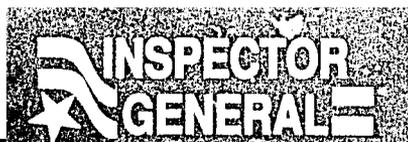


**Regional Inspector General for Audit
Singapore**

**AUDIT OF USAID/BANGLADESH'S CONTROLS
OVER UNLIQUIDATED OBLIGATIONS**

**Report No. 5-388-93-02
November 19, 1992**





U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

November 19, 1992

MEMORANDUM

TO: Mary C. Kilgour
Mission Director, USAID/Bangladesh

FROM: *James B. Durnil*
James B. Durnil
RIG/A/Singapore

SUBJECT: Audit of USAID/Bangladesh's Controls Over Unliquidated Obligations (Audit Report No. 5-388-93-02)

Enclosed are five copies of the subject final report. Except for the effects, if any, of the qualification described below, our audit work found that controls over unliquidated obligations were adequate in many areas. For example, the Mission reviewed unliquidated obligations periodically and annually certified they did not exceed requirements, updated plans for deobligations/reobligations, deobligated excess unliquidated obligations, and reviewed unliquidated commitments. The Mission could, however, make improvements in its reviews of Project Development and Support funds.

During the audit, USAID/Bangladesh was requested to provide a representation letter to confirm in writing certain information considered essential to answering the audit objectives. Mission officials provided some of the written assertions requested, but would not specifically confirm in writing that to the best of their knowledge and belief they followed A.I.D. policy and procedures in reviewing and certifying the unliquidated obligations and reported to the auditors known instances of material noncompliance. The absence of these representations constitutes a scope limitation on our audit and precludes us from providing an unqualified opinion in answering the audit objective.

Mission comments to the draft report were very responsive. These comments are summarized after each finding and presented in their entirety in Appendix II. Of the two recommendations made to improve controls, the first recommendation is resolved and can be closed upon completion of required actions. While there is agreement on the actions needed for the second recommendation, it cannot be resolved until there is agreement on the monetary amount involved. Please provide us information within 30 days indicating any actions planned or taken to implement the recommendations. I appreciate the cooperation and courtesies extended to my staff during the audit.

Attachments: a/s

EXECUTIVE SUMMARY

Background

USAID/Bangladesh had more than \$153 million in unliquidated obligations as of September 30, 1991. By March 31, 1992, the unliquidated obligations were slightly more than \$129 million - a reduction of more than \$24 million. (Appendix I, page 2)

Audit Objective

The audit objective was to determine whether USAID/Bangladesh reviewed and certified unliquidated obligations in accordance with applicable U.S. Government laws and regulations, and A.I.D. policies and procedures. Our field work was conducted from May 5, 1992 through May 28, 1992. We audited USAID/Bangladesh's controls over unliquidated obligations in accordance with generally accepted government auditing standards except that Mission officials would not provide us with a completely acceptable representation letter. (Appendix I, page 1)

Summary of Audit

We requested USAID/Bangladesh officials to provide written representation which we considered essential to answering the audit objective. Mission officials provided us with some but not all of these written representations. Our audit conclusions are, therefore, qualified because the officials would not confirm in writing that to the best of their knowledge and belief they followed A.I.D. policies and procedures and reported to the auditors known instances of material noncompliance. Considering the effects, if any, of this qualification, the audit did conclude that, for the items tested, the Mission reviewed and certified unliquidated obligations in accordance with applicable U.S. Government laws and regulations, and with A.I.D. policies and procedures. We determined that for the items tested the Mission (pages 3 and 4):

- Reviewed unliquidated obligations periodically and annually certified that they did not exceed the requirements for which the funds were obligated;
- Updated plans for deobligations/reobligations as circumstances changed;

- Deobligated excess unliquidated obligations upon receipt of A.I.D./Washington approval;
- Periodically reviewed unliquidated commitments for validity and decommitted excess funds when necessary; and
- Accurately recorded obligations and commitments.

Improvements, however, could be made in the following areas:

- Project Development and Support funds were not included in the reviews of unliquidated obligations (pages 5 to 8); and
- Commitments could not always be liquidated on a timely basis because advices of charge and/or final billings were not received (pages 9 to 12).

Summary of Recommendations

To improve operations, two recommendations were made for USAID/Bangladesh to:

- Take actions necessary to deobligate the \$887,000, obtain a cash refund of \$112,000 due from an expired project advance, and review potential decommitments of \$761,000 for reprogramming (pages 5 and 9); and
- Implement procedures to include Project Development & Support funds in the pipeline reviews (page 5).

Management Comments and Our Evaluation

USAID/Bangladesh commented on how the audit confirmed that the Mission was doing an excellent job in managing unliquidated obligations. The officials generally concurred with the findings and recommendations and were taking actions to implement necessary improvements. The Mission's comments were carefully considered in preparing this final report. These comments are summarized after each finding and presented in their entirety in Appendix II.

Office of the Inspector General

Office of the Inspector General
November 19, 1992

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INTRODUCTION

Background

Federal law (31 U.S.C. 1501) directs that no amount shall be recorded as an obligation unless it is supported by documentary evidence of a binding agreement between a Federal agency and other parties to fund specific goods or services. Other Federal laws (31 U.S.C. 1108 and 1544) require that each agency provide an annual report to the President along with the agency's appropriation request and to the Secretary of the Treasury (U.S. Treasury) identifying the amount of unliquidated obligations and a certification that these obligations do not exceed the requirements for which the funds were obligated.

A.I.D. Handbook 19 (Chapter 2 and Appendix 1A) and the A.I.D. Controllers Handbook prescribe that controllers should periodically review unliquidated balances to determine if the obligations exceed the requirement for which the funds were obligated. The Handbooks further state that **any excess funds should be deobligated promptly.**

Due to an A.I.D. Inspector General audit in 1989 (Audit Report No. 9-000-89-007; dated July 10, 1989), which identified weaknesses in A.I.D. controls in reviewing the validity of unliquidated obligations and related certifications to the U.S. Treasury, the A.I.D. Controller issued supplemental guidance to accounting stations emphasizing the need for better controls. In January 1992, in response to Congressional concerns over the findings in the 1989 audit report, the A.I.D. Controller also requested the A.I.D. Inspector General to conduct a follow-up review of the actions taken by the Office of Financial Management in response to the audit report.

The controls over reported obligations have been a matter of concern to the Office of the Inspector General because the availability of Federal funds not needed for specific use should be deobligated and returned to the U.S. Treasury or reprogrammed for other projects. Accordingly, this audit, which is part of a worldwide review, was conducted from May 5 through May 28, 1992, in Dhaka, Bangladesh to review USAID/Bangladesh's unliquidated obligations which totaled more than \$153 million as of September 30, 1991.

Audit Objective

The Office of the Regional Inspector General for Audit/Singapore audited USAID/Bangladesh's practices for reviewing and certifying the validity of its unliquidated obligations to answer the following audit objective:

- **Did USAID/Bangladesh review and certify unliquidated obligations in accordance with applicable U.S. Government laws and regulations, and A.I.D. policies and procedures?**

In answering this audit objective, we tested whether USAID/Bangladesh followed applicable internal control procedures and complied with certain provisions of laws and regulations. Our audit tests were designed to provide reasonable assurance in answering the audit objective and to detect abuse or illegal acts. However, due to a lack of a fully acceptable representation letter, we are able to provide only a qualified answer to this objective. In those instances where problems were found, we performed additional work to:

- conclusively determine that USAID/Bangladesh was not following a procedure or not complying with legal requirements,
- identify the cause and effect of the problems, and
- make recommendations to correct the condition and cause of the problems.

Appendix I contains a complete discussion of the scope and methodology for this audit.

