

OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," requires grant recipients to have periodic audits made by independent public accountants. These audits test the fiscal integrity of financial transactions as well as compliance with the terms and conditions of the contracts, grants and other agreements. The IG's Financial Audit Office has been primarily responsible for ensuring that A-133 audits are performed and meet generally accepted government auditing standards. The Office fulfills these responsibilities through desk reviews of the audit reports and detailed quality control reviews of auditors' workpapers.

The IG has worked with both A.I.D./Washington and the overseas missions in an effort to establish a reliable universe of foreign and domestic recipients and the respective grant agreements, cooperative agreements, and contracts awarded to these organizations. In March 1992, the Agency established the Audit Management and Resolution Program to place responsibility on Missions or Offices for ensuring that financial audits of A.I.D. contracts, grants, and cooperative agreements are performed. Under this program, A.I.D. management will assume responsibility for developing and maintaining systems to schedule and track the audits. Furthermore, in close coordination with the IG, the Agency has revised its policy handbooks so that new agreements with recipients will now contain provisions requiring regular recurrent audits in accordance with U.S. Government Auditing Standards or other appropriate standards.

During this reporting period, IG staff reviewed 48 recipient-funded audit reports. Of the 48 reports, 31 were issued without change and 17 were rejected because they did not comply with Government Auditing Standards. The reports that were reviewed resulted in recommendations to resolve \$1.4 million in questioned (\$1 million unsupported) costs. The reports identified 126 internal control and compliance deficiencies classified, as follows:

- 16 material internal control weaknesses,
- 56 other internal control weaknesses,
- 16 instances of noncompliance resulting in questioned costs, and
- 38 instances of noncompliance without questioned costs.

Highlights of recipient-funded audits conducted during this period follow.

***Grantee's Lack of Compliance to Ensure Subrecipient Audit Requirements Results in Significant Questioned Costs***

A grantee received \$5,864,726 in A.I.D. funds during a fiscal period of which \$1,040,983 was provided to 18 subrecipients. Each of these subrecipients received funding in excess of the minimum \$25,000 which according to OMB Circular A-133 must be audited. The primary grantee did not receive audit reports from any of the subrecipients. This meant that 18 percent of the total A.I.D. funding provided to the primary grantee was not audited as required. Therefore, the Inspector General questioned the \$1,040,983 on the basis of lack of support and recommended that A.I.D. management resolve the issue by requiring that the subrecipients provide the primary grantee with the required audits performed in accordance with OMB Circular A-133. The report made two recommendations that are currently unresolved. (0-LTR-92-028, March 17, 1992)

***Serious Fiscal Management Problems Result in Suspension of Grant Disbursements***

A desk review of an A-133 audit report identified 16 reportable conditions involving significant deficiencies in the design or operation of the internal control structure of an A.I.D.-funded grantee. The internal control report described control weaknesses in such areas as (1) bank accounts that were not included in the grantee's accounting system, (2) inadequate control over cash management, (3) lack of management approval for disbursements, (4) improper accounting for salaries, and (5) an inability to properly value in-kind contributions. Due to the materiality of the findings, the A.I.D. Inspector General recommended that A.I.D. management suspend disbursements of the current grants and avoid making any new grants because the organization continued to have serious problems with its fiscal management. In a prior audit report, the United States Information Agency also identified numerous accounting system weaknesses and billing irregularities within the grantee's organization. The United States Information Agency also suspended the award of any new grants it was satisfied that corrective measures were taken. The report made one recommendation that is unresolved. (0-LTR-92-017, February 20, 1992)

## **--Audits Conducted by Other Federal Agencies--**

The Office of the Inspector General coordinates extensively with other federal agencies to ensure financial audit coverage of all A.I.D.-financed recipients. Through inter-agency agreements, the Office of the Inspector General requests other federal auditors, primarily the Defense Contract Audit Agency and the Department of Health and Human Services, to perform audits on its behalf. These audits play a major role in our efforts to combat fraud, waste and abuse by contractors or grantees.

During this reporting period, the Office of the Inspector General received and processed 65 audit reports completed by other federal auditors, covering more than \$235.7 million of A.I.D. funds. These financial and compliance audits included pre-awards, termination claims, and costs-incurred audits.

The 65 audit reports issued this period resulted in 58 recommendations to A.I.D. management to (1) require improved contractor or grantee accounting and internal controls in order to enhance the reliability of contractor or grantee cost representations, (2) increase monitoring of financial performance for contractors and grantees in potential financial jeopardy in order to protect government resources, (3) finalize indirect cost rates, and (4) resolve \$1 million of costs incurred or proposed by contractors, subcontractors and grantees. Examples follow.

### **Audit of Indirect and Direct Costs Billed by a U.S. Contractor for the Period October 1, 1983, through September 30, 1989**

In an audit performed by the Defense Contract Audit Agency at the IG's request, an A.I.D. contractor's accounting systems were found to be inadequate to support the claims submitted under A.I.D. contracts. In response to verification inquiries from the Defense Contract Audit Agency, the contractor could not provide sufficient support for claimed costs. During the period of audit, the contractor claimed more than \$25 million in incurred costs. In addition to accounting system deficiencies, the audit disclosed that the contractor had never reconciled the costs claimed against A.I.D. contracts with the amounts posted in the corporation's accounting records. Because of the lack of adequate records, the audit recommended that all funding for the contract be suspended until the needed reconciliations are performed and the accounting system is improved to a point where it can properly accumulate, segregate, and exclude unallowable

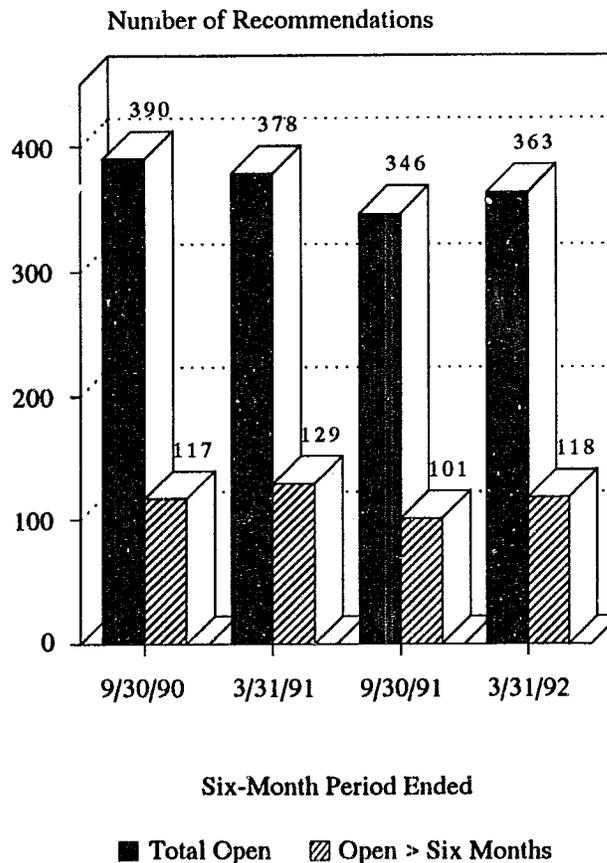
*System Not Adequate to Support Claimed Costs*

## AUDIT RECOMMENDATIONS, FOLLOW-UP, AND RESOLUTION

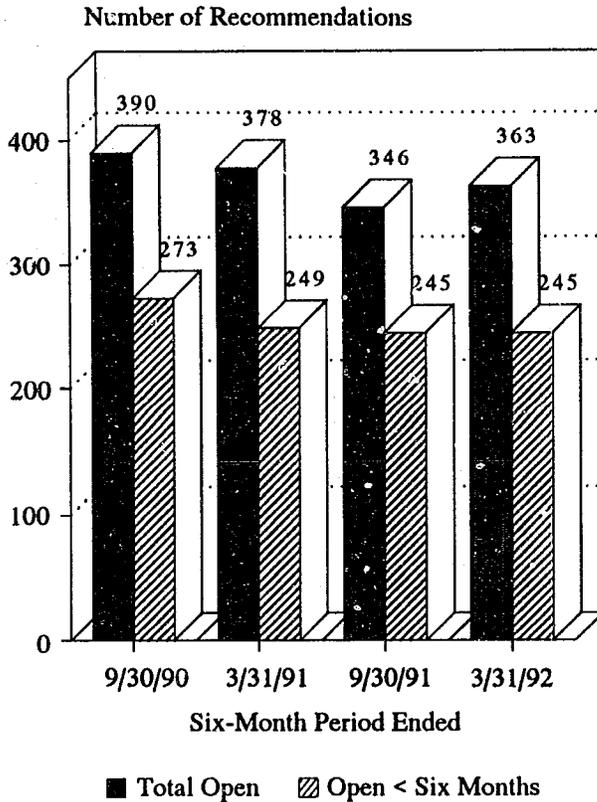
### --Comparison of Status of Open Recommendations--

The total number of open recommendations at the end of the reporting period increased by 4.7 percent (346 to 363) from the prior period. The number of recommendations open in excess of six months increased by 14.4 percent (101 to 118) from the prior period.

### TOTAL OPEN RECOMMENDATIONS COMPARED TO THOSE OPEN FOR MORE THAN SIX MONTHS



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



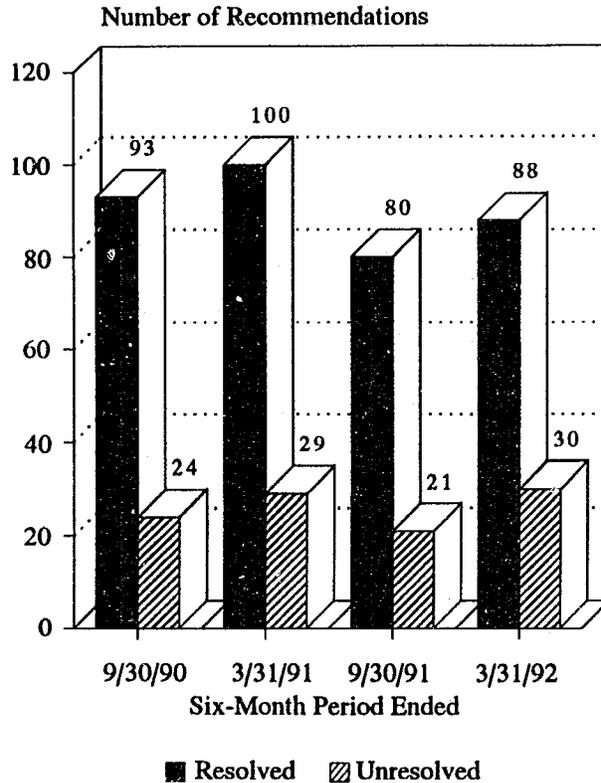
**--Comparison of Status of Open Recommendations Over Six Months Old--**

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 management and the IG's Office reach agreement on firm plans of action to correct the reported deficiencies. Audit recommendations are generally not closed until corrective actions have been completed or, in the case of a cost recovery, a bill for collection has been issued.

*A.I.D. Compliance with OMB Circular A-50*

The number of IG recommendations open over six months increased by 17 (from 101 to 118) between October 1, 1991 and March 31, 1992. Noncompliance with A-50 requirements for resolution increased during this period from 21 to 30.

## STATUS OF OPEN RECOMMENDATIONS OVER SIX MONTHS OLD



### SUMMARY OF REPORTS WITH SIGNIFICANT REVERSALS OF MANAGEMENT DECISIONS

The Inspector General Act Amendments of 1988 require that significant reversals of previous management decisions be reported. During the past six months, A.I.D. management has not made any significant reversals of previous management decisions.

## AUDIT FOLLOW-UP TABLES

The tables on the following pages are required by the Inspector General Act Amendments of 1988.

