
AUDIT REPORT OF A.I.D.'S COMPLIANCE WITH FEDERAL ENERGY REQUIREMENTS

Report No. 9-000-93-005

April 30, 1993



INSPECTOR
GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**AUDIT REPORT OF A.I.D.'S COMPLIANCE
WITH FEDERAL ENERGY REQUIREMENTS**

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April 30, 1993

Agency for International Development

Washington, D.C. 20523

*Assistant Inspector General
for Audit*

APR 30 1993

MEMORANDUM FOR AA/FA, Richard A. Ames

FROM: AIG/A, Richard C. Thabet *Richard C. Thabet*

SUBJECT: Audit Report of A.I.D.'s Compliance With Federal Energy Requirements

The Office of Program and Systems Audits has completed its audit of A.I.D.'s Compliance With Federal Energy Requirements. This final report, which contains three recommendations, is being transmitted to you for your action.

In preparing this report, we reviewed the comments on the draft report provided by the Offices of Overseas Management Support and Administrative Services and have included them in their entirety as Appendices II and III, respectively. Based on those written comments, we consider Recommendation No. 2 resolved, and Recommendation Nos. 1 and 3 unresolved. Please respond to this report within 30 days, indicating any additional actions planned or taken to close the recommendations. I appreciate the cooperation and courtesies extended to the auditors during this assignment.

Background

Section 160 of the Energy Policy Act of 1992 requires that each Inspector General conduct an audit survey of their respective agencies to:

- identify the agency's compliance with the requirements of the National Energy Conservation Policy Act (Act), and
- determine if the agency has internal accounting mechanisms necessary to assess the accuracy and reliability of energy consumption and energy cost figures required by the Act.

To comply with the energy requirements under the Act, all Federal agencies were to, among other activities, establish a program to reduce energy consumption by 10 percent by 1995, using fiscal year 1985 as the base year. Main elements of the program were surveys and studies, and retrofit of existing systems to make them more energy efficient. In 1991, the President mandated, by Executive Order, that energy consumption for buildings in the United States be reduced by an additional 10 percent (a total of 20 percent from 1985) by the close of the century. At the time of our review, A.I.D. could not identify how much energy was used for any year. However, A.I.D. stated that utility costs (overseas only¹) in Fiscal Year 1992 totalled \$8.3 million.

Audit Objectives

The purpose of our audit was to determine if A.I.D. had implemented a program for energy management and conservation that meets prescribed Federal requirements. Specifically, our objective was to answer the following questions:

1. Did A.I.D. carry out activities meeting the requirements of the National Energy Conservation Policy Act?
2. Did A.I.D. have the Federally required internal controls necessary to assess the accuracy and reliability of energy consumption and cost figures required to be reported by the National Energy Conservation Policy Act?

In answering these questions, we tested whether A.I.D. followed applicable internal control procedures and complied with certain provisions of applicable laws and regulations. We designed our tests to provide reasonable assurance that our conclusions are correct. When we found problem areas, we identified the cause and effect of the problems and made recommendations to correct them. The audit's scope and methodology are further described in Appendix I.

¹ Energy consumption and cost figures for stateside buildings could not be provided by A.I.D.

Audit Findings

Did A.I.D. carry out activities meeting the requirements of the National Energy Conservation Policy Act?

A.I.D. did not carry out activities meeting the requirements of the National Energy Conservation Policy Act.

Although A.I.D. did have a stated policy for energy conservation for residential buildings and some missions had Mission Orders implementing that policy, A.I.D. had not developed the type of formal energy conservation program that was required by the Act.

A.I.D. Needs To Comply With Federal Energy Management/Conservation Requirements

Energy legislation and Presidential mandate require agencies to formally establish and apply measures to reduce energy consumption in its Federal buildings and to report on their progress. A.I.D. had not yet determined if these requirements were applicable to its overseas operations. For its domestic space, A.I.D. believed energy conservation requirements were not applicable because A.I.D. does not have operating control over the utilities in the buildings it occupies. However, A.I.D. could have assumed such control in at least one of its buildings. By not implementing an energy program as required, Federal energy reduction goals may not be met and related energy cost savings of \$847,000 or more annually may not be achieved.

Recommendation No 1: We recommend that the Associate Administrator for Finance and Administration, after coordinating with responsible Department of Energy personnel, develop and implement procedures to comply with National Energy Conservation Policy Act and Executive Order requirements to achieve energy savings of \$847,000 or more by 1995.