REPORT OF AUDIT FINDINGS

In accomplishing the audit work, we requested USAID/Bangladesh to provide a representation letter to confirm information considered essential to answering the audit objective. Mission officials provided only some of the written representations requested. The officials, however, would not confirm in writing that to the best of their knowledge and belief, A.I.D. policies and procedures for those activities being reviewed were followed and known instances of material noncompliance were reported to the auditors. Instead of confirming that known instances of noncompliance were reported, Mission officials would only state that they had *not withheld information about material noncompliance*.

Our answers to the following audit objective and our assessment of related internal controls are therefore qualified because of the lack of these written representations. We are also unable to make a firm conclusion on USAID/Bangladesh's compliance with applicable laws and regulations.

Did USAID/Bangladesh review and certify unliquidated obligations in accordance with applicable U.S. Government laws and regulations, and A.I.D. policies and procedures?

Considering the effects of the above qualification, we can report for the items tested that USAID/Bangladesh reviewed and certified unliquidated obligations in accordance with applicable U.S. Government laws and regulations, and A.I.D. policies and procedures. However, some expired obligations that should have been deobligated as of March 31, 1992, were still outstanding during the period of audit, and some commitments for ongoing projects should be decommitted and/or reprogrammed.

Federal laws (31 U.S.C. 1108 and 1554) require A.I.D. to provide an annual report to the President and the U.S. Treasury identifying the amount of unliquidated obligations and a certification that these obligations do not exceed the requirements for which the

funds were obligated. In accordance with A.I.D. policies and procedures, USAID/Bangladesh conducted semi-annual Section 1311 reviews of unliquidated obligation amounts in Mission project/program accounts, and certified and reported the unliquidated obligations for fiscal year 1991. The results of the Mission's Section 1311 reviews were reported to A.I.D./Washington for inclusion in the Agency's annual report.

A.I.D. annual deobligation/reobligation guidelines provide an update of legislation regarding the procedures and use of deobligated funds. USAID/Bangladesh followed A.I.D. cable guidance for the fiscal year 1992 process by submitting and updating its plan for deobligation/reobligation. The Mission also deobligated excess unliquidated obligations upon receipt of A.I.D./Washington approval.

A.I.D. guidance prescribes that forward funding of projects should generally be limited to not more than two years of expected expenditures for new activities and one year of expected activities for ongoing activities. USAID/Bangladesh generally adhered to the prescribed levels. However, we found that for one of the five projects/programs reviewed, obligations exceeded the prescribed levels for ongoing activities. The total obligations in excess of the one-year forward funding level was approximately \$578,000. Nevertheless, to provide a conservative assessment of whether the level of unliquidated obligations was excessive relative to Agency guidance, we allowed activities to have up to two years of estimated expenditures. USAID/Bangladesh did not obligate funds in excess of this two-year expected expenditure level for the projects/programs reviewed.

A.I.D. policy requires that financial implementation plans for projects be updated if there are delays or other reasons which make the original plans invalid. Appropriate revisions of financial plans had been made for four out of five projects reviewed for changes in its financial plans. The financial implementation plans were updated to reflect the spending for the life of the project for the four projects which experienced implementation delays, changes in project line items, or extension of the project assistance completion date. The fifth project which experienced considerable delays in project implementation is currently under consideration for a non-funded extension of its project assistance completion date. Accordingly, USAID/Bangladesh reviewed the financial status of the five ongoing projects, including actively considering the project assistance completion date extension of one project and the financial implementation plans for the four other projects.

Internal control standards issued by the U.S. General Accounting Office and included in A.I.D. Handbook 19 state that transactions are to be recorded accurately. USAID/Bangladesh accurately recorded the obligations and commitments selected for testing in our audit.

Our audit, however, identified the potential to deobligate \$887,000 out of the \$9.0 million reviewed, and to decommit and reprogram approximately \$761,000 of the \$50 million reviewed. These areas are discussed in the following sections.

All Unliquidated Obligations Should be Reviewed

Federal laws and regulations require that unliquidated obligations be periodically reviewed to determine if they are still valid and any excess funds should be deobligated promptly. Nearly \$887,000 could be deobligated from three of the ten expired projects reviewed. This situation arose because USAID/Bangladesh did not effect a contract reduction promptly and did not subject all Project Development & Support projects to pipeline reviews. Consequently, of the \$9.0 million in unliquidated obligations for ten projects with expired project assistance completion dates, about \$887,000 were subject to deobligation. Included in the \$887,000 was a \$112,000 project advance which would be refunded.

Recommendation No. 1: We recommend that USAID/Bangladesh:

- 1.1 Take actions necessary to deobligate \$887,000 identified and to obtain a cash refund of \$112,000 due from an expired project advance; and**
- 1.2 Implement procedures to include Project Development & Support funds in the Mission's annual pipeline reviews.**

Federal law (31 U.S.C. 1501) directs that no amount shall be recorded as an obligation unless it is supported by documentary evidence of a binding agreement between a Federal agency and other parties to fund specific goods or service, and that these obligations do not exceed the requirements for which the funds were provided. The General Accounting Office's Policy and Procedures Manual for Guidance of Federal Agencies (Title 7 - Fiscal Guidance) states:

" When the amount of an obligation is not known at the time it is incurred, the best estimate should be used to record the obligation. Where an estimate is used, the basis for the estimate and the computation must be documented. Appropriate adjustment must be made when events permit a more accurate estimate of the amount of the obligation and when the actual obligation is determined."

A.I.D. Handbook 19 (Chapter 2 and Appendix 1A) and the A.I.D. Controllers Handbook prescribe that controllers should periodically review unliquidated obligations to determine if the obligations exceed the requirements for which the funds were obligated. The Handbooks further state that **any excess funds should be deobligated promptly**. In October 1989 and June 1990, the A.I.D. Controller issued additional guidance requiring at least semi-annual reviews (Section 1311 reviews) of **both unliquidated obligations and commitments**, and emphasized the importance of documentation files to support

obligations and commitments and the need to prepare and retain complete workpapers evidencing the reviews.

USAID/Bangladesh had 20 projects/programs with expired project assistance completion dates as of March 31, 1992. These projects had total obligations of \$273.3 million, total disbursements of \$264.1 million, and unliquidated obligations of \$9.3 million. Six of the 20 projects had zero balances, and four other projects involved specialized grants with unliquidated obligation balances of only \$0.3 million. We therefore selected the remaining 10 projects for detailed review of unliquidated obligations.

In addition to the Section 1311 reviews, USAID/Bangladesh performed annual pipeline reviews on eight of the ten projects. Two projects were not reviewed by the Mission because USAID/Bangladesh did not include Project Development & Support type projects in its scheduled project reviews. A Mission official explained that Project Development & Support projects are not strictly speaking "projects", but grants of up to two years for specific project activities.

Of the ten projects with unliquidated obligations totaling about \$9.0 million, our detailed review showed that about \$887,000 exceeded the requirement for which the funds were provided and therefore should be deobligated. The amount of excess unliquidated obligations compared to the unliquidated obligations reviewed is shown below:

Excess Unliquidated Obligations By Project

<u>Project</u>	<u>Unliquidated Obligations Reviewed</u>	<u>Excess Unliquidated Obligations</u>
Agro-Climatic/Environmental Monitoring Project	\$ 655,883	\$655,883
National Democratic Institute Election Grant	236,800	112,099
Integrated Food for Development Project Paper Design Grant	118,837	118,837
Others	<u>7,963,435</u>	<u>-0-</u>
Totals	<u>\$8,974,955</u>	<u>\$886,819</u>

As shown above, USAID/Bangladesh properly monitored \$8.1 million (\$8,974,955 minus 886,819) of the unliquidated obligations as of March 31, 1992. About \$4.0 million was not yet liquidated because of outstanding advices of charge from AID/Washington and outstanding invoices from the grantees, or delays in settlement of final claims. The remaining \$4.1 million had been identified by the Mission for deobligation.