They are:

- TABLE A:** Audit Reports Issued Prior to Start of Period with No Management Decision at March 31, 1992
- TABLE B:** Significant Audit Reports Described in Previous Semiannual Reports Without Final Action at March 31, 1992
- TABLE C:** Reports Issued with Questioned and Unsupported Costs (October 1, 1991 through March 31, 1992)
- TABLE D:** Reports Issued with Recommendations that Funds Be Put to Better Use (October 1, 1991 through March 31, 1992)

**AUDIT REPORTS ISSUED PRIOR TO START OF PERIOD  
WITH NO MANAGEMENT DECISION  
AT MARCH 31, 1992**

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>CURRENT RECOMMENDATION STATUS</b>	<b>DECISION TARGET DATE</b>
1-519-90-018-N	Audit of the Health Systems Support Project with the Ministry of Public Health and Social Assistance	03/22/90	The unresolved recommendation involves questioned costs of \$2,043,107. To date, USAID/El Salvador has not negotiated a final settlement of the questioned costs.	Unknown
1-520-91-038-N	Audit of USAID/Guatemala's Highlands Agricultural Development Project - Directorate for Agricultural Services	07/31/91	The unresolved recommendation involves questioned costs of \$318,452. To date, USAID/Guatemala has not negotiated a final settlement of the questioned costs.	06/92
1-520-91-039-N	Audit of USAID/Guatemala's Highlands Agricultural Development Project - Directorate of Forest and Wildlife	07/31/91	The unresolved recommendation involves questioned costs of \$413,343. To date, USAID/Guatemala has not negotiated a final settlement of the questioned costs.	06/92
1-520-91-040-N	Audit of USAID/Guatemala's Highlands Agricultural Development Project - Agricultural Planning Sector	07/31/91	The unresolved recommendation involves questioned costs of \$37,716. To date, USAID/Guatemala has not negotiated a final settlement of the questioned costs.	06/92
1-525-91-014	Audit of Panama Assistance Program Funded By Public Law 101-302, as of May 31, 1991	09/12/91	The unresolved recommendation states that USAID/Panama should restructure the cash transfer program to promote private sector development. USAID/Panama has partially restructured the program by increasing financial institution participation fees and requiring program funds be used to complement rather than supplant banks' medium-term lending activities. The IG does not believe that the restructuring adequately links program funds to private sector reactivation. The Mission continues to evaluate the recommendation.	Unknown
3-696-91-003-N	Audit of the Rwanda Policy Reform Initiatives in Manufacturing and Employment Program No. 696-0127	01/15/91	The unresolved recommendation involves questioned costs of \$1,496,832. USAID/Rwanda and the host government are negotiating the specific amount to be recovered.	06/92

REPORT NUMBER	REPORT TITLE	ISSUE DATE	CURRENT RECOMMENDATION STATUS	DECISION TARGET DATE
3-617-91-010-N	Audit of Uganda Manpower for Agricultural Development	07/17/91	The unresolved recommendation involves USAID/Uganda's charging the project with \$157,712 in Mission-related general management support costs, such as advisory accounting services, management services, and motor pool equipment. The Mission did not agree with the IG position. The recommendation has been referred to the Bureau for Africa for resolution.	06/92
3-687-91-011-N	Audit of the CIP Component of the Madagascar Agricultural Rehabilitation Support Project	09/11/91	The unresolved recommendation involves a request to the Government of Madagascar to reconcile and deposit about \$90,000 into a special account.	04/92
3-613-91-013-N 3-613-91-014-N 3-613-91-015-N 3-613-91-016-N	Audits of Local Currency Generations Grants 613-K-603 through 613-K-606	09/16/91 09/16/91 09/16/91 09/16/91	The unresolved recommendations involve requests to collectively restore about \$615,000 in equivalent local currencies to special accounts. An additional \$438,000 in equivalent local currencies need to be reconciled to account for over-deposits. To date, USAID/Zimbabwe has not been successful in obtaining needed data from A.I.D./Washington. The recommendations have been referred to the Bureau for Africa for resolution.	06/92
3-613-91-017-N	Audit of Expenditures on Selected Projects Funded by Local Currency Generated Grants 613-K-603 through 613-K-606	09/16/91	The unresolved recommendations involve questioned costs of local currency equivalents of \$24.9 million. To date, the Mission has billed the government of Zimbabwe for the local currency equivalent of \$8.4 million. The Mission is continuing to review the remaining \$16.5 million.	06/92
5-391-91-004	Audit of USAID/Pakistan's Participant Training Program	05/24/91	The unresolved recommendation involves establishing procedures to ensure that costs are appropriately considered before approving participant placement in U.S. schools. The Mission pointed out that the A.I.D. Handbook does not strongly stress cost as a factor. The recommendation was re-directed to the Office of International Training in February 1992. The Office is evaluating the recommendation.	06/92
7-660-91-014	Audit of the REDSO/WCA's Automated Accounting Support Services	09/13/91	The unresolved recommendation involves an assessment of workload and staffing qualification. As of March 31, 1992, Agency officials have not completed their analysis.	04/92
LTR-91-073	Audit of the Cooperative Housing Foundation	07/15/91	The unresolved recommendation involves unsupported costs of \$2,292,272. Supporting documentation is currently being reviewed by USAID/Egypt.	06/92
7-660-91-009 TR-90-078 TR-90-101 TR-91-096 TR-91-110 TR-91-137	Audit of Family Planning Project BCI Geonetics International Louis Berger International, Inc. Clapp & Mayne, Inc. Ernst & Young International Colorado State University	04/26/91 06/06/90 07/16/90 03/12/91 04/16/91 06/27/91	These recommendations are made to Missions that have been evacuated. The IG has temporarily suspended the recommendations until such time as the Missions can effectively address the recommendations.	Unknown

**SIGNIFICANT AUDIT REPORTS DESCRIBED IN PREVIOUS  
SEMIANNUAL REPORTS WITHOUT FINAL ACTION  
AT MARCH 31, 1992**

<b>REPORT NUMBER</b>	<b>REPORT TITLE</b>	<b>ISSUE DATE</b>	<b>FINAL MANAGEMENT DECISION DATE</b>	<b>FINAL ACTION TARGET DATE</b>
AM-90-002	Audit of the International Science and Technology Institute	12/18/89	03/19/91	06/92
3-615-91-008	Audit of USAID/Kenya's Compliance with Audit Requirements	06/28/91	06/28/91	04/92
3-695-91-012-N	Audit of USAID/Burundi's Grant with the Ministry of Public Health under the Combatting Childhood Communicable Diseases Project	09/11/91	03/26/92	Unknown
5-391-90-003	Audit of Commodity Import Programs in Pakistan	10/26/89	04/27/90	06/92
5-383-91-002	Audit of USAID/Sri Lanka's Close-Out Procedures for Expired Contracts	04/19/91	04/19/91	04/92
5-391-91-003	Audit of USAID/Pakistan's Transformation and Integration of the Provincial Agricultural Network	05/24/91	05/24/91	04/92
6-263-91-004	Audit of USAID/Egypt's Local Development II Program (Project No. 263-0182)	01/31/91	03/06/91	06/92
6-263-91-007	Audit of USAID/Egypt's Peace Fellowship Program	08/28/91	08/28/91	Unknown
7-683-90-007	Audit of the Agriculture Sector Development Grant in Niger--Project No. 683-0246	05/04/90	05/04/90	Unknown
7-675-91-002	Audit of Economic Policy Reform Program in Guinea - Guinea Economic Policy Reform Program No. 675-0217 - Economic Policy Reform Support Project No. 675-0218	11/23/90	05/30/91	Unknown
9-000-91-005	Audit of the Activities of the Bahamian Agricultural Credit Guarantee Fund	03/29/91	03/29/91	04/92

**REPORTS ISSUED WITH QUESTIONED AND UNSUPPORTED COSTS**  
**October 1, 1991 through March 31, 1992**

*(Dollars in Thousands)*

<b>REPORTS...</b>	<b>NUMBER OF AUDIT REPORTS</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTED COSTS<sup>1</sup></b>
For which no management decision had been made as of October 1, 1991	51	25,811 <sup>2</sup>	7,682 <sup>2,3</sup>
Add: Reports issued October 1991 through March 1992	69	23,921 <sup>4</sup>	15,556 <sup>4</sup>
	120	49,732	23,238
Less: Reports with a management decision made October 1991 through March 1992	49	20,407 <sup>5,6</sup>	5,630 <sup>5,6</sup>
For which no management decision had been made as of March 31, 1992	71	29,325 <sup>7</sup>	17,608 <sup>7</sup>
For which no management decision was made within six months of issuance	13	7,777	2,451

<sup>1</sup> Unsupported Costs are included in Questioned Costs, but are provided as additional information as required by the Inspector General Act Amendments of 1988 (P.L. 100-504).

<sup>2</sup> Amounts include \$398,284 Questioned Costs and \$2,161 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

<sup>3</sup> The ending balance at March 31, 1991 was decreased by \$113,014 to reflect increases in the original amounts of the two recommendations.

<sup>4</sup> Amounts include \$462,335 Questioned Costs and \$365,495 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

<sup>5</sup> Agency Officials disallowed \$4.7 million in Questioned Costs (\$2.1 Unsupported Costs) cited in 47 reports. Agency Officials did not disallow \$15.7 million (\$3.5 million Unsupported Costs) cited in 36 reports.

<sup>6</sup> Amounts include \$396,879 Questioned Costs and \$7,101 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

<sup>7</sup> Amounts include \$532,012 Questioned Costs and \$366,596 Unsupported Costs for audits performed for IG by other Federal Audit Agencies.

**REPORTS ISSUED WITH RECOMMENDATIONS THAT  
FUNDS BE PUT TO BETTER USE  
October 1, 1991 through March 31, 1992**

*(Dollars in Thousands)*

REPORTS...	NUMBER OF AUDIT REPORTS	DOLLAR VALUES
For which no management decision had been made as of October 1, 1991	21	42,723 <sup>1</sup>
Add: Reports issued October 1991 through March 1992	20	179,789 <sup>2</sup>
	41	222,512
Less: Reports with a management decision made October 1991 through March 1992	17	122,033 <sup>3,4</sup>
For which no management decision had been made as of March 31, 1992	24	100,479 <sup>5</sup>
For which no management decision was made within six months of issuance	9	21,472

<sup>1</sup> Amounts include \$2.8 million for audits performed for IG by other Federal Audit Agencies.

<sup>2</sup> Amounts include \$658,453 for audits performed for IG by other Federal Audit Agencies.

<sup>3</sup> Agency Officials agreed with \$115.6 million in actions cited in 18 reports, and Agency Officials did not agree with \$6.4 million in actions cited in 11 reports.

<sup>4</sup> Amounts include \$654,881 for audits performed for IG by other Federal Audit Agencies.

<sup>5</sup> Amounts include \$2.8 million for audits performed for IG by other Federal Audit Agencies.

## **RESOLUTION OF REPORTS WITH MONETARY RECOMMENDATIONS**

The Supplementary Budget and Rescission Act of 1980 requires that all monetary audit recommendations be resolved within six months of issuance. The number of audit recommendations in noncompliance with this statute increased from 13 in the prior period to 15 at March 31, 1992. The increase occurred in part because there were five recommendations made to Missions that were evacuated.

## **OTHER INSPECTOR GENERAL REPORTING REQUIREMENTS**

OMB Circular A-50 mandates that each agency regularly evaluate its performance in complying with the scope and intent of audit recommendations. Consequently, as one means of evaluating A.I.D. compliance with audit recommendations, follow-up on closed audit recommendations has been integrated into the audit effort of each IG audit office. In addition, for all recommendations, the Inspector General's Policy, Planning, and Oversight Office closely follows activity before, during and after resolution and closure. Occasionally, IG staff determined from available information that recommendations should be reopened. During the past six months, the Office of the Inspector General conducted follow-up activities on nine recommendations and did not reopen any.

*Follow-Up on Closed  
Recommendations*

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

*Referrals to the Deputy  
Administrator*

*Review of Legislation  
and Regulations*

Section 4(a)(2) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to A.I.D. programs and operations. During the reporting period, the Inspector General's Office of the Legal Counsel reviewed the proposed new authorization bill for the Foreign Assistance Program and proposals set forth by the President's Council on Integrity and Efficiency for legislation affecting Inspector General operations. Appropriate comments were provided in each instance.

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# OFFICE OF INVESTIGATIONS

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The Office of Investigations is responsible for A.I.D. programs in countries receiving U.S. foreign assistance funds. The Office's 35 American and 11 foreign national agents are based in Washington, D.C. and five overseas regional offices. Investigating serious criminal and administrative violations involves all facets of A.I.D.'s worldwide operations.

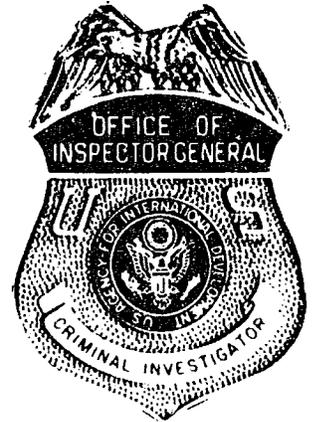
International investigations differ from domestic investigations in that IG agents must undertake extensive foreign travel, cope with language and cultural differences, meet varied administrative and judicial requirements, and be aware of complex political and security issues. Within this context, IG agents are achieving an increasing number of meaningful results.

In compliance with legal requirements, the Office of Investigations refers to the U.S. Department of Justice for prosecutive consideration all investigative findings which indicate possible violations of federal law. IG agents also collaborate closely with other federal, state, and local law enforcement agencies. In many investigations, jurisdiction lies with foreign governments and much effort goes into working with foreign judicial and investigative authorities.

Virtually all significant investigations originate with reports of possible violations made by A.I.D. employees, contractors, and private citizens with a strong interest in the integrity of the foreign assistance program. In recognition of this reliance upon outside sources, IG agents conduct an active outreach program of fraud awareness presentations throughout the world and in Washington, D.C. IG agents employ a video, which explains our goals and methods and summarizes several examples of serious fraud, and supplement it with materials such as documents used as evidence in past cases. These efforts are aimed at making employees aware of the kinds of fraud schemes they may encounter and at helping them implement controls to detect and deter fraud.

IG investigations also result in many administrative actions, such as dismissals and suspensions, issuance of bills for collection, debarment of

*Office  
Responsibility*



companies, and cost savings. Such actions are taken by A.I.D. officials after reviewing our investigative findings.

During the past six months, the following results were achieved, some of which are summarized in the Significant Investigations section:

Convictions/Confinements . . . . .	4
Debarments/Suspensions . . . . .	6
Disciplinary/Administrative Sanctions . . . . .	20
Recoveries . . . . .	\$2,315,675
Savings/Avoidance of Unnecessary Expenditures . . . . .	\$4,165,107

## SIGNIFICANT INVESTIGATIONS

The following sample of recent investigative results illustrates the wide variety of cases on which IG agents collaborated with A.I.D. employees and others. These joint efforts are essential in bringing to justice those who attempt to deprive intended recipients of the benefits of foreign assistance programs. Nearly all of the reported cases were initiated when A.I.D. employees contacted agents to report possible wrongdoing. This clearly demonstrates the commitment of Agency staff to well-run, honest programs.

*United States - A.I.D.  
Malaria Research  
Grantee Charged With  
Conspiracy and  
Submitting False  
Statements Concerning  
Use of \$434,000*

A grand jury in Minneapolis issued an indictment against a Wisconsin businessman, charging him with conspiracy to defraud the Government and submitting false statements. The indictment alleged that he conspired with the former Director of the A.I.D. Malaria Immunology and Vaccine Research Project to have grant funds improperly awarded to a Minnesota corporation he controlled and that he submitted false financial status reports to A.I.D. to conceal improper use of the funds. The total value of the allegedly fraudulent claims was approximately \$434,347.

The indictment charges that as part of the conspiracy, the businessman agreed to make payments to the A.I.D. employee and others, and did so, in violation of the terms and conditions of the grant. He is also charged with submitting false statements to A.I.D. in documents accounting for expenditure of the grant funds. The former A.I.D. Project Director previously pled guilty to a number of criminal charges.

The case was investigated by our Washington staff in coordination with the United States Attorney's Office in Minneapolis.

The most recent Semiannual Report noted that a North Carolina corporation and several of its senior officers had pled guilty to criminal charges in connection with two USAID/Pakistan Commodity Import Program transactions involving \$2.5 million in overpricing and kickbacks to Pakistani importers. The investigation stemmed from information provided to a Manila-based agent by USAID/Pakistan and later involved the Washington office and the Internal Revenue Service.

*United States - Company  
Officers Jailed and  
Ordered to Repay \$2.5  
Million in Kickbacks;  
Four Others Indicted*

During the current period, three senior corporate officials and the corporation itself were sentenced in U.S. District Court in Raleigh, N.C. The company President was sentenced to 59 months' imprisonment, to be followed by two years' supervised release. He was also ordered to pay up to \$200,000, which included the maximum fine of \$75,000 and the cost of his own imprisonment and supervised release, and was held jointly liable with other defendants to pay restitution up to \$2,591,045.

The Vice President for International Sales was sentenced to 48 months in prison, to be followed by a 48-month supervised release, and fined \$20,000. The Vice President for Finance was sentenced to 60 months' imprisonment, fined \$50,000 and ordered liable with other defendants for payment of restitution up to \$2,591,045.

The corporation and a subsidiary were placed on probation for five years and ordered liable with co-defendants to pay restitution.

In addition, new indictments were returned against four foreign businessmen, three Pakistanis and a Spaniard, for their participation in the transactions. The new indictments charge conspiracy to defraud the U.S. Government, money laundering, and submitting false claims. Those indicted include two top executives of two Pakistani firms involved in the transactions, an officer of two American companies allegedly used as intermediaries to conceal the flow of kickbacks to the Pakistanis, and a Pakistani who acted as middleman between the North Carolina company and the Pakistani importers.

*United States -  
Businessman Jailed for  
Five Years and Ordered  
to Pay \$2.8 Million in  
Fines and Restitution*

In a previous Semiannual report, it was disclosed that the owner of a New York City maritime firm had pled guilty to conspiracy to defraud the U.S. Government for having fraudulently made a \$900,000 profit by shipping an animal feed product to Sudan in place of non-fat dry milk called for in an A.I.D.-financed contract. During the current reporting period, he was sentenced to five years' imprisonment, to be followed by three years of supervised release. He was also ordered to make restitution of \$936,000, the value of the original contract, and was fined \$1,872,000. The judge also enjoined him from working as an officer or agent of a shipping company until after release from probation. The case was initiated based upon information obtained by the IG Singapore office and involved the IG offices in Nairobi and Washington as well as the U.S. Postal Inspection Service.

*United States - \$271,000  
in University Research  
Expenditures Disallowed*

The preceding Semiannual Report discussed another case resulting from the Malaria Project investigation. In that case, a retired professor at a major state university had been found guilty of criminal charges involving misuse of A.I.D. research funds. Continuing investigative work in this case revealed additional questionable expenditures by the professor, and the A.I.D. Office of Procurement and the university engaged in a lengthy review and negotiation process which resulted in the disallowance of \$271,077 in expenditures. Among the costs disallowed were travel and salary costs and expenditures associated with a subcontract with a French research institute.

*Six Egyptian Companies  
Suspended From A.I.D.  
Programs for Submitting  
Questionable Invoices*

In a series of six similar but unrelated cases, the USAID/Egypt Commodity Management and Trade Office reported that it doubted the authenticity of pro forma invoices submitted by Egyptian importers seeking to participate in the USAID Commodity Import Program, in which A.I.D. provides dollars to purchase needed commodities from abroad. Program regulations specify that Egyptian importers wishing to participate must select foreign suppliers through a competitive process. To demonstrate compliance with the requirement, importers must submit pro forma invoices from at least three companies which supply the commodities. In each of the six cases, the importer had submitted a pro forma invoice from a "winning" company and two "losing" invoices purportedly submitted by companies whose offers had not been accepted.



Investigation revealed that a number of the "losing" invoices were either false or altered. False invoices had been prepared in the names of legitimate companies and genuine invoices were changed to make them uncompetitive due to factors such as high prices or late delivery. In addition, some invoices were not proven false but it was determined that the importers had falsely certified that they had obtained them directly from the suppliers. The importers had attempted to ensure selection of favored suppliers and to circumvent the requirement of competitive purchasing. USAID/Egypt recommended that the Ministry of International Cooperation consider suspending the six importers from participation in the program, and the Ministry suspended each company for three years.

USAID/Cameroon requested an investigation when an internal review of disbursements of Participant Training funds disclosed that a number of checks issued in the names of participants and institutions had been taken by the Mission's training specialist and that no training had occurred.

Investigation established that the employee had initiated nine questionable training requests and prepared vouchers requesting payment of \$52,663 in training funds for various third-country nationals. Once the vouchers were approved and the checks prepared, the employee cashed them. He also took a cash voucher intended for a participant and collected the cash himself. To cash some of the checks, he had rubber stamps made up bearing the names of recipient institutions, used them to stamp false institutional endorsements on the backs of the checks, signed them with false names, and cashed them. In other instances, he typed in the endorsement block "Pay to the order of", and entered his own name.

The employee was arrested by local police and the State Department Regional Security Officer with the assistance of an IG agent. He confessed to embezzling over \$23,000, blaming his actions upon medical debts and alienation caused by his supervisor. He is awaiting trial.

***A.I.D. Employee  
Arrested for Embezzling  
Training Funds***



***Lawyer Submits False Receipts for Reimbursement***



A former Costa Rican ambassador to a Central American country who was employed under contract by USAID/Nicaragua as an attorney in the Democratic Initiatives program had a collection action initiated against him for nearly \$10,000 after investigation showed that he had submitted false lodging receipts to USAID. The investigation, which was based upon information provided by the Mission, showed that the former ambassador had prepared false receipts, in the name of a nonexistent hotel, claiming reimbursement of lodging costs of \$105 per day, the maximum allowable, although his true lodging costs were only about \$30 per day. The majority of the false claim was offset against reimbursements actually owed him and a bill for collection was issued for the remainder. As a result of the investigation, the attorney's contract was not renewed. The investigation was conducted by the IG regional office in Tegucigalpa.

***Former A.I.D. Employee Charged With Embezzling Training Funds***



An investigation based upon information provided by USAID officials found that the former foreign service national USAID/Gambia Participant Training Officer had, over a seven-year period, embezzled over \$76,000 by causing at least 18 U.S. Treasury checks to be fraudulently issued in the names of Gambian training participants. The checks were for allowances the participants had either already received or were not entitled to. The names used on two of the checks were fictitious.

Four checks were deposited into the former employee's bank account. Twelve were cashed by a local businessman, who stated that he did so at the training officer's request and sent her the proceeds. Two checks were deposited in the bank account of an acquaintance, who had no explanation for how he received them.

The former employee was arrested by local authorities and then released on bail after posting a surety bond for \$76,682, the amount allegedly embezzled. She had earlier been dismissed after a previous investigation revealed that she improperly selected four of her siblings for long-term training in the U.S. There is a high level of local interest in the current case because the former employee's husband works in the Office of the President of The Gambia.

An audit by the Regional Inspector General for Audit/Dakar found that a Gambian employed as the procurement agent for a USAID contractor project had obtained reimbursement for purchases not actually made by submitting for payment duplicate copies of old purchase orders. Combined audit and investigation revealed that the duplicate purchase orders totalled \$10,348. The employee had also prepared false receipts in the names of four fictitious vendors to support other fraudulent purchase orders and obtained additional payments totalling over \$53,000. He was dismissed and the matter was referred to the Gambian National Police for investigation and possible prosecution.

*University Repays  
\$10,000 and is Billed for  
\$53,000 More in  
Employee's Fraud  
Scheme*

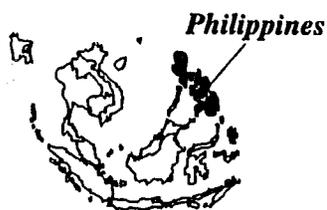
Based on the results of the investigation, the contractor, a major state university, paid a claim for the duplicate purchase orders. The A.I.D. Regional Contracting Officer also advised the university that a bill for collection of \$53,470 for the purchases involving fictitious vendors would be issued unless it could provide a list of commodities actually received and show that reasonable prices had been paid. The university could not do so and the bill for collection was issued.

An investigation conducted jointly by our Singapore office and Hong Kong's Independent Commission Against Corruption revealed that two former Hong Kong-based employees of a major computer manufacturer, a customer engineer and a leasing manager, and a Nepalese employed as a computer specialist at USAID/Nepal conspired to provide used computer equipment to USAID/Nepal in place of over \$100,000 in new equipment ordered from the manufacturer. The three purchased used equipment and sold it as new and prepared false documentation indicating that it had been shipped by the company. In addition, they intercepted more than \$100,000 in U.S. Government funds being transmitted in payment for the equipment. The customer engineer pled guilty to two counts of uttering a false document and received an 18-month suspended sentence. Charges were filed against the leasing manager but were later dropped. Full restitution has been received from the manufacturer in the form of credits against future purchases.

*Former Supplier  
Employee Sentenced;  
Company Reimburses  
A.I.D. \$101,745*



***Purchasing Agent  
Dismissed for Taking  
Kickbacks From Vendors***



Information from USAID/Philippines indicated that prices paid by the foreign service national purchasing agent appeared to be higher than those quoted to the Mission Executive Office for the same products. An investigative survey of purchases made by the employee identified four merchants who supplied the majority of items procured. An IG foreign service national special agent from Singapore was sent to pose as a Government purchasing officer to procure various items. All four merchants offered to pay him kickbacks and to provide false receipts. In follow-up contacts, two of the four merchants actually gave the undercover agent false receipts. When confronted with this evidence, the purchasing agent confessed to soliciting and receiving kickbacks from the four merchants and to submitting false receipts to USAID. He was dismissed for cause.