The \$886,819 in excess obligations shown above arose because of several different reasons as described below:

- Agro-Climatic/Environmental Monitoring Project, with a project assistance completion date and terminal disbursement date of November 30, 1990 and August 31, 1991, respectively, had an unliquidated balance of \$655,883 as of March 31, 1992. The Controller's Office was fully aware of this unliquidated amount and had sent a memo to the project office in January 1992 requesting the project office take the necessary actions for deobligation. The project official said that there was an outstanding bill of about \$26,000 that needed to be resolved and that the contract had to be formally amended before any liquidation of excess funds could occur.

We checked with the contracting officer and found that although the contracting officer was aware of the situation, she had not received a request from the project officer requesting the contract reduction. Even if the \$26,000 was unresolved, the difference of \$629,883 should have been deobligated. At the end of our audit the \$26,000 billing was resolved by charging the cost against another ongoing project because it was a jointly-funded contract. Therefore, the full amount of \$655,883 could have been deobligated earlier.

- In the case of the National Democratic Institute Election grant, no pipeline review had been done and the election grant of \$236,800 had a commitment end date of July 31, 1991. The project officer said that \$8,723 in approved additional costs had been incurred, and that the end date of the commitment was in the process of being extended to December 31, 1991. However, the whole amount of this grant had been disbursed as an advance, and after deducting the grantee reported costs as of July 31, 1991, and adding the additional \$8,723, the Mission is due a refund of \$112,099. This \$112,099 should be decommitted and deobligated once the refund has been obtained. The Controller's Office was in full concurrence with our view, and would take appropriate action on this issue.
- In the Integrated Food for Development Project Paper Design grant, the unliquidated balance of \$118,837 with a commitment end date of September 30, 1990, was reviewed in February 1992 when the project office required follow-on work to be performed. Because the grant expired almost one and

one-half years prior to the Mission review, the balance of this grant should be decommitted. However, the project office requested the Assistant Administrator's approval for extension on April 27, 1992. In discussions with officials in the Controller's office, they agreed with our audit view that there is no special merit to extend the project assistance completion date and the unliquidated balance of \$118,837 should be decommitted and deobligated as well.

In conclusion, USAID/Bangladesh should deobligate the \$887,000 identified above, take such actions as are necessary to recover the balance of about \$112,000 from a project advance and include all expired and soon-to-expire Project Development & Support projects in the pipeline reviews.

Management Comments and Our Evaluation

USAID/Bangladesh agreed with recommendation 1.1, but stated that the report would better reflect the Mission's management of unliquidated obligations if it showed the total amount of obligations and reflected that pipeline reviews were in addition to the mandated "1311" reviews. Mission officials also stated that a conscious decision was made to exclude Project Development and Support funds from the pipeline reviews since standard operating procedure subjects these funds to twice-yearly Section 1311 reviews.

With respect to including the total original obligation, this information is included in the discussion on page 5. Also, page 3 states that USAID/Bangladesh conducted semi-annual Section 1311 reviews. The point being discussed under recommendation 1 pertains to the Mission's annual pipeline reviews. This section now includes an explicit reference to Section 1311 reviews being in addition to pipeline review.

USAID/Bangladesh indicated that they will continue pre-deobligation work such as reconciling amounts to the A.I.D./Washington accounts in the case where A.I.D./Washington is the paying office. Mission officials further indicated that they will collect the refund from the grantee and provide evidence of the deobligation. Accordingly, recommendation 1.1 is resolved and can be closed when required actions have been completed and documentation received.

USAID/Bangladesh accepted recommendation 1.2 with the proviso that reference to "1311" reviews be deleted because Project Development and Support funds are already subjected to "1311" reviews twice yearly. We made the deletion. Accordingly, recommendation 1.2 is resolved and can be closed when the required actions have been implemented.

Several Commitments Should Be Decommited and/or Reprogrammed

Federal laws and regulations, as well as A.I.D. policies and procedures, require that unliquidated obligations and commitments be periodically reviewed to determine if they are still valid. Furthermore, any excess funds should be deobligated or decommitted promptly. USAID/Bangladesh performed the required reviews and deobligated or decommitted excess funds identified. However, there was a potential to decommit about \$761,000 out of the \$50.0 million in commitments which were selected for review. This situation occurred because advice of charges for expenditures incurred in the United States were often quite late and expenditure claims and financial status reports from the grantees were also very often delayed. As a result, about \$761,000 could be decommitted and reprogrammed for better use.

Recommendation No. 2: We recommend that USAID/Bangladesh take action to decommit the \$761,000 identified.

The Office of Financial Management issued guidance in October 1989 to overseas controllers to expand on certain aspects of the regulations in A.I.D. Handbook 19, Chapter 2, which incorporates the provisions of Title 31 U.S.C. 1501. The guidance states that it is incumbent on the controllers to perform at least quarterly reviews to verify the adequacy of the commitment documents and the currency of the termination dates in these agreements supporting the obligations and commitments. The guidance further states:

- " A listing of the documents with expired (and soon to expire) termination dates should be transmitted to responsible Mission management officers requesting their review and determination as to extension of the termination dates or decommitment or deobligation.
- " In reviewing the accrued expenditures, the Controller should note any absence of disbursement activity for an unreasonable period and alert Mission project management in writing, requesting justification for retention of the commitment."

Notwithstanding that USAID/Bangladesh performed the required reviews and took appropriate action to deobligate, decommit, and/or reprogram excess funds, there were 3 commitments of the 20 selected for review that were invalid and needed to be decommitted. This problem occurred because the Mission was awaiting advice of charges from A.I.D/Washington and also because several grantees had not submitted their invoices in a timely manner.

Our detailed review of 20 unliquidated commitments totaling about \$50 million showed that about \$761,000 exceeded the requirement for which the funds were provided and therefore should be decommitted, and reprogrammed or deobligated. The three projects (numbers 388-0060, 388-0051, and 388-0071) with potential decommitments are discussed below:

- Project Number 388-0060 is a ten-year project with a project assistance completion date of August 29, 1994, and includes a project element for importing and distributing fertilizer from the United States by Bangladesh's private sector. As of March 31, 1992, there were two letters of commitment issued for importing fertilizer - one expired on February 15, 1992; the other expired on June 30, 1992. The amounts of the unliquidated commitments as of March 31, 1992, were \$417,573 and \$1,588,562 respectively.

Mission project officials said that because the fertilizer purchases were made in the United States and the advice of charges from AID/Washington were not received promptly, they did not know the amounts remaining in the letters of commitment. The advice of charges are required to update the balance after deducting the fertilizer cost, shipping and bank charges for the purchases made to date.

An official from the Controller's Office agreed with our view that the amount reflected in the expired letter of commitment (\$417,573) may be decommitted because the unliquidated balance in the other letter of commitment (\$1,588,562) would be sufficient to meet the fertilizer purchases shipped to Bangladesh. In addition, the terms of the two letters of commitment include terminal shipping dates of June 30, 1991 and September 30, 1991, respectively. Therefore, while USAID/Bangladesh did not know the status of the advice of charges, the cost of the fertilizer imports could be reasonably estimated by the project officer and Controller's Office, and \$417,573 could be decommitted.

- Project Number 388-0051 is a twelve-year project with a grant portion of \$46.5 million and a project assistance completion date of June 4, 1993. The grant amount was fully obligated as of March 31, 1992, but there were unliquidated obligations of \$8.3 million and unliquidated commitments of \$3 million as of March 31, 1992.

As of March 31, 1992, about \$991,000 of the \$3 million in unliquidated commitments had expired. We reviewed three expired commitment documents with unliquidated commitments totaling \$715,000; two of the commitments were being extended and the remaining one showed a potential decommitment of \$173,770. This commitment expired on

September 30, 1990 and was overlooked, partly because of delays in obtaining the claims and financial status reports from one of the technical assistance subcontractors. After reviewing the most recent estimate provided by the subcontractor, the project officer agreed that \$173,770 could be decommitted and reprogrammed for carrying out the terminal evaluation study of the project.