***Four Project Employees  
Fired for Embezzlement***

An investigation in the Philippines determined that nearly \$20,000 in project funds had been embezzled by four local employees of a USAID-funded reforestation project. The four, who were responsible for disbursing and accounting for project funds, carried out their scheme by routinely inflating costs of product commodities and laborers' wages in financial reports submitted to USAID/Philippines. As a result of the investigation, the employees were dismissed for cause and systemic changes in accounting controls over fund disbursements were implemented by the grantee. The investigative findings were also referred to the City Prosecutor's Office, Cebu City, Philippines, and the matter is under active review for possible criminal prosecution.

***Company Billed \$203,000  
in False Academic  
Credentials Case***



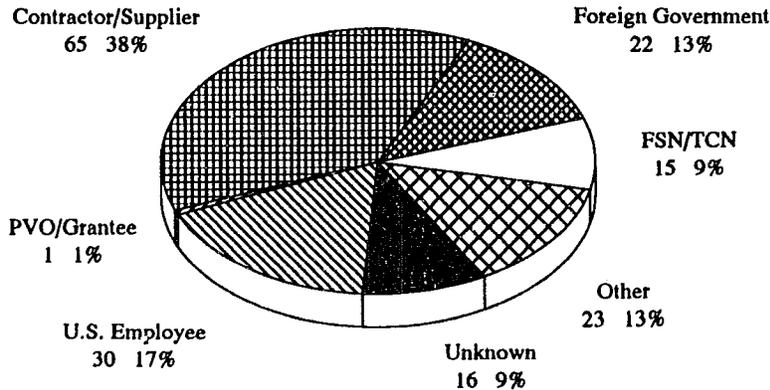
An investigation disclosed that a contract employee falsified his academic background to obtain his technical expert position under an A.I.D.-financed contract in Zambia. Alerted by USAID officials, a joint investigation by the Regional Inspectors General for Investigations in Nairobi and Washington, D.C. disclosed that he had not earned the doctorate he claimed on biographical data forms submitted to the company which hired him. It was discovered that he had claimed false academic credentials in securing positions on three A.I.D.-financed contract teams in Asia and Africa. All three contracts were terminated prematurely due to his failure to perform satisfactorily and cost A.I.D. thousands of dollars in termination expenses and poorly completed projects.

The investigation also showed that the firm which hired him made no effort to verify his academic record. As a result of the investigative findings, the A.I.D. Regional Finance Center in Nairobi issued a \$203,137 bill for collection to the employing firm. The U.S. Department of Justice declined to prosecute the former employee because of his poor health.

## STATISTICAL SUMMARY

During the six-month period, 166 complaints were received and processed and 6 proactive inspections initiated. Over 38 percent of the allegations involved A.I.D. contractors and suppliers, 17 percent involved A.I.D. U.S. Direct-Hire employees, and 9 percent involved foreign national employees.

### SUBJECTS OF ALLEGATIONS



- Notes: \* PVO/GRANTEE includes Private Voluntary Organizations and grantees, both foreign and domestic, which are recipients of A.I.D. funding.  
 \* U.S. Employees includes U.S. Direct Hires  
 \* FSN/TCN includes Foreign Service National and Third-Country National employees.

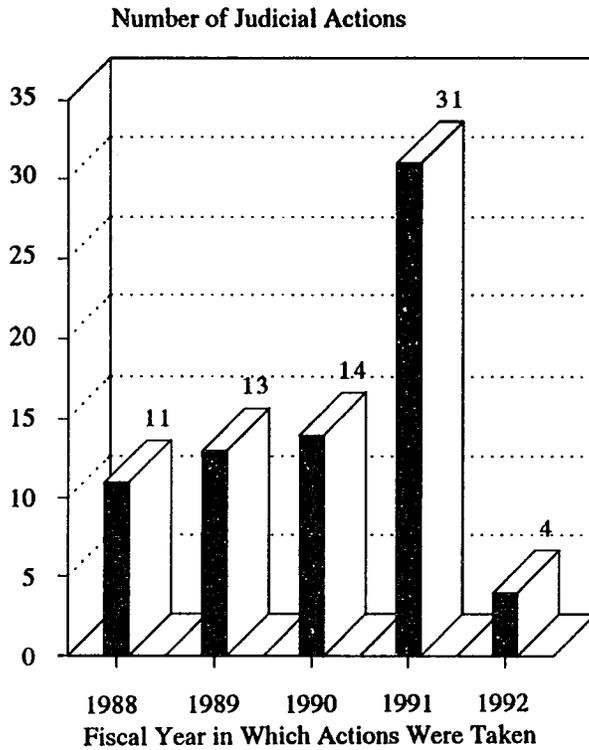
Of the total complaints received, 131 concerned allegations of fraud or procurement violations. These included procurement-related bribery, embezzlement, conflict of interest and false claims. Twenty-one complaints pertained to allegations of criminal violations, such as theft of property, blackmarketing, and customs violations, not directly related to procurement. Fourteen complaints involved administrative irregularities.

Of the allegations received and inspections initiated, 93 resulted in formal criminal investigations, 14 were referred to Agency management for resolution and action after initial evaluation, 64 were referred or closed after a preliminary inquiry, and 1 was declined.

The Office of Investigations is continuously refining its approach to the investigative process. Through better screening and analysis of complaints early in the investigative process, the Office refers more matters to Agency bureaus and missions for resolution. Consequently, agents focus on activities which pose the most serious actual or potential criminal threat to A.I.D. programs. This has resulted in numerous criminal convictions both in the U.S. and overseas. Since October 1983, more than 129 individuals have been convicted and/or confined as a direct result of IG investigations.

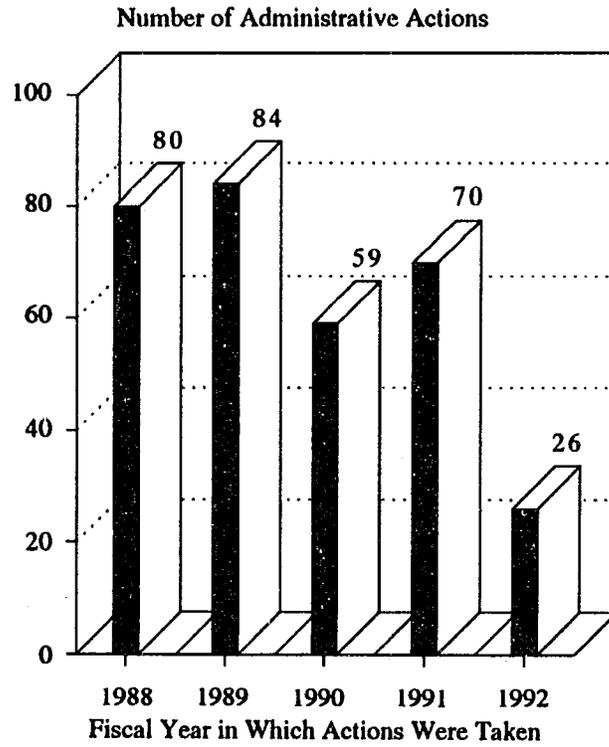
The graphs below summarize judicial and administrative actions taken since 1988.

## JUDICIAL ACTIONS



Note: Fiscal Year 1992 Includes 1st Half of Fiscal Year Only

## ADMINISTRATIVE ACTIONS (\*)



(\*) Includes Suspensions and Debarments

Note: Fiscal Year 1992 Includes 1st Half of Fiscal Year Only

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# OFFICE OF SECURITY

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The Office of Security is responsible for a worldwide program designed to protect A.I.D. employees and facilities from acts of violence and terrorism, and classified material from espionage and unauthorized disclosure. The program includes an investigative function to determine the suitability and security eligibility of direct-hire employees, foreign service nationals, and U.S. and foreign national contractors; and a physical security function to harden and protect offices and residences, and provide armored vehicles and security communications capabilities.

*Office  
Responsibility*

Window safety film on the A.I.D. office windows in Lima prevented injury to 20 A.I.D. employees on February 11, 1992, when terrorists detonated a car bomb at the nearby residence of the U.S. Ambassador. The bomb "blew in" or damaged 121 office windows and killed three Peruvian policemen at the scene of the explosion. Eight physical security projects were completed overseas, and nine A.I.D. vehicles were armored. Office of Security electronics technicians provided communications support to the Office of Foreign Disaster Assistance following Cyclone Val in Western Samoa. Communications technical assistance was provided to Project Hope emergency relief survey teams dispatched to the Commonwealth of Independent States. Procedural security inspections were conducted at 12 overseas posts. The Office of Security implemented National Security Directive 63 on March 1, 1992. Several security clearances were denied and several employees' security clearances were suspended pending investigation. Seven employees identified as "chronic" violators of security procedures were identified to Agency management for appropriate administrative/disciplinary action.

*Summary of  
Achievements*

## PHYSICAL SECURITY PROGRAM

Between April 1991 and September 1992, A.I.D. will have expanded its representation by 24 new posts to a new total of 98 countries. During this reporting period, five new posts were opened (Bratislava, Geneva, Phnom

*32 Percent Expansion of  
A.I.D. Posts by  
September 30, 1992*

Penh, Tirane, and Tokyo), one reopened (Addis Ababa), and two closed (Nouakchott and Lisbon). An additional eight posts will be added in the next six months (Alma-Ata, Kiev, Luanda, Moscow, Riga, Tallinn, Vilnius, and Yerevan).

*17 A.I.D. Posts Have High Terrorism Threat, 32 Have High Crime Threat*

A.I.D. is currently represented in 90 countries throughout the world. The threat from terrorism, war, insurgency, civil disturbance, and narco-terrorism in 17 of the 90 posts is considered critical or high by the Department of State's Bureau of Diplomatic Security. Two of the Agency's posts are designated critical threat posts where A.I.D. employees receive danger pay. The threat from criminal activity in 32 of the 90 posts is considered critical or high by the Department of State's Bureau of Diplomatic Security.

*Window Film Prevents Injuries to A.I.D. Employees*

Twenty U.S. and Foreign Service National A.I.D. employees escaped injuries on February 11, 1992, when 121 windows in A.I.D.'s Lima office building were "blown in" or damaged by a car bomb which was detonated by terrorists at the nearby U.S. Ambassador's residence. Three Peruvian policemen, who were near the residence when the bomb exploded, were killed. Shatter-resistant film (a required security measure for all A.I.D. office buildings) kept the glass intact and prevented explosion-generated glass shards from flying through the work space.

*Civil Strife Disrupts A.I.D. Programs*

- Haiti - The A.I.D. program in Port-au-Prince was suspended indefinitely following a military coup in October, 1991. A.I.D. employees and dependents were evacuated safely from post. One A.I.D. employee remains at post as part of the Embassy's residual staff to manage foreign service national employees maintaining the A.I.D. building and property.
- Somalia - The A.I.D. office in Mogadishu remains closed because of continued anarchy and violence throughout the country.
- Zaire - A.I.D. personnel evacuated from Kinshasa during October and November 1991 have not returned to post as a result of continued fighting in the capital. One employee remains at post to coordinate a special emergency assistance plan and oversee the closeout of project assistance programs.

To support the rapidly expanding A.I.D. presence overseas, the Office of Security has initiated a physical security enhancement program for newly established offices. The program will provide protection for employees and facilities against terrorism and criminal acts, and will safeguard national security information and computer systems against espionage and unauthorized access.

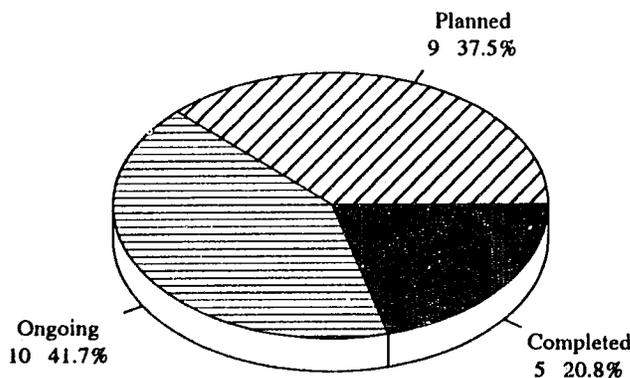
*New Physical Security Enhancement Program Initiated*

The new enhancement program's security projects will harden office facilities to deter forced entry by terrorists, mobs, and unauthorized intruders. Security projects will include the installation of ballistic resistant materials, public access controls, walk-through metal detectors, secure rooms, alarm systems, and perimeter barriers.

The five-year physical security enhancement program cited in the previous report ended on September 30, 1991. Of the 10 remaining projects, 3 were subsequently completed (Cairo, Rabat, and Tegucigalpa) and 7 were carried forward into the new program. Five other projects (Bucharest, Budapest, Guatemala City, Sofia, and Vienna) represent the first projects completed under the new program. The following graph depicts the status of the 24 projects in the new enhancement program. All other projects were completed in the previous five-year program.

*Eight Physical Security Projects Completed Overseas*

**NEW PHYSICAL SECURITY PROJECTS  
A.I.D. OVERSEAS**



*Planning for New A.I.D. Offices Underway*

Plans are underway to acquire new office space in Antananarivo, Asuncion, Bissau, Cotonou, Peshawar, Prague, and Pretoria. Construction planning for a new office building in both Dakar and La Paz is underway. The State Department's Foreign Buildings Office intends to relocate the A.I.D. Mission in Panama into an existing leased facility. Proposals to move the Lagos office to the country's new capital of Abuja are under discussion.

*Four Posts Provided Residential Security Funding Assistance*

The Office of Security provided assistance to four posts for A.I.D. employees in support of the Diplomatic Security Bureau's residential security program. The funding assistance facilitated the procurement of security equipment for the posts in Bujumbura, Maseru, Maputo, and Mbabane.

*Nine A.I.D. Vehicles Armored*

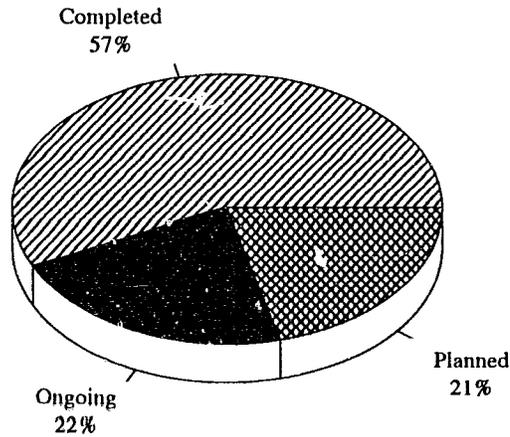
The vehicle armoring program is designed to provide protection for vehicle occupants through an application of opaque and transparent armoring. These materials, combined with the mobility of the vehicle, afford protection against ballistic attacks. During the reporting period, the Office of Security funded the application of armoring for nine vehicles, one each destined for Bogota, La Paz, San Salvador, and Lima. Five are destined for Manila, where secure transportation shuttles are employed.

## **SECURITY COMMUNICATIONS PROGRAM**

*Replacement of Communications Equipment Continues*

The Security Communications Program provides A.I.D. employees with a reliable means of accessing the Embassy Emergency and Evacuation Radio Network. Typical communication systems include residential and vehicle radios, base stations, and repeaters which provide employees with 24-hour communications while at work, at home, and during transit. Communications projects are underway to ensure all posts have systems which meet their specific security communication needs. These projects include the procurement, shipment, and installation of communications systems for city-wide and country-wide coverage. The following graph depicts the status of the five-year security communications enhancement program. The increase in the percentage of ongoing and planned projects over the previous reporting period is attributed to the opening of new A.I.D. posts.

## A.I.D. SECURITY COMMUNICATIONS ENHANCEMENT PROJECTS OVERSEAS



During fiscal year 1989, the Office of Security initiated a five-year plan to replace obsolete equipment with less expensive, state-of-the-art equipment. A significant problem at many posts is the unilateral changing of U.S. radio frequencies by the host governments. Much of the security communications equipment currently in the field consists of hand-held radios that are crystal controlled (analog). In order to change the frequencies of these older radios, three man-hours per radio is required. The replacement radios being procured and issued under the five-year plan can be programmed by computer (synthesized) in only a few minutes; and can cover an entire frequency spectrum. These radios are less expensive and easier to use. Approximately 55 percent of the old analog radios have been replaced.

In early December 1991, Cyclone Val hit the islands of Western Samoa with winds gusting to 150 miles per hour, inflicting severe damage on the country's infrastructure. Responding to a request for assistance from the Office of Foreign Disaster Assistance, the Office of Security provided personnel and technical support to a disaster assistance response team in late December 1991. Electronics technicians accompanied the disaster assistance response team and established temporary communications links between the islands and to the United States.

*Communications Support  
Provided Following  
Cyclone Val*

The communications equipment normally available to the Office of Foreign Disaster Assistance had been used in the Mt. Pinatubo volcanic disaster, was not serviceable, and was technically inadequate to meet the requirements of the Western Samoa disaster.

*Office of Security Assists  
Project Hope*

The Office of Security provided communications equipment assistance to personnel deployed on operation "Project Hope" in the Commonwealth of Independent States. Office of Security electronic technicians engineered and built individual communications systems for the team members to assist in the evaluation of areas needing emergency relief.

*Security Inspections  
Conducted at 12 Posts*

The Office of Security inspected 12 posts (Budapest, Bucharest, Cochabamba, Guatemala City, Jakarta, Lima, Peshawar, Prague, Quito, Singapore, Tegucigalpa, and Vienna) to determine the adequacy of physical security programs designed to protect A.I.D. employees from acts of violence, terrorism and criminal activity. The inspections also examined the adequacy of security communications systems and A.I.D. compliance with national security information-protection requirements. The reviews revealed that programs at the A.I.D. missions were generally adequate.

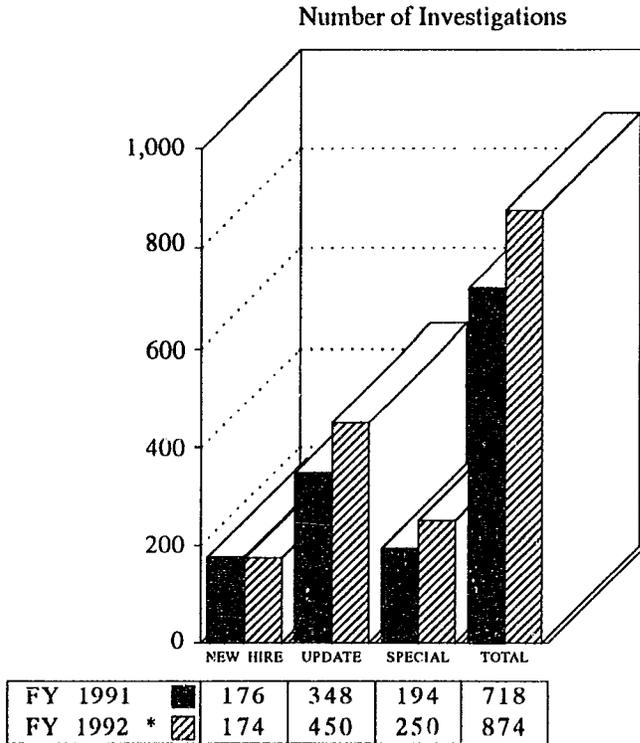
Areas found in need of improvement included office and residential physical security equipment, communications systems, proper usage and maintenance thereof, and procedures and equipment employed by local guards. Where possible, security deficiencies were corrected on the spot. Unserviceable equipment was scheduled for replacement.

## **PERSONNEL SECURITY PROGRAM**

*Investigations*

A review of investigations completed to date reflects a disproportionate number of new-hire investigations and a reduced number of update cases. This is the result of funding delays associated with the continuing resolution, and a decision on the part of the Agency to fill the majority of its direct-hire vacancies early in the fiscal year. Fiscal year 1992 investigative projections are reflected in the following graph.

## NUMBER OF SECURITY INVESTIGATIONS

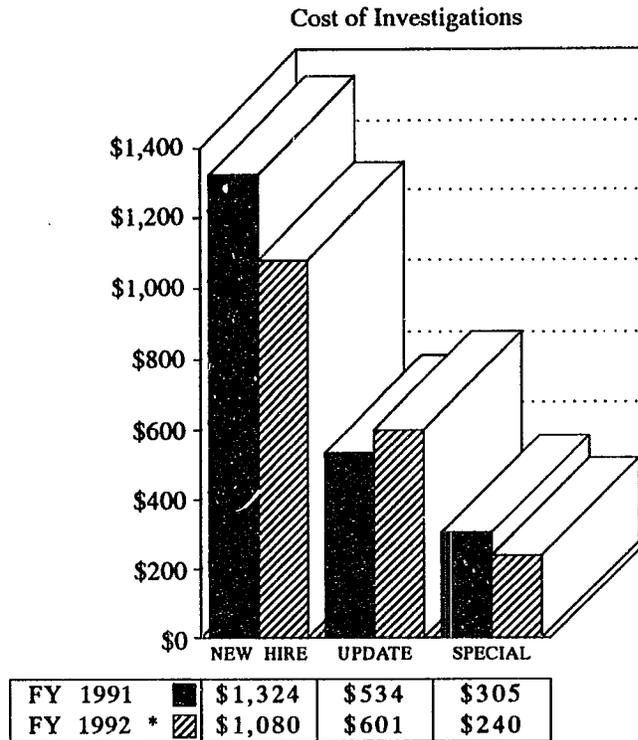


\* Projected

It is anticipated that average new-hire case costs will increase in the second half of fiscal year 1992 as a result of the implementation on March 1, 1992 of "National Security Directive 63, Single Scope Background Investigation." This new investigative requirement standardizes the investigative scope of coverage for collateral Top Secret/National Security Information and Sensitive Compartmented Information. The directive promotes a longstanding Office of Security policy of accepting other agency clearances. It also extends the investigative period from five to ten years for the full field background investigations. The directive also requires independent verification of birth records. Additional costs for these new requirements cannot be determined at this time; however, any new costs associated with the directive will be identified in the next reporting period. The following graph depicts our costs of investigations for fiscal year 1992 through March 31, 1992.

*National Security  
Directive No. 63 May  
Increase Investigative  
Costs*

## COST OF SECURITY INVESTIGATIONS



\* Projected

### *Modem Connects A.I.D. Security Office to the Office of Personnel Management's Security Investigative Index*

The Office of Security enhanced its investigative efficiency through negotiations with Office of Personnel Management's (OPM) Office of Federal Investigations and the resultant installation of a modem which provides direct access to OPM's Security Investigative Index in Boyers, Pennsylvania. The index contains the names of persons investigated for suitability/security purposes within the Executive Branch, identifies information concerning each such person, and provides a reference to each department and agency which has conducted an investigation on the individual. A search of this index enables the Office of Security to quickly ascertain if there is a current investigation which may be used for the granting of a clearance; thereby saving both time and money in the investigative/adjudicative process.

The Office of Security passed an investigative records keeping milestone during the reporting period by successfully completing the transfer of all paper security files into an electronically scanned imaging system referred to as the Office of Security's Combined Automated Records. The effort

involved screening over 7,000 active and inactive security folders (approximately 1 million pages), retiring and destroying those permitted, screening files for the elimination of unnecessary paper, and scanning the remaining materials into active files in the system.

During the reporting period, an unusually high number of security clearance denials were issued. The majority of these denials were in the contractor ranks and were based upon medical authority recommendations in cases involving psychological problems and histories of drug/alcohol abuse. One contractor was dismissed following a clearance denial based upon allegations of a sexual assault. Three employees had security clearances suspended pending further investigation. Two were reinstated while the third resigned in the face of numerous criminal allegations and charges of violation of counterintelligence reporting requirements.

*Adverse Clearance  
Actions Increase*

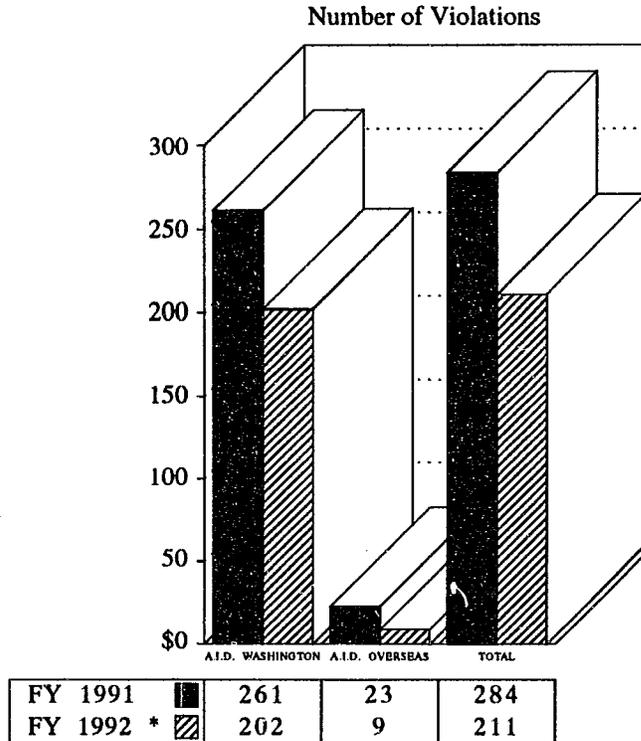
The Office of Security briefed approximately 250 new employees and contractors on the procedures for classifying, declassifying and safeguarding national security information, as mandated by Executive Order 12356. In addition, briefings designed for specific security concerns and work environments were presented to various A.I.D./Washington offices. A security inspection of the Bureau of Research and Development revealed numerous procedural deficiencies and indicated that further security educational efforts are in order.