- Project Number 388-0071 was started in August 1987 and has a project assistance completion date of September 30, 1994. Plans are in process to extend the project to August 30, 1997 and to increase its life of project funding from \$176 million to \$300 million. The project has four main components: Government, Non-Government Organizations, Social Marketing, and Support Activities. Under the Upazila Training and Family Planning Initiatives project element, two of three commitment documents, totaling about \$351,000, had expired as of March 31, 1992. The Mission was awaiting an advice of charge of about \$163,000, and information on the final billing for the expired unliquidated commitment of about \$188,000 for this centrally-funded buy-in.

According to the project officer, the contract's chief of party indicated that there were residual funds in the contract because he was spending at a lower level in order to continue activities should there be delays in executing the second buy-in. The project officer estimated that there was a potential decommitment of about \$170,000. Until the Mission obtains the documents from A.I.D./Washington, the actual amount available for decommitment is not known. The project officer said that any decommitted funds would be used for another buy-in under the same project element.

To facilitate the process of either liquidating the commitments, or decommitting and reprogramming, the Controller's Office must receive the outstanding advice of charges in a timely manner. In two of the three examples above, the Mission's lack of advice of charges is a major factor for reporting unliquidated commitments. In addition, delays in obtaining claims and updated financial status reports from one of the subcontractors also contributed to an expired commitment not being liquidated. USAID/Bangladesh performed required reviews and took appropriate follow-up action. In conclusion, the Controller's Office needs to review the \$761,000 in excess commitments identified above and take appropriate action to decommit and/or reprogram the amount.

Management Comments and Our Evaluation

USAID/Bangladesh agreed that some of the \$761,000 should be decommitted but believed that it was premature to take such action at this time. There were two parts to the recommendation in the original draft report. The second part was dropped from this

final report for various reasons so the comments made by Mission officials concerning this dropped recommendations are no longer applicable.

Concerning the remaining recommendation, Mission officials stated they could not decommit the \$417,573 in Project Number 388-0060 because advice of charges were still being received and it was not possible to determine how much would ultimately be needed.

For the \$173,770 in Project Number 388-0051, Mission officials stated that there had been an error in entering the expiration date into the accounting system, and the \$173,770 commitment actually does not expire until June 4, 1993. While the Mission reported that this error was corrected, supporting documentation needs to be submitted to RIG/A/Singapore.

For Project Number 388-0071, Mission officials stated they requested information on final billings and advice of charges from A.I.D./Washington even prior to the audit but have still not received any information to use as a basis for decommitting all or part of the \$170,000. However, upon receipt of such information, the Mission will decommit any remaining amounts.

While there is agreement to decommit amounts not needed, this recommendation cannot be resolved until there is an agreement on the actual amount to be decommitted. It can be closed when the funds are actually decommitted. Accordingly, the Mission needs to provide this office with the documentation mentioned above and information when received on the amounts of funds to be decommitted.

REPORT ON INTERNAL CONTROLS

Scope of Our Internal Control Assessment

Our audit was made in accordance with generally accepted government auditing standards except that USAID/Bangladesh officials would not provide us with an acceptable representation letter (see page 3). The presentation which was provided by Mission officials did not state that to the best of their knowledge and belief A.I.D. policies and procedures were followed for the areas being reviewed. The lack of such written representations constitutes a scope limitation sufficient to preclude an unqualified opinion about the internal control structure.

Our assessment of internal controls was limited to those controls applicable to the audit's objective and not to provide assurance on the USAID/Bangladesh's overall internal control structure. For the purpose of this report, we classified the significant internal control policies and procedures applicable to the audit objective by categories. For each category, we obtained an understanding of the design of relevant policies and procedures and determined whether the policies and procedures had been placed in operation--and we assessed control risk. We have reported these categories as well as any significant weaknesses under the applicable section heading for the audit objective.

General Background on Internal Controls

Under the Federal Managers' Financial Integrity Act (31 U.S.C. 3512[c]) and the Office of Management and Budget implementing policies, USAID/Bangladesh's management is responsible for establishing and maintaining adequate internal controls. The General Accounting Office has issued "Standards for Internal Controls in the Federal Government" to be used by agencies in establishing and maintaining internal controls.

The internal controls objectives are to provide management with reasonable--but not absolute--assurance that resource use is consistent with laws, regulation, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports. Because of inherent limitations in any internal control structure, errors or irregularities may occur and may not be detected.

Moreover, predicting whether internal controls will work in the future is risky because (1) changes in conditions may require additional procedures or (2) the effectiveness of the design and operation of policies and procedures may deteriorate.

Conclusion for Audit Objective

The audit objective was to determine if USAID/Bangladesh reviewed and certified unliquidated obligations in accordance with applicable U.S. Government laws and regulations, and A.I.D. policies and procedures. In planning and performing our audit, we considered the requirement of the Federal Managers' Financial Integrity Act, Standards for Internal Controls in the Federal Government prescribed by the U.S. General Accounting Office, Office of Management and Budget Circular A-123, and appropriate internal control policies and procedures cited in A.I.D. Handbook 19, the A.I.D. Controllers Handbook, and supplemental guidance documents issued by the Office of Financial Management in October 1989 and April 1991. For the purposes of this report, we have classified the applicable internal controls into the following categories:

- identify and deobligate, decommit, and/or reprogram invalid obligations and commitments;
- make the required annual certification on the validity of unliquidated obligation;
- maintain updated project financial implementation plans;
- maintain obligation levels in accordance with A.I.D. forward-funding guidance; and
- record financial transactions promptly and accurately.

For the items tested, USAID/Bangladesh's controls were consistently applied except:

- The Mission did not systematically review unliquidated obligations under Project Development and Support Grants.
- The Mission could not always liquidate commitments timely because advices of charges and/or final billings were not received.

REPORT ON COMPLIANCE

Scope of Our Compliance Assessment

We conducted our audit in accordance with generally accepted government auditing standards except that USAID/Bangladesh officials would not provide us with a representation letter confirming that to the best of their knowledge and belief, all known instances of material noncompliance were reported to the auditors (see page 3). In light of this qualification, the objectives of our compliance review were to:

- assess compliance with applicable requirements of laws and regulations when necessary to satisfy the audit objectives (which includes designing the audit to provide reasonable assurance of detecting abuse or illegal acts that could significantly affect the audit objective); and
- report all significant instances of noncompliance and abuse and all indications or instances of illegal acts that could result in criminal prosecution that were found during or in connection with the audit.

General Background on Compliance

Noncompliance is a failure to follow requirements, or a violation of prohibitions, contained in statutes, regulations, contracts, grants and binding policies and procedures governing entity conduct. Noncompliance constitutes an illegal act when there is a failure to follow requirements of laws or implementing regulations, including intentional and unintentional noncompliance and criminal acts. Not following internal control policies and procedures in the A.I.D. Handbooks generally does not fit into this definition of noncompliance, and is included in our report on internal controls. Abuse is distinguished from noncompliance in that abusive conditions may not directly violate laws or regulations. Abusive activities may be within the letter of laws and regulations but violate either their spirit or the more general standards of impartial and ethical behavior.

USAID/Bangladesh's Controller is responsible for reviewing unliquidated obligations to determine if obligations are still needed for which the funds were obligated and for initiating action to deobligate excess funds. The Mission's Controller is responsible to ensure that reviews are performed and is to provide an annual report to A.I.D./Washington identifying the amount of unliquidated obligations and a certification that these obligations do not exceed the requirements for which the funds were obligated. The Mission's Controller is also responsible for preparing an annual report stating whether the Mission's internal controls meet the Federal standards and describing any material weaknesses in the internal controls.

Compliance with Federal laws (31 U.S.C. 1501, 1108 and 1554), Office of Management and Budget circulars, the Federal Managers' Financial Integrity Act, the General Accounting Office's Policy and Procedures Manual for Guidance of Federal Agencies (Title 7-Fiscal Guidance) is the overall responsibility of USAID/Bangladesh's management.