*Security Education*

The trend of increased numbers of security violations in the Agency continues. As shown in the graph below, A.I.D. personnel were responsible for 211 security violations during the first half of fiscal year 1992. That figure is rapidly approaching the 1991 total of 284. If the trend is not reversed, the total number of violations would increase by 33 percent over 1991.

*Security Violations  
Continue to Increase*

## NUMBER OF SECURITY VIOLATIONS



\* As of March 31, 1992

During the reporting period, 23 A.I.D. employees were identified as "chronic" security violators; that is, charged with three or more security violations within a two-year period.

Of these 23 individuals, 7 were referred to the Office of Human Resource Development and Management for appropriate administrative/disciplinary action. Five more await referral. Two cases involved mitigating circumstances wherein the violations were subsequently rescinded and nine cases remain in the investigative stage.

Two A.I.D. employees had their security clearances suspended during a special investigation to determine their continued eligibility to hold a security clearance. Both individuals came to the attention of the Office of Security through their unprecedented number of violations within a brief period of time. In addition to a lack of acceptance of individual responsibility on the part of the employees, the investigation revealed poor

security practices within the office, and a failure on the part of office management to promote an environment conducive to good security procedures or attitudes. Although the individuals were deemed personally responsible for the majority of the violations, they were not considered to be national security risks; therefore, their security clearances were restored.

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# OFFICE OF RESOURCE MANAGEMENT

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The Office of Resource Management provides advice and guidance to the Inspector General; the three Assistant Inspectors General for Audit, Investigations and Security; and Legal Counsel on administrative, financial and personnel matters. The Office is directly responsible for implementing and administering personnel, financial, budgetary, contract, logistic, and administrative activities for the Inspector General's Washington Office and six Regional Inspector General Offices abroad.

*Office  
Responsibility*

The Office of the Inspector General has operated under a continuing resolution for the period October 1, 1991 through March 31, 1992. Operations were modified to function within the limits set by the resolution; however, the Office was able to move forward in a number of areas. Additional staff were added, major improvements were made to the IG's automated data processing capability, and staff were relocated to an additional floor at the State Department Annex 16.

*Summary*

## PERSONNEL AND FINANCIAL MANAGEMENT DIVISION

A continuing resolution was in effect for the six months beginning October 1, 1991. This has had significant and widespread impact on IG operations worldwide. Due to the funding restrictions of the continuing resolution and the uncertainty of the funding levels in the second half of the year, hiring had to be carefully controlled, travel rescheduled and limited, and purchases deferred. Frequent modifications to the operating budget have been necessary to remain within the continuing resolution level. Work was completed on the fiscal year 1993 IG Budget Request. Preparation of this budget request was particularly difficult due to the uncertain impact of what is expected to be a full year continuing resolution.

*Effect of Continuing  
Resolution on Operations*

***Operational Travel***

The Office of Resource Management is now authorizing and approving all IG/Washington operational travel, as well as approving travel advances. As a result, the time it takes to process travel authorizations has been reduced by about half. This has had the greatest impact in the areas of Security and Investigations, which have frequent unanticipated and unplanned travel requirements.

***Position Sensitivity Survey***

The Office of Resource Management completed a Position Sensitivity Survey covering all IG non-Foreign Service positions. Foreign Service positions are established at the critical-sensitive level. The sensitivity and criticality of non-Foreign Service positions vary by location and responsibility. This project was initiated at the request of the Office of Security and is a requirement set by the Office of Personnel Management. Each position was reviewed and assigned a critical, non-critical, sensitive or non-sensitive rating depending on its location, responsibilities and degree of public trust required. Security clearances for IG staff will be based on this review.

***Additional Staff***

Eleven Foreign Service and twenty Civil Service employees were appointed during the past six months. Another nine new-hire applicants are in process. A new three-tier system was set up for screening Foreign Service auditor applications at the entry/mid/senior level. Approximately 600 auditor applications were reviewed, of which approximately 220 met the basic requirements and have been submitted to the selection panel for review.

***Staffing Actions***

Nine Foreign Service auditors and agents were tenured in January 1992. Another 16 are eligible for tenure in May 1992. Twenty-three foreign service auditors/agents were approved for overseas assignments. Thirteen auditors/agents were approved for rotational assignments. Five Civil Service staff were promoted.

***Staff Training***

Sign language training was provided to 15 IG employees who have frequent official contact with a hearing-impaired IG employee. Mandatory computer training was initiated and over 75 percent of the IG staff have completed courses in WordPerfect, MS-DOS, and Banyan Vines.

## GENERAL SUPPORT DIVISION

During the months of December 1991 and January 1992, approximately 147 IG/Washington employees relocated to three different floors within our present office location. Prior to the move, everyone was involved in such activities as space reconfiguration, construction and alteration, refurbishing, extensive telephone and electrical work, installation of a new security system, and installation of a mobile filing system. All aspects of the relocation were completed by March 1992.

*Office Relocation*

During the past six months, 319 purchase requests totalling \$573,377 were processed using small purchase procedures.

*Procurement  
Activity*

The Memorandum of Understanding with the Defense Contract Audit Agency was reviewed and extended through the end of fiscal year 1992. This agreement provides the basis for the Defense Contract Audit Agency, as the cognizant U.S. Government agency, to perform contract audits for the IG. That agency has the sole responsibility, authority or control to perform all Federal audits at specific companies or nonprofit entities. Audit overlap and duplication of effort are therefore avoided. An ongoing arrangement has existed between the A.I.D. IG and the Defense Contract Audit Agency for over five years, accounting for several hundred audits.

*Memorandum of  
Understanding with the  
Defense Contract Audit  
Agency*

TABLE E

**INSPECTOR GENERAL AUTHORIZED STAFFING**  
**March 31, 1992**

<u>Professional</u>	<u>Positions</u>
Office of the Inspector General	1
Legal Counsel	4
Office of Resource Management	12
Office of Investigations:	
U.S.	35
Foreign Nationals	4
Office of Security	37
Office of Audit:	
U.S.	138
Foreign Nationals	<u>15</u>
Total Professional Staff	246
 <u>Support Staff</u>	
U.S.	42
Foreign Nationals	<u>1</u>
Total Support Staff	43
 Total Staff	 <u>289<sup>1</sup></u>

<sup>1</sup> Includes three part-time positions.

# AUDIT REPORTS ISSUED

October 1, 1991 through March 31, 1992

## PERFORMANCE AUDIT REPORTS

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
<b>AUDITS OF BILATERAL PROJECT ASSISTANCE</b>				
1-522-92-01	10/18/91	Audit of the USAID/Honduras Health Sector II Project	-	-
1-538-92-03	11/25/91	Audit of Technical Services Activities at the Regional Development Office/Caribbean	-	-
1-511-92-04	12/31/91	Audit of Selected Mission Systems at USAID/Bolivia	-	-
1-518-92-05	02/28/92	Audit of Selected Monitoring Systems at USAID/Ecuador	416	BU
2-492-92-01	10/10/91	Audit of USAID/Philippines' Rural Infrastructure Fund Project No. 492-0420	-	-
3-645-92-04	12/20/91	Audit of USAID/Swaziland's Management of Audit Requirements to Achieve Accountability for A.I.D. Funds	-	-
3-656-92-05	02/28/92	Audit of the Regional Rail Systems Support - Mozambique Component Project No. 690-0247	159 61 75	QC UN BU
3-656-92-07	03/24/92	Audit of USAID/Burundi's Management of Audit Requirements to Achieve Accountability for A.I.D. Funds	-	-
3-696-92-08	03/25/92	Audit of USAID/Rwanda Management of Cash Advances and Expenditures for Projects and Programs	-	-
5-442-92-02	11/07/91	Audit of the Agreement with the Cooperating Agency for Transportation Support for the Cambodian Noncommunist Resistance Program	-	-
5-383-92-04	03/19/92	Audit of USAID/Sri Lanka and the A.I.D. Regional Contracting Office's Controls Over A.I.D.-Direct Contracts for Technical Assistance	284 284	QC UN
6-263-92-01	01/26/92	Audit of USAID/Egypt's Population/Family Planning II Project No. 263-0144	1,076	QC
6-263-92-03	02/23/92	Audit of USAID/Egypt's Monitoring of Revenue Agreements under the Population/Family Planning II Project No. 263-0144	-	-
6-263-92-04	03/26/92	Audit of USAID/Egypt's Basic Education Project No. 263-0139	100,000	BU
7-631-92-01	10/04/91	Audit of USAID/Cameroon's Technical Services	11	BU
7-655-92-02	10/24/91	Audit of OAR/Cape Verde's Management of the Food Crops Research and Watershed Development Projects (Project Nos. 655-0011 and 655-0013)	-	-
7-688-92-04	01/10/92	Audit of A.I.D.-Financed Vehicles, Fuel Costs and Maintenance in Mali	-	-
7-664-92-05	03/09/92	Audit of USAID/Tunisia's Management of the Computer Technology Project, Project No. 664-0334	-	-
7-660-92-06	03/24/92	Audit of USAID/Zaire's Management of Audit Requirements to Achieve Accountability of A.I.D. Funds	-	-
<b>AUDITS OF BILATERAL NONPROJECT ASSISTANCE</b>				
3-687-92-01	10/25/91	Audit of USAID/Madagascar Sector Assistance Programs - Program Nos. 687-0101 and 687-0102	1,800	BU
3-656-92-02	11/15/91	Audit of Food Monetization Program in Mozambique	-	-
3-615-92-03	11/29/91	Audit of USAID/Kenya Commodity Import Programs	59,000	BU
3-645-92-09	03/26/92	Audit of USAID/Swaziland Management of Commodities	440	QC
6-263-92-02	02/20/92	Audit of USAID/Egypt's Fiscal Years 1989, 1990 and 1991 Cash Transfers - Grants #263-K-619, 263-K-622 and 263-K-623	-	-

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**PERFORMANCE AUDIT REPORTS  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
6-263-92-07	03/26/92	Audit of USAID/Egypt's Management of the Section 416(b) Food Donation Program	-	-
7-685-92-07	03/26/92	Audit of A.I.D.'s Economic Support Fund and African Economic Policy Reform Programs in Senegal from 1987 through 1990, Program Nos. 685-0289, 685-0290, 685-0292, and 685-0293	9	BU
<b>AUDITS OF MAJOR MANAGEMENT SYSTEMS, OPERATING EXPENSES, AND MANDATED SUBJECTS</b>				
1-525-92-06	03/30/92	Audit of the Panama Assistance Program Funded by Public Law 101-302 as of November 30, 1991	-	-
3-698-92-06	02/14/92	Audit of the Nairobi Regional Financial Management Center's System of Internal Controls as They Relate to MACS	-	-
5-497-92-01	11/21/91	Audit of USAID/Indonesia System of Internal Controls Over the Mission Accounting and Control System (MACS)	-	-
5-367-92-03	12/27/91	Audits of USAID/Nepal Operating Expenses	117	QC
6-263-92-05	03/26/92	Audit of USAID/Egypt's Consulting Services	-	-
6-263-92-06	03/26/92	Audit of USAID/Egypt's Compliance with Lobbying Restrictions	-	-
7-677-92-03	11/15/91	Audit of Verification for A.I.D. Funds Relating to OAR/Chad's Grants, Contracts and Cooperative Agreements	-	-
9-000-92-01	11/25/91	Audit of A.I.D. Payments to Healthplus of Maryland	-	-
9-000-92-02	11/25/91	Audit of A.I.D.'s Procedures for Processing Personal Property Claims Submitted by Evacuees from Liberia and Somalia	-	-
9-000-92-03	02/14/92	Audit of A.I.D.'s Consulting Services	-	-
9-000-92-04	02/14/92	Audit of A.I.D.'s Compliance with the Lobbying Restrictions in 31 U.S.C. 1352	-	-
9-000-92-05	03/09/92	Audit of A.I.D.'s Procedures to Approve Payments for Storage Services	11	QC
9-000-92-06	03/18/92	Audit of A.I.D.'s Monitoring System for the West Bank and Gaza Program	-	-
<b>PARTICIPANT TRAINING AUDITS</b>				
1-515-92-02	11/19/91	Audit of USAID/Costa Rica's Participant Training Program	-	-

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

## FINANCIAL AUDIT REPORTS

### Agency-Contracted Audits

Report Number	Date of Report	Report Title	Amount of Savings (\$000's)	Type of Savings
0-000-92-01-N	12/11/91	Housing and Other Credit Guaranty Programs Financial Audit Reports for the Year Ended September 30, 1990	-	-
0-000-92-02-N	02/12/92	Audit of Louis Berger International, Inc. - USAID/Nepal Contract No. 367-0153-C-00-6048-00 - August 1, 1986 to June 11, 1990	-	-
0-000-92-03-N	02/12/92	Audit of Louis Berger International, Inc. - USAID/Somalia Contract No. 649-0108-00001 - September 1, 1982 to February 28, 1990	-	-
0-000-92-04-N	02/12/92	Audit of Louis Berger International, Inc. - USAID/Egypt Contract No. 263-0123-C-00-4069-08 - May 21, 1984 to April 21, 1989	-	-
1-596-92-01-N	10/23/91	Audit of Overhead Rates Applicable to ROCAP Projects Managed by the Tropical Agronomic Center for Research and Education: for Calendar Years 1986 through 1989	204 42	QC UN
1-518-92-02-N	10/24/91	Audit of USAID/Ecuador's Activities Managed by the Institute of Livestock and Agriculture Strategies for the Period 1/1/88 to 7/30/90 and Award Survey of the Institute's Capability to Manage the Agricultural Sector Reorientation Project	324 324	QC UN
1-521-92-03-N	10/28/91	Audit of USAID/Haiti Projects Managed by the Human Resources Development Center - July 21, 1987 to June 30, 1990	13 13	QC UN
1-520-92-04-N	11/01/91	Audit of USAID/Guatemala's Expansion of Family Planning Services Project Managed by the Ministry of Public Health and Social Welfare - May 20, 1985 to June 30, 1990	893 893	QC UN
1-525-92-05-N	11/15/91	Audit of the Food and Shelter Assistance Provided to Displaced Persons in Panama through OFDA's Assistance to Panama-Chorrillo Program - January 1, 1990 to July 15, 1990	-	-
1-525-92-06-N	11/15/91	Audit of the Food and Shelter Assistance Provided to Displaced Persons in Panama under USAID/Panama's Immediate Recovery Project - July 16, 1990 to June 30, 1991	-	-
1-525-92-07-N	11/15/91	Audit of the Housing Assistance Provided to Displaced Persons in Panama under USAID/Panama's Immediate Recovery Project - August 1, 1990 to June 30, 1991	-	-
1-520-92-08-N	11/18/91	Audit of USAID/Guatemala's Small Farmer Diversification Systems Project Managed by the Coordination Unit for the Agricultural Diversification Program - July 1, 1987 through March 31, 1989	47 47	QC UN
1-520-92-09-N	11/18/91	Audit of USAID/Guatemala's Small Farmer Diversification Systems Project Managed by the Technical Assistance Team - July 1, 1987 through March 31, 1989	-	-
1-520-92-10-N	11/18/91	Audit of USAID/Guatemala's Small Farmer Diversification Systems Project Managed by the National Bank for Agricultural Development - July 1, 1987 through March 31, 1989	48	QC
1-513-92-11-N	12/13/91	Audit of USAID/Chile's Support to Promote the Improvement of Administration of Justice in Chile Managed by the University Promotion Corporation - April 4, 1989 to March 31, 1991	1 1	QC UN
1-527-92-12-N	12/17/91	Audit of USAID/Peru's Agricultural Planning and Institutional Development Project Managed by the Ministry of Agriculture - August 25, 1983 to December 31, 1990	626 626	QC UN

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
1-521-92-13-N	12/19/91	Audit of Public Law 480 Commodity Assistance Processed by LaMinoterie d'Haiti for the Period October 1, 1989 to April 30, 1990 and Pre-Award Survey of its Current Capabilities	-	-
1-515-92-14-N	01/07/92	Audit of USAID/Costa Rica's Public Law 480 Title I Program Managed by the Ministry of National Planning and Economic Policy - January 1, 1986 to May 7, 1990	17,251	BU
1-524-92-15-N	01/13/92	Audit of USAID/Nicaragua's Public Law 480 Title II Monetization Program Managed by the Cooperative for American Relief Everywhere - September 1, 1990 to May 25, 1991	-	-
1-520-92-16-N	01/15/92	Audit of USAID/Guatemala's Small Farmer Diversification Systems Project Managed by the General Directorate for Livestock Services - July 1, 1987 to March 31, 1989	18	QC
1-520-92-17-N	01/15/92	Audit of USAID/Guatemala's Small Farmer Diversification Systems Project Managed by the General Directorate for Agricultural Services - July 1, 1987 through March 31, 1989	147	QC
1-520-92-18-N	01/15/92	Audit of USAID/Guatemala's Small Farmer Diversification Systems Project Managed by the Institute of Agricultural Science and Technology - July 1, 1987 to March 31, 1989	113	UN
1-524-92-19-N	01/17/92	Audit of USAID/Nicaragua's Primary Health Care and Supplemental Food Program Managed by the Adventist Development and Relief Agency - April 20, 1990 to April 25, 1991	33 27	QC UN
1-524-92-20-N	01/21/92	Audit of USAID/Nicaragua's Economic Support Fund Program Funded by the Fiscal Year 1990 Dire Emergency Supplemental Appropriations Act - December 1, 1990 to May 31, 1991	1,400 23	QC UN
1-517-92-21-N	03/06/92	Audit of USAID/Dominican Republic's Health Systems Management Project, Managed by the Secretariat of Public Health and Social Assistance, February 28, 1984 to October 31, 1990	-	-
1-521-92-22-N	03/09/92	Audit of USAID/Haiti's Northwest Agroforestry Extension and Community Water Systems Development Projects, Managed by the Cooperative for American Relief Everywhere, July 1, 1988 to June 30, 1990	66	QC
1-517-92-23-N	03/12/92	Audit of USAID/Dominican Republic's Energy Conservation and Resources Development Project, Managed by the National Energy Policy Commission, April 22, 1982 to March 22, 1989	5,808 5,808	QC UN
1-517-92-24-N	03/12/92	Audit of USAID/Dominican Republic's Energy Conservation and Resources Development Project, Managed by the Agricultural Superior Institute, April 22, 1982 to March 22, 1989	-	-
1-517-92-25-N	03/12/92	Audit of USAID/Dominican Republic's Energy Conservation and Resources Development Project, Managed by the Investment Fund for Economic Development, April 22, 1982 to March 22, 1989	-	-
1-532-92-26-N	03/13/92	Audit of USAID/Jamaica's Hurricane Reconstruction Project, Implemented by the Government of Jamaica, February 15, 1989 to July 31, 1991	-	-
1-517-92-27-N	03/16/92	Audit of USAID/Dominican Republic's On Farm Water Management Project, Managed by the National Hydraulic Resources Institute, June 30, 1983 to September 30, 1990	2,869 2,869	QC UN

BU - Better use of funds  
QC - Questioned costs  
UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
1-527-92-28-N	03/17/92	Audit of USAID/Peru's PL 480 Title II Program Activities, Managed by Caritas of Peru, October 1, 1989 to June 30, 1991, and Pre-Award Survey of Caritas' Capability to Manage Future Title II Program Activities	-	-
2-492-92-01-N	10/28/91	Audit of the Integrated Farms Development and Productivity Program Grant to Ramon Abottiz Foundation, Inc. under the PVO Co-Financing II Project - Philippines	15	QC
2-492-92-02-N	11/06/91	Audit of the Visayas Cooperative Development Center, Inc. Contract under the Local Resource Management Project - Philippines	12	QC
2-492-92-03-N	11/07/91	Audit of the Volunteers Program for Social Development Workers Grant to Philippine Business for Social Progress under the PVO Co-Financing III Project - Philippines	12	UN
2-492-92-04-N	11/12/91	Audit of the Sustaining Development Initiatives through a Province-Focused Approach Grant to Philippine Business for Social Progress under the PVO Co-Financing III Project - Philippines	-	-
3-695-92-01-N	11/27/91	Audit of the Pathfinder Fund Cooperative Agreement under Burundi Population Project No. 695-0123	17	QC
3-674-92-02-N	02/28/92	Audit of Community Development Project, Advice Centres Association - Agreement No. 674-0301-G-SS-7065-00	2	QC
3-662-92-03-N	03/09/92	Audit of Seychelles Commodity Import Program - Program Nos. 662-K-606 to 609	1	UN
3-650-92-04-N	03/09/92	Audit of Deleuw, Cather International Limited, Western Agricultural Marketing Road Project No. 650-0069	6	QC
3-615-92-05-N	03/18/92	Audit of Center for African Family Studies under REDSO/ESA Cooperative Agreement No. 623-0004-A-00-9042-00	-	-
3-698-92-06-N	03/25/92	Audit of the International Center of Insect Physiology and Ecology Grant under Bases of Plant Resistance to Insect Attack Project No. 698-0435.02	514	QC
3-617-92-07-N	03/25/92	Audit of the Rehabilitation of Productive Enterprises Project No. 617-0104	399	UN
3-696-92-08-N	03/25/92	Audit of Agricultural Surveys and Policy Analysis Project No. 696-0126	538	QC
5-367-92-01-N	10/21/91	Audit of No Frills Consultants - Nepal	119	UN
5-383-92-02-N	11/08/91	Audit of Cooperative for American Relief Everywhere, International (CARE) - Sri Lanka	4	QC
5-388-92-03-N	11/21/91	Audit of Technical Assistance, Inc. - Bangladesh	679	QC
5-497-92-04-N	12/06/91	Audit of Maha Bhoga Marga Foundation - Indonesia	627	UN
5-497-92-05-N	12/30/91	Audit of Sekretariat Bina Desa Indonesia	116	QC
5-497-92-06-N	12/30/91	Audit of Adventist Development Relief Agency - Indonesia	9	UN
5-497-92-07-N	01/17/92	Audit of Program for Appropriate Technology in Health - Indonesia	-	-
5-497-92-08-N	01/17/92	Audit of Helen Keller International - Indonesia	-	-
5-383-92-09-N	01/17/92	Audit of Engineering Science, Inc. - Sri Lanka	2,114	QC
5-497-92-10-N	02/24/92	Audit of World Education, Inc. - Indonesia	-	-
5-367-92-11-N	02/28/92	Audit of Save the Children Federation - Nepal	28	QC
			8	UN