Conclusions on Compliance

Since Mission officials would not confirmed in writing that to the best of their knowledge and belief, all known instances of material noncompliance were reported to the auditor, we cannot express an opinion that USAID/Bangladesh complied in all significant respects with the provisions referred to above.

SCOPE AND METHODOLOGY

Scope

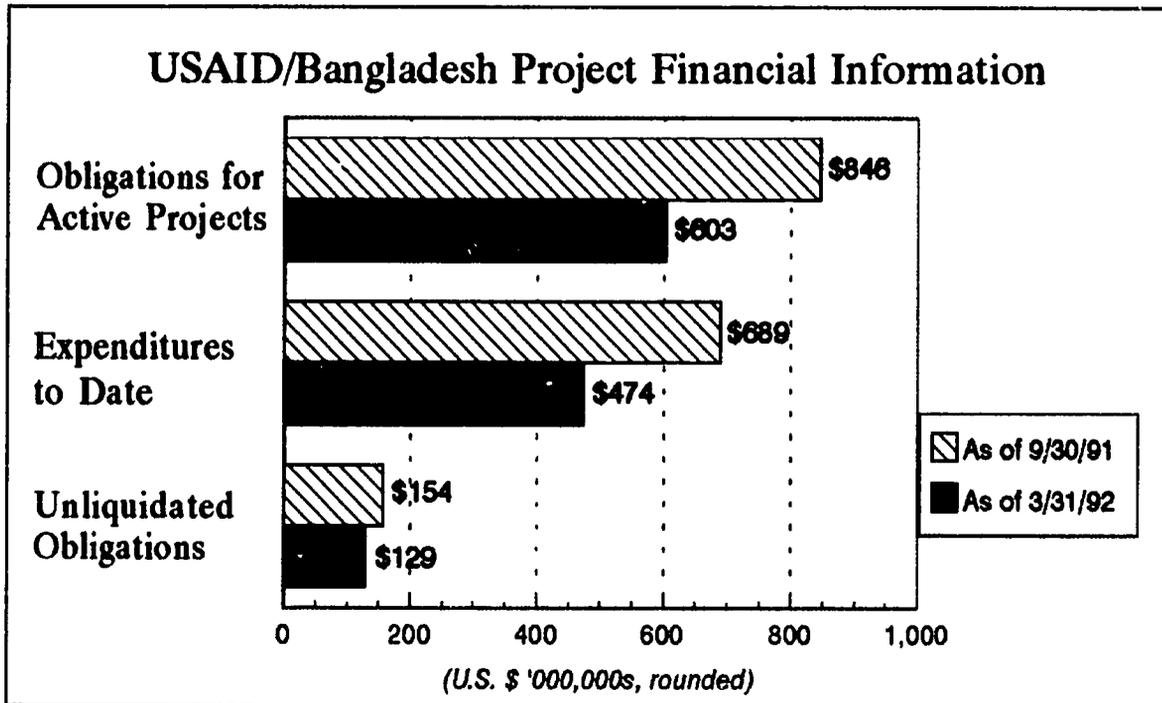
We audited USAID/Bangladesh's controls over unliquidated obligations in accordance with generally accepted government auditing standards except that USAID/Bangladesh did not provide a completely acceptable representation letter. Mission officials would not confirm in writing that to the best of their knowledge and belief, A.I.D. policies and procedures had been followed and all known instances of material noncompliance had been reported to the auditor. Instead, Mission officials would only state that they had not withheld information about material noncompliance.

Without the above written representation from Mission officials, we cannot fully answer the audit objective and conclude whether the Mission maintained adequate internal controls or complied with applicable laws and regulations. However, based on the representation letter we did receive, we can report, for the items tested, some positive conclusions.

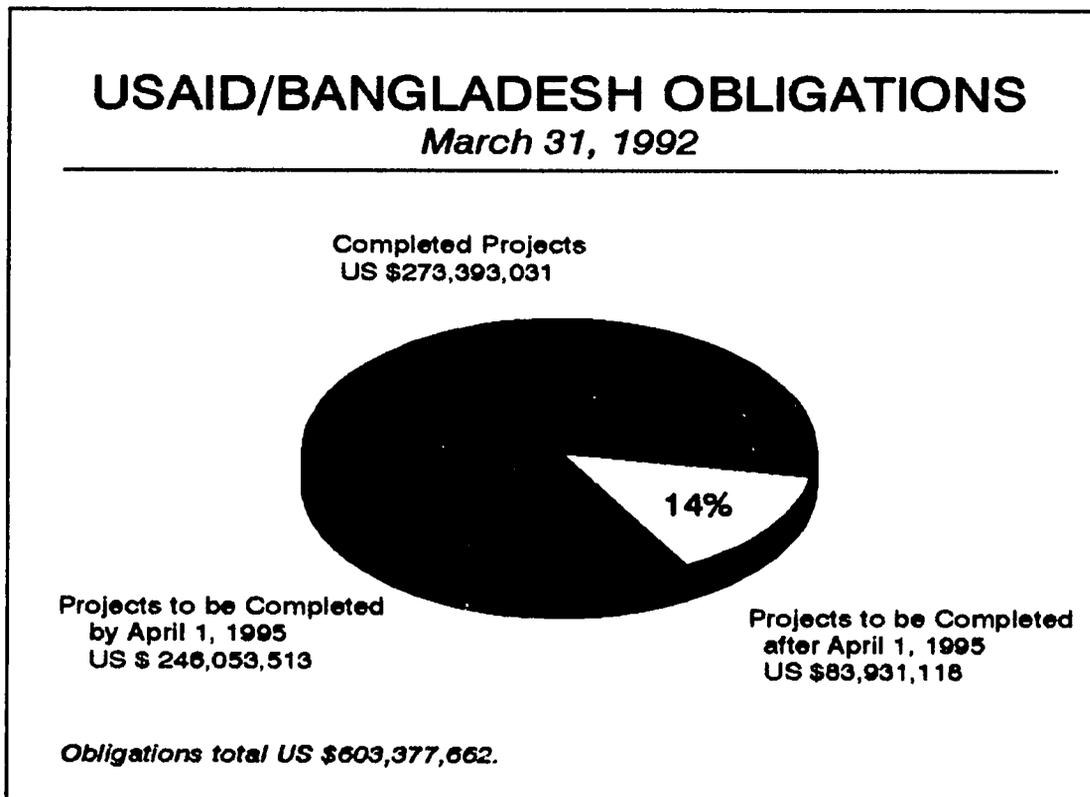
We conducted the audit from May 5, 1992 through May 28, 1992, in the offices of USAID/Bangladesh in Dhaka, Bangladesh, and covered the systems and procedures relating to A.I.D. unliquidated obligations as of March 31, 1992. According to the Mission Accounting and Control System (MACS) report as of September 30, 1991, USAID/Bangladesh had \$153,729,267 in unliquidated obligations included in the fiscal year 1991 certification. We reviewed the status of obligations and commitments using the MACS report for USAID/Bangladesh as of March 31, 1992, which showed unliquidated obligations of \$129,089,671, a decrease of more than \$24 million in the six-month period. Our audit reviewed the validity of unliquidated obligations and unliquidated commitments, covering ongoing and expired projects reported in the MACS as of March 31, 1992.

The following bar graph shows the total obligations, expenditures, and unliquidated obligations for USAID/Bangladesh's projects as of September 30, 1991 and March 31, 1992.

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The following chart shows a profile, by total obligations, of the projects grouped according to project assistance completion dates (PACDs).



Methodology

The audit objective was to determine if USAID/Bangladesh followed applicable U.S. Government laws and regulations, and A.I.D. policies and procedures for reviewing and certifying unliquidated obligations. To accomplish this objective, we evaluated the risk exposure by reviewing significance and sensitivity, susceptibility of failure to attain goals, "red flags", management support, and competence of personnel. We assessed the risk exposure as high because of significant amounts of unliquidated obligations, various changes in key personnel, and the reported lack of training for some personnel. We assessed the internal controls over funds management by identifying the controls, documenting known effectiveness, assessing control design, determining if controls are implemented, and assessing if transactions are properly documented.