BU - Better use of funds  
QC - Questioned costs  
UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
5-388-92-12-N	03/13/92	Audit of Private Agencies Collaborating Together, Bangladesh	245	QC
			5	UN
5-388-92-13-N	03/13/92	Audit of Commercial Credit Program, Bangladesh	209	QC
5-385-92-14-N	03/13/92	Audit of Lanka Jathika Sarvodaya Shramadana Sangamaya, Inc., Sri Lanka	131	QC
			109	UN
6-263-92-01-N	10/31/91	Audit of Costs Incurred by United Engineering and Marketing Co. under USAID/Egypt Contract No. 263-CSO-C-00-0008-00	37	QC
6-263-92-02-N	11/05/91	Audit of Local Expenditures by Camp Dresser & McKee International, Inc. under USAID/Egypt's Cairo Stage II Contract No. 263-0173-C-00-8073-00, Project No. 263-0173	5	QC
6-263-92-03-N	11/26/91	Audit of Local Expenditures of Boyle Engineering Corporation and National Education Corporation, Joint Venture under USAID/Egypt Project No. 263-0176 (L/COM No. 263-0176.01)	42	QC
			3	UN
6-263-92-04-N	11/26/91	Audit of Local Expenditures of Agricultural Cooperative Development International under USAID/Egypt Project No. 263-0161 (Cooperative Agreement No. 263-0161-A-00-7254-00)	174	QC
			89	UN
6-263-92-05-N	12/03/91	Audit of Local Expenditures of the Binational Fulbright Commission under USAID/Egypt Grant No. 263-0028-G-00-4009-00 (Project No. 263-0125)	-	-
6-263-92-06-N	12/04/91	Audit of Local Expenditures of National Cooperative Business Association under USAID/Egypt Contract No. 263-0212-C-00-9053-00 (Project No. 263-0212)	37	QC
			21	UN
6-263-92-07-N	12/12/91	Audit of Local Expenditures of Harza Engineering Company under USAID/Egypt Project No. 263-0132 (Letter of Commitment No. 263-0132-50)	-	-
6-263-92-08-N	01/26/92	Audit of Alexandria Businessmen Association Small and Micro Enterprise Development Project, Cooperative Agreement No. 263-0212-A-00-9055-00, Project No. 263-0212	5	QC
			5	UN
6-263-92-09-N	01/26/92	Audit of Local Expenditures of International Development & Energy Associates under USAID/Egypt Contract Nos. 263-0123-C-00-9035-00 & 263-0140-C-00-9030-00 (Project Nos. 263-0123 & 263-0140)	64	QC
			4	UN
6-263-92-10-N	01/30/92	Audit of Cooperative for American Relief Everywhere Grant No. 263-0102-G-00-8083-00 under USAID/Egypt Project No. 263-0212	-	-
6-263-92-11-N	03/22/92	Audit of Locally Incurred Costs of Black & Veatch International/James M. Montgomery Joint Venture under USAID/Egypt Contract No. 263-0174-C-00-8077-00, Project No. 263-0174	122	QC
			27	UN
6-263-92-12-N	03/24/92	Audit of USAID/Egypt's Fiscal Year 1990 Disbursements	-	-
6-263-92-13-N	03/26/92	Audit of America - Mideast Educational & Training Services, Inc.'s Local Expenditures on Flexibly Priced Agreements Relating to USAID/Egypt Projects	4	QC
6-263-92-14-N	03/26/92	Audit of Local Expenditures of Morrison Knudsen Engineers, Inc. and Louis Berger International, Inc.-Joint Venture under Letter of Commitment No. 263-0132-49 (Project No. 263-0132)	23	QC
			21	UN
7-685-92-01-N	12/05/91	Audit of the Human Resources Development for Africa Project in Senegal, Project No. 698-0463.85	8	QC
7-688-92-02-N	02/28/92	Audit of the Upper Valley Operation's Expenditures Charged to USAID/Mali Project No. 688-0253, August 15, 1988 to April 30, 1991	-	-

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Agency-Contracted Audits  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
7-688-92-03-N	03/04/92	Audit of A.I.D.'s Grant to the Program Coordinating Unit under USAID/Mali's Economic Policy Reform Program No. 688-0240, September 17, 1985 to September 30, 1990	9 4	QC UN
7-677-92-04-N	03/13/92	Audit of the Government of Chad's Disbursements under A.I.D.'s Support to Development Ministries IV Program No. 677-0061, September 1989 to August 1990	357 149	QC UN

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Recipient-Contracted Audits**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
0-LTR-92-001	10/30/91	Agricultural Cooperative Development International	-	-
0-LTR-92-002	10/30/91	The Foundation for the Peoples of the South Pacific, Inc.	-	-
0-LTR-92-003	10/30/91	World Council of Credit Unions, Inc.	-	-
0-LTR-92-004	10/31/91	Winrock International Institute for Agricultural Development	-	-
0-LTR-92-005	10/31/91	Appropriate Technology International	53	QC
0-LTR-92-006	11/27/91	African-American Labor Center	-	-
0-LTR-92-007	11/27/91	African-American Labor Center	-	-
0-LTR-92-008	11/27/91	Community Systems Foundation	-	-
0-LTR-92-009	11/27/91	Helper Project International, Inc.	-	-
0-LTR-92-010	12/19/91	Consortium for Service to Latin America, Inc.	138	QC
0-LTR-92-011	12/20/91	The African-American Institute	-	-
0-LTR-92-012	01/02/92	American Institute for Free Labor Development	-	-
0-LTR-92-013	01/13/92	Pan American Development Foundation, Inc.	147	QC
0-LTR-92-014	01/21/92	Foster Parents Plan Worldwide, Plan International USA, Inc.	-	-
0-LTR-92-015	01/22/92	Consortium for International Crop Protection	-	-
0-LTR-92-016	01/29/92	Volunteers in Technical Assistance, Inc.	-	-
0-LTR-92-017	02/20/92	The Brother's Brother Foundation, Inc.	-	-
0-LTR-92-018	02/20/92	Andean Rural Health Care	-	-
0-LTR-92-019	02/20/92	Program for Appropriate Technology in Health (PATH) and Program for the Introduction and Adaptation of Contraceptive Technology (PIACT)	-	-
0-LTR-92-020	02/20/92	INSA, The International Service Association for Health, Inc.	-	-
0-LTR-92-021	02/21/92	World Rehabilitation Fund, Inc.	-	-
0-LTR-92-022	02/26/92	Coordination in Development, Inc.	-	-
0-LTR-92-023	02/26/92	Air Services International	-	-
0-LTR-92-024	02/28/92	The Centre for Development and Population Activities	-	-
0-LTR-92-025	02/28/92	Population Services International	23	QC
0-LTR-92-026	05/09/92	Planned Parenthood Federation of America, Inc.	3	QC
			3	UN
0-LTR-92-027	05/13/92	Association for Voluntary Surgical Contraception, Inc.	-	-
0-LTR-92-028	05/17/92	World Wildlife Fund and the Conservation Foundation, Inc.	1,040	QC
			1,040	UN
0-LTR-92-029	05/17/92	Foundation Francisco Marroquin	-	-
0-LTR-92-401	11/22/91	American University of Les Cayes	3	QC
0-LTR-92-402	02/27/92	World Witness, Board of Former Missions of Presbyterian Church	-	-

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

**Audits Conducted by Other Federal Agencies**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
TR-92-001	10/01/91	Management Systems International	197	BUJ
TR-92-002	10/01/91	Black and Veatch International, Inc.	-	-
TR-92-003	10/01/91	Development Associates, Inc.	-	-
TR-92-004	10/01/91	Baja Orthotics & Prosthetics, Inc.	-	-
TR-92-005	10/01/91	Children's Hospital of Buffalo	64	QC
TR-92-006	10/02/91	TEM Associates, Inc.	-	-
TR-92-007	10/02/91	Missouri Botanical Garden	-	-
TR-92-008	10/11/91	Land O'Lakes, Inc.	-	-
TR-92-009	10/11/91	State of Florida	-	-
TR-92-010	10/11/91	Institute for Policy Reform	16	BU
TR-92-011	10/11/91	Robert R. Nathan and Associates, Inc.	215	BU
TR-92-012	10/21/91	RONCO Consulting Corporation	-	-
TR-92-013	11/01/91	RONCO Consulting Corporation	-	-
TR-92-014	11/12/91	American ORT Federation, Inc.	-	-
TR-92-015	11/12/91	Clapp and Mayne, Inc.	-	-
TR-92-016	11/12/91	Clapp and Mayne, Inc.	117	BU
TR-92-017	11/12/91	Academy for Educational Development, Inc.	-	-
TR-92-018	11/12/91	Academy for Educational Development, Inc.	-	-
TR-92-019	11/12/91	Syracuse University	-	-
TR-92-020	11/13/91	Abt Associates, Inc.	-	-
TR-92-021	11/13/91	Pennsylvania State University	-	-
TR-92-022	11/21/91	Louis Berger International, Inc.	-	-
TR-92-023	11/21/91	The National Capital Administrative Services, Inc.	112	BU
TR-92-024	11/21/91	North Dakota State University	-	-
TR-92-025	12/02/91	New Mexico State University	-	-
TR-92-026	12/02/91	University of New Mexico	-	-
TR-92-027	12/06/91	Bechtel Group, Inc.	-	-
TR-92-028	12/06/91	Pragma Corporation	-	-
TR-92-029	12/06/91	Development Management Systems, Inc.	-	-
TR-92-030	12/06/91	Roy F. Weston, Inc.	-	-
TR-92-031	12/06/91	MRC Roofing and Construction, Inc.	120	QC
			87	UN
TR-92-032	12/09/91	Planning and Development Collaborative International	-	-
TR-92-033	12/16/91	Syracuse University	-	-
TR-92-034	12/19/91	Pennsylvania State University	-	-
TR-92-035	12/19/91	Juarez and Associates, Inc.	-	-
TR-92-036	12/19/91	Research Foundation of City University of New York	-	-
TR-92-037	12/19/91	Carana Corporation	-	-
TR-92-038	12/19/91	Public Administration Service	-	-
TR-92-039	01/15/92	Arthur D. Little, Inc.	-	-
TR-92-040	01/15/92	Technology Centers and Transportation Consulting Division of Booz, Allen and Hamilton	-	-
TR-92-041	01/23/92	University of New Mexico	-	-
TR-92-042	02/03/92	University of Rhode Island	-	-
TR-92-043	02/04/92	Prosthetics Research Foundation	-	-
TR-92-044	02/05/92	AEP Energy Services, Inc.	-	-

BU - Better use of funds  
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**Audits Conducted by Other Federal Agencies  
(Cont'd)**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
TR-92-045	02/07/92	Camp, Dresser and McKee, Inc.	-	-
TR-92-046	02/24/92	TEM Associates, Inc.	-	-
TR-92-047	02/25/92	The Futures Group, Inc.	279	QC
			279	UN
TR-92-048	02/26/92	Development Associates, Inc.	-	-
TR-92-049	03/02/92	Development Alternatives, Inc.	-	-
TR-92-050	03/02/92	PSI Marketing Associates, Inc.	-	-
TR-92-051	03/02/92	Institute for International Research, Inc.	-	-
TR-92-052	03/02/92	Roy F. Weston, Inc.	-	-
TR-92-053	03/02/92	State of Oregon	-	-
TR-92-054	03/10/92	Resources Development Associates International, Inc.	-	-
TR-92-055	03/10/92	Juarez and Associates, Inc.	-	-
TR-92-056	03/11/92	University of Hawaii	-	-
TR-92-057	03/13/92	University of Hawaii	-	-
TR-92-058	03/13/92	University of Hawaii	-	-
TR-92-059	03/13/92	University of Hawaii	-	-
TR-92-060	03/13/92	University of Hawaii	-	-
TR-92-061	03/16/92	Mathtech, Inc.	-	-
TR-92-062	03/17/92	Association for Voluntary Surgical Contraception, Inc.	-	-
TR-92-063	03/17/92	Roy F. Weston, Inc.	-	-
TR-92-064	03/20/92	University of California at Santa Barbara	-	-
TR-92-065	03/20/92	TVT Associates, Inc.	-	-

BU - Better use of funds  
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**Miscellaneous**

<u>Report Number</u>	<u>Date of Report</u>	<u>Report Title</u>	<u>Amount of Savings (\$000's)</u>	<u>Type of Savings</u>
7-000-92-01-I	10/16/91	Information on A.I.D.'s Implementation of MACS and Automation in West and Central Africa	-	-
REJ-92-401	10/29/91	The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the U.S.A.	-	-
REJ-92-402	10/30/91	Outward Bound, Inc.	-	-
REJ-92-403	10/31/91	The Board of Trustees of Santiago College	-	-
REJ-92-404	10/31/91	The Music Foundation	-	-
REJ-92-405	10/31/91	Project Orbis, Inc.	-	-
REJ-92-406	11/07/91	The Kapnek Charitable Trust	-	-
REJ-92-407	11/07/91	Africa University, Inc.	-	-
REJ-92-408	11/07/91	Salzburg Seminar in American Studies, Inc.	-	-
REJ-92-409	11/19/91	University of the Americas Foundation, Inc.	-	-
REJ-92-410	11/19/91	Christian Brothers Major Superiors	-	-
REJ-92-411	11/19/91	Lumiere Medical Ministries, Inc.	-	-
REJ-92-412	11/22/91	Medical Benevolence Foundation	-	-
REJ-92-413	11/22/91	KW International, Inc.	-	-
REJ-92-414	11/22/91	Brethren in Christ World Missions	-	-
REJ-92-415	01/28/92	Fudan Foundation	-	-
REJ-92-416	01/28/92	American Shanghai Hospital	-	-
REJ-92-001	03/20/92	The Services Group, Inc.	-	-
QCR-92-001	03/23/92	Family Health International	-	-

BU - Better use of funds  
 QC - Questioned costs  
 UN - Unsupported costs

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## MAJOR CONTRIBUTORS

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The following IG staff members made major contributions to this report.

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