We used a biased sampling methodology which is designed to select those obligations and commitments that would have the greatest chance of being invalid. Using the data base as of March 31, 1992, the various levels of testing were:

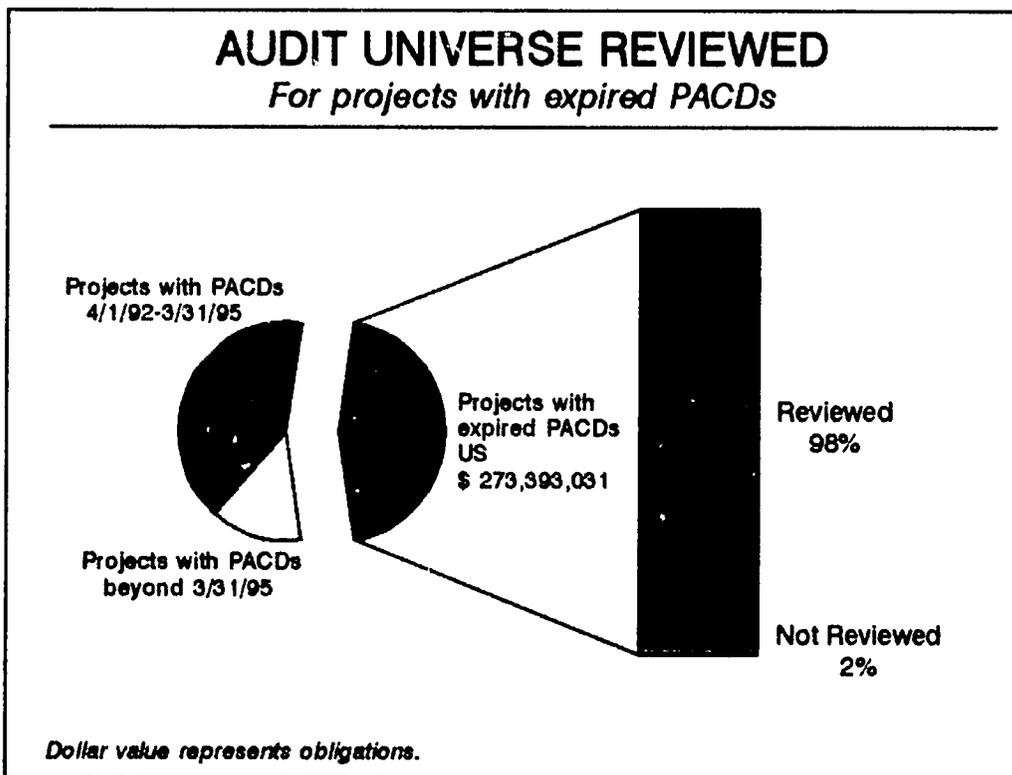
- Obligations and commitments on projects which have passed the project assistance completion date or non-projects which have passed the terminal disbursement date (Level One);
- Obligations and commitments on projects with project assistance completion dates or non-projects with terminal disbursement dates expiring within the three year period ending March 31, 1995 (Level Two); and
- Obligations on projects or non-projects started in fiscal year 1991 (Level Three).

The following sections provide details on the methodology for each of the three levels of testing.

For Level One testing, there were 20 projects/programs with project assistance completion dates prior to March 31, 1992, according to the MACS reports as of March 31, 1992. We reviewed 16 of the 20 projects/programs, accounting for more than \$267 million or about 98 percent of the total obligations of these 20 projects/programs. We did not review the remaining four projects because these are for specialized grants for Disaster Assistance and Human Rights Support. The pipeline for these specialized grants was only \$0.3 million or 4 percent of the pipeline balance. Of the 16 expired projects,

we verified that six projects had zero pipeline balances and performed a detailed review of the remaining 10 expired projects with a total pipeline of \$9.0 million.

The following chart shows the audit coverage of projects which had expired prior to March 31, 1992, and with unliquidated obligation balances in the March 31, 1992, MACS reports.



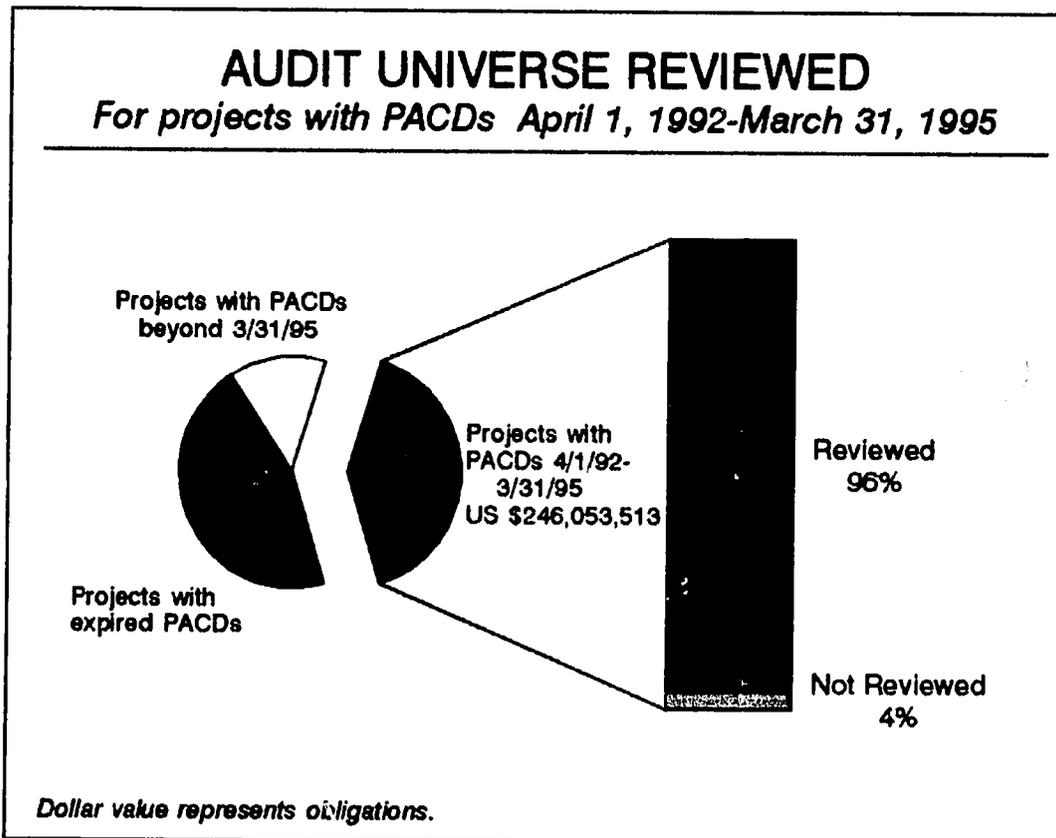
For the ten projects where we made a detailed review of the pipeline, we examined the applicable project agreement files to verify the accuracy of the project assistance completion dates and the terminal disbursement dates. For those agreements which did not appear to be valid obligations, we interviewed the respective project accountants, the contracting officer, the chief accountant and the Controller to determine why the unliquidated balances have not been deobligated.

For Level Two testing, according to USAID/Bangladesh's MACS reports as of March 31, 1992, there were 13 projects/programs with obligations, commitments and disbursements of \$246.0, \$211.0 and \$167.7 million, respectively, and with project assistance completion dates expiring within the three-year period ending March 31, 1995. The unliquidated commitments from these 13 projects totalled \$43.3 million (commitments less disbursements, or \$211.0 million less \$167.7 million).

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To determine the validity of expired and unexpired commitments, we selected eight of the 13 projects/programs for review. Obligations for the eight projects/programs totalled \$235.6 million, which accounted for 96 percent of the total obligations of the 13 projects/programs. From these eight projects/programs, we reviewed in detail 20 commitment documents totalling \$50 million to determine if these were valid commitments. For each project/program, we examined the project voucher files to determine if the project implementation plan was proceeding according to schedule. We also determined if the estimated costs were revised to account for new project schedules. We discussed the funding requirements with the respective project officers and with the Controller's Office to verify if there were any unneeded commitments that should be decommitted or reprogrammed.

The following chart shows the audit coverage of projects with project assistance completion dates between March 31, 1992 and March 31, 1995, from which we selected 20 commitments to test the validity of the unliquidated commitment balances as of March 31, 1992.



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For Level Three testing, according to the MACS reports as of March 31, 1992, there were 16 projects/programs with a total of 98 obligations starting in fiscal year 1991. For forward funding, we considered whether selected obligations exceeded two-years' funding requirements. We reviewed five projects/programs with obligations over \$2 million, and implementation periods of more than two years. The total obligations of these five projects reviewed is \$42.2 million, which represents 76 percent out of a total of \$55.8 million in obligations started in fiscal year 1991. For each project/program, we examined the project files to determine the implementation periods and the financial planning schedules for estimating expenditures and recording obligations. We discussed the funding requirements of the obligations with the respective project officers and Controller's Office officials to determine whether the obligations exceeded the forward funding limit.

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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
Dhaka, Bangladesh

APPENDIX II
Page 1 of 7

September 27, 1992

MEMORANDUM

TO: Al Clavelli, RIG/A/Singapore(A)
FROM: Frank J. Young, Director (A) USAID/Bangladesh
SUBJECT: Draft Audit Report on Review of Unliquidated Obligations - Mission Response



Thank you for the opportunity to respond to the draft report. I have several comments for your consideration but first let me state that I was very pleased to note that the audit has confirmed that this Mission does an excellent job in the area of managing unliquidated obligations. The fact that the auditors looked at some 20 expired projects/programs with a value of well over one-quarter of a billion dollars and only questioned three obligations totalling less than one million dollars, all of which had been previously identified by the Mission as potential deobligations, has served a very useful purpose. The audit provides proof that our hard work in planning and executing the management of unliquidated obligations is paying off for this Mission. Our deobligations of approximately \$15 million of program and administrative funds in FY92 alone indicates that we are carefully removing "stale" obligations from the books in order that they may undergo the deobligation/reobligation process in some cases, and so that our pipelines reflect the actual status of our activities in all cases. Furthermore, the audit has confirmed that we are carefully monitoring project commitments ("sub-obligations") and thereby exercising good financial management over our projects. And, finally, the audit confirms that in the case of both obligations and commitments, we are removing the vulnerability of inappropriate use of "stale" funds which is of great concern to our Agency and to all who seriously execute their responsibilities as stewards of taxpayers' funds.

Before I comment on specific parts of the report, I make one general comment. In two parts of the report various offices of the Mission are mentioned when I believe it would be more appropriate to refer simply to "the Mission" or to "Mission offices." Certainly, in some cases, it does make sense to describe the actions of specific Mission offices, but for the cases I am about to cite, I believe this not to be the case. On page 6 the discussion alleges that an unliquidated amount should have been deobligated and describes actions taken by the technical office, the Contracts Office, and the Controller's Office. If the amount should have been deobligated then the Mission failed to do what was proper in this instance (note that later we will comment on your finding in this regard) but it is irrelevant if one office in the Mission had one opinion and another had a different opinion. Perhaps you could just state that among various Mission offices the deobligation had been discussed but not effected. Also, on page 7 there is a discussion concerning the request for a

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waiver which would, in effect, have allowed the Mission to use funds which would otherwise be deobligated. The discussion implies that the Controller's Office and other offices disagreed on whether the waiver request should go forward. Perhaps you could simply state that there was some doubt within the Mission as to whether the waiver would be granted or not.

I have several specific comments to make. On page 4 we believe that the highlighted statement should include the amount originally obligated under the obligations which you reviewed. For example, of the \$8,974,955 in obligations you reviewed, \$651,175 pertain to Project Number 388-0046 as shown on your chart on page 6. The casual reader may be misled into thinking that Project Number 388-0046 was a \$651,175 obligation when in fact it was a \$10,400,000 obligation. In this project the Mission already had deobligated \$764,298 of unliquidated obligations before your field-work had begun! I believe that your highlight on page 4 and your chart on page 6 would better reflect the Mission's management of unliquidated obligations if it showed the amount of the total original obligation along with the information you are already showing- the unliquidated portion of the obligation as of March 31, 1992 and the alleged "excess" obligation as of March 31.

On page 4, under the headline "All Unliquidated Obligations Should Be Reviewed", mention is made of Project Development and Support (PD&S) and Pipeline Reviews. I think here the reader could be very misled by this discussion. No mention is made of the fact that the Pipeline Reviews which USAID/Bangladesh performs are in addition to the mandated "1311" reviews. The "1311" reviews and the Pipeline Reviews, although certainly related, are separate exercises. This Mission performs Pipeline Reviews principally to assure that commitments, or what is often referred to as "sub-obligations", are closely monitored. The Mission made a conscious decision when it initiated the Pipeline Review process to exclude PD&S from these Pipeline Reviews. The implication you are making to the reader is that PD&S is not subjected to an unliquidated obligation review. But, as you know, our standard operating procedure is to subject PD&S to our twice-yearly "1311" reviews. If, in fact, this were not the case you would have found many, many examples of "stale" PD&S obligations since PD&S obligations are similar to administrative obligations in that they are of short duration. I strongly urge that, under the headline, the two concepts I have discussed be brought out; 1. Pipeline Reviews are performed by this Mission in addition to the mandated "1311" reviews, and 2. PD&S is subjected to twice-yearly "1311" reviews.

On page 4, regarding Recommendation 1.1, we have no quarrel with the recommendation because you have highlighted three obligations which the Mission, as you point out in the discussion following the recommendation, had already identified as potential deobligations prior to the beginning of your audit field-work. To close the recommendation we will continue our pre-deobligation work such as reconciling amounts to the AID/W accounts in the case where AID/W is the paying office and collecting the refund from the grantee in another case. We will provide you with evidence of deobligation.

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On page 4, regarding Recommendation 1.2, we accept the recommendation with the proviso that reference to "1311" reviews be deleted because PD&S is already subjected to "1311" reviews twice yearly. To close the recommendation we will issue a mission notice announcing that henceforth we will include PD&S in our Pipeline Reviews.

On page 5, fourth paragraph, you discuss the twenty projects you considered in your sample. You mention that these had total obligations of \$273.3 million. We agree that it is important to include this information in the report; however, it may not be completely accurate. The \$273.3 million obligation figure you cite was the obligation amount remaining for those 20 projects after much of the Mission's deobligation work had already occurred. For example, included in this figure is Project No. 388-0046 that I mention above. The \$273.3 million figure includes \$9,666,410 for this project when in reality the original obligation was \$10,400,000 since the Mission had already deobligated \$733,590 before 3/31/92 (and another \$30,708 after 3/31/92 and before the beginning of audit field-work). You mention in the discussion that six of the 20 projects had "zero balances." The reason for this is that the Mission had successfully reduced obligations to actual disbursements which indicates good management of unliquidated obligations. Please include the original obligation amount for the 20 projects so that our management of unliquidated obligations is more accurately reflected.

I have comments on the detailed discussion of two of the three obligations you discussed on pages six and seven.

—Project #0046: First, the correct unliquidated balance as of March 31, 1992 should be \$651,175. This should be reflected in the table at the top of page 6. As you stated, the Mission was aware of the unliquidated balance. You did not state that the establishment of a final overhead rate had not been effected at the time of the audit field-work and that this was an additional factor in delaying the deobligation.

—Regarding the Integrated Food for Development Project Paper Design, we agree that the unliquidated balance should be decommitted and deobligated but, as we discuss below, we are still trying to determine from the paying office, which is AID/W, exactly what that balance is. Please note that this grant is not a Limited Scope Grant. Therefore, you should delete your parenthetical reference to Limited Scope Grant as well as the lines which refer to AID Handbook 3 guidance on Limited Scope Grants since it does not apply. Also, your statement that the unliquidated balance was reviewed only in February 1992 is misleading. As late as September, 92 we have received AOC's against this obligation (see attachment 1 to this memo), therefore it would not be sensible to review for deobligation an obligation for which we are still receiving AOC's. In June 1992, we did receive a FAX from AID/W

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stating that AID/W is reconciling this contract and that information will be forwarded to us later (see attachment 2 to this memo). Since, at the time of your field-work we did not have and to date still do not have definitive information from AID/W as to how much of the unliquidated funds will be needed, we are unable to deobligate/decommit at this time.

On page 8, regarding Recommendation 2.1, we have no quarrel with the recommendation but we suggest you change the amount of the potential decommitments based on our discussion below. To close the recommendation we will submit proof of decommitment to you.

On page 8, regarding Recommendation 2.2, we do not agree with the recommendation as written, "Establish procedures to obtain timely claims and financial status reports from contractors/grantees". We agree, as you have noted in the discussion following this recommendation, that at times AOC's from AID/W arrive at the Mission several months after a disbursement has been made but we at the Mission level have no control over this. The Mission Controller advises that he has seen a significant improvement in the handling of AOC's by AID/W in the past year and has been advised by AID/W of important changes in the Advice of Charge system. For example, the Mission had held one administrative obligation open for over six years from the time the payment should have been made. But, it was not until this year that, after a diligent effort on the part of AID/W Financial Management personnel, it was finally charged to the Mission. Furthermore, we agree that, as you have noted in the discussion following this recommendation, at times and for reasons hard to understand, contractors and grantees do not always file claims or financial status reports in a timely manner. But in this area, again, we at the Mission level have little control over the situation. About the only thing we can do is pester the delinquent entity. Perhaps you could address the recommendation to AID/W. If AID's grants or contracts contained a standard clause stating that on a certain date following the expiry of a grant or contract, the contractor or grantee claims would not be honored, then we would have a tool to use against those who for one reason or another force us to keep commitments open far longer than we would like.

For the three commitments you have discussed on pages 9 and 10 I have these specific comments.

—Project #388-0060. We cannot accept your suggestion regarding the two Letters of Commitment (L/C). You have suggested that because there were sufficient funds in the second larger L/C to meet payment needs for the fertilizer purchases under both L/C's, the Mission could have cancelled the smaller \$417,573 L/C and decommitted those funds. This would not be possible. A Letter of Commitment is for a specific procurement and payable to a specific payee (in the case of the two L/C's you reviewed, to two different banks). Events that transpired in regard to the two L/C's, following your review, serve to highlight this. Only recently, in September, 1992, we received an AOC from AID/W in the amount of \$270,731.35 against the first L/C (see attachment 3 to this memo). Had we followed your suggestion to

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decommit the \$417,573 remaining in that L/C, we would not have had an L/C to which to charge this AOC since it would not have been chargeable to the second L/C. For your information, we also received at about the same time an AOC chargeable to the second L/C in the amount of \$423,726.49(see attachment 4 to this memo), and we will be following up with AID/W to ascertain if additional AOC's will be forthcoming. In short, Letters of Commitment are for a specific purpose and to a specific payee and we are sure that were we to record charges to an L/C which were not meant to be charged to that L/C, an audit of that action would result in a critical audit finding.

--Project #388-0051. The two commitments which you refer to as being extended have, in fact, been extended. The third commitment only appeared to have expired due to an error in entering the expiration date into our accounting system. This error has been corrected. Currently, all three of these commitments have expiration dates of June 04, 1993, and committed funds are required to continue the activities under these commitments.

--Project #388-0071. We agree that two commitment documents had expired as of March 31, 1992 but prior to audit field-work we had requested information on final billings and advice of charges from AID/W(see attachment 5). To date we have received no definitive information which we could use as a basis for making a decommitment of all or part of the unliquidated amounts. Upon receipt of such information we will decommit any remaining amounts.

On page 10, we do not agree that "...the Controller's Pipeline Reviews could be improved if project officers conducted detailed project reviews prior to their Pipeline Reviews with the Controller's Office..." The Pipeline Review plus the four-times-a-year accrual meetings in which personnel of both the Controller and technical offices set aside specific times from their busy schedules to review and discuss commitments and obligations allow the project officers to receive advice in the technicalities of contract/grant law and regulation as well as in technical financial management concepts.

On page 14, for the reason stated above, I suggest that, "The Mission did not have procedures for project offices to perform thorough reviews of expired (and soon to expire) commitments" be deleted.

Thank you for the opportunity to comment on the draft report and we look forward to receiving your final report.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
Dhaka, Bangladesh

APPENDIX II
Page 6 of 7

REPRESENTATION LETTER

TO: Regional Inspector General for Audit/Singapore

You have asked that USAID/Bangladesh provide a Representation Letter in connection with your audit of USAID/Bangladesh's unliquidated obligations. The audit covered unliquidated obligations which were recorded in the Mission's accounting system as of March 31, 1992 and was intended to answer the following audit objectives:

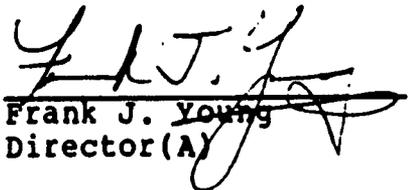
Did USAID/Bangladesh review and certify unliquidated obligations in accordance with applicable U.S. Government laws, regulations and A.I.D. policies and procedures?

I have been assigned as Deputy Director of USAID/Bangladesh since April 1992 and speak only on my own behalf and not that of other USAID/Bangladesh employees. Due to the Mission Director's absence from post I am signing this letter in my capacity as Acting Mission Director. I have asked the Controller's Office to make available to you all records in our possession for the purpose of this audit. The Controller has represented to me that he is aware that I am relying on his knowledge and that of his staff as the basis for the representations herein. Based on his representations to me, I confirm the following representations made to your auditors during the audit with respect to the unliquidated obligations under audit:

1. For the unliquidated obligations under audit, USAID/Bangladesh is responsible for the internal control system, for compliance with applicable U.S. laws, A.I.D. regulations, and Fixed Amount Reimbursement Agreements, and for the fairness and accuracy of the accounting and management information.
2. To the best of my knowledge and belief, USAID/Bangladesh has provided to RIG/A/Singapore auditors all the records related to the audit objective.
3. To the best of my knowledge and belief, those records are accurate and complete and give a fair representation as to the status of the matters under audit.

4. To the best of my knowledge and belief, USAID/Bangladesh has disclosed any known material irregularities related to unliquidated obligations under audit and which we consider substantively involving Mission employees with internal control responsibilities.
5. To the best of my knowledge and belief, USAID/Bangladesh is not aware of any material instances where financial or management information on matters directly relating to this audit have not been properly and accurately recorded, other than the findings in the draft audit report.
6. To the best of my knowledge and belief, as a layman and not as a lawyer, USAID/Bangladesh has not withheld information about material noncompliance with A.I.D. policies and procedures or violations of U.S. laws and regulations.
7. To the best of my knowledge and belief, USAID/Bangladesh has not withheld information about any material noncompliance by A.I.D. regarding the matters under audit.
8. After review of your draft audit report and further consultation with my staff, I know of no other facts as of the date of this letter (other than those expressed in our Management Comments to the draft report) which, to the best of my knowledge and belief, would materially alter the conclusions reached in the draft report.

Date: Sept 20, 1992


Frank J. Young
Director (A)

APPENDIX III**REPORT DISTRIBUTION**

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