The National Energy Conservation Policy Act, as amended in 1988, stipulates in Section 543 that each Federal agency shall:

- apply conservation measures to, and shall improve the design for the construction of, its Federal buildings [owned or leased] so that the energy consumption per gross square foot of its Federal buildings in use during the

consumption per gross square foot of its Federal buildings in use during the fiscal year 1995 is at least 10 percent less than the energy consumption per gross square foot of its Federal buildings in use during the fiscal year 1985;

- prepare or update, within 6 months after November 5, 1988, a plan describing how the agency intends to meet its energy reduction goal, including how it will implement its energy conservation program, designate personnel responsible for achieving its, and identify high priority projects;
- perform energy surveys of its Federal buildings to the extent necessary; and
- using such surveys, apply energy conservation measures in a manner which will attain the established energy reduction goal in the most cost-effective manner practicable.

Section 548 of the Act requires agencies to report to the United States Department of Energy (DOE), at least annually, on their progress in achieving the established 10 percent energy reduction goal. Furthermore, Executive Order 12759, dated April 17, 1991, increased the goal to a 20 percent reduction in energy consumption for buildings in the United States by the year 2000.

A.I.D. has not complied with the above requirements. A.I.D. responded to a DOE questionnaire that it does not have a formal energy conservation program nor does it submit energy reports to DOE. For its stateside operations, which includes direct leasing of space in two buildings, A.I.D. stated:

It is our position that the Agency does not have any responsibilities for compliance and reporting under the Act since we do not have control over energy payments. Energy costs are included in rents paid to the General Services Administration (GSA) or lessors for office space leased directly by the Agency.

However, our review of one lease² for an eight-story office building in Washington, D.C. (SA-2) leased and occupied entirely by A.I.D. disclosed that A.I.D. did have the opportunity to assume control over energy payments. The lease stated:

² A.I.D. had two leases. The other lease covers only 2 of 11 floors in SA-8 and was not reviewed.

The base rental owed by [A.I.D.] ... will be reduced by \$137,000 provided that ... [A.I.D.] causes the utility company accounts (for provision of gas, water, and electricity) to be transferred to its name and assumes responsibility for payment thereof.

If A.I.D. did not transfer the utilities, the lease provided that any utility costs above the base amount would be billed to A.I.D. as increased rent. Thus A.I.D. was responsible for paying all utility costs. For example, in 1992 utility costs totalling \$34,927 over the \$137,000 base were paid by A.I.D.. Because A.I.D. does pay for all utility costs, for at least this building, and had control over energy use (regardless of who was paying the bills), we believe A.I.D. had the responsibility to comply with Federal energy conservation requirements. A.I.D.'s compliance with those requirements should result in approximately \$17,000 or more in annual savings, i.e., 10 percent of the above two amounts.

For its overseas properties, A.I.D. management stated that it had not yet determined if the Act applies and requires them to develop energy conservation programs. We believe this determination should have been made in a more timely manner. Review of the Act's requirements, in our opinion, indicates worldwide applicability. For example, Section 549 states that "the term 'Federal building' means **any** [emphasis added] building ... leased or purchased ... for use by the Federal Government and which consumes energy" Furthermore, the Act's implementing regulation (10 CFR Part 436) also discusses "Federal buildings in foreign countries."

A.I.D. was not able to provide figures on domestic or overseas energy consumption needed to track progress toward achieving the required energy reduction goal. However, A.I.D. did calculate overseas utilities costs for Fiscal Year 1992 to be \$8.3 million -- this being for space in 120 office buildings and 1,212 residences. Because we believe A.I.D. does have responsibilities under the Act, we estimate that it should achieve, at a minimum, approximately \$830,000 (10 percent of the Fiscal Year 1992 utilities costs) in savings annually by 1995 for its overseas operations.

It was apparent though, during the audit, that A.I.D. did in fact support energy conservation. For example, in reference to Chapter 6 of the Foreign Assistance Manual, A.I.D. Handbook 23, states:

It is the responsibility of the head of each agency mission to assure that costs of utilities on Government-held residences are held to reasonable levels. The head of each agency mission shall take appropriate administrative action to accomplish this, including, where appropriate,

the establishment of utility ceilings for some or all of the residential quarters under agency mission head's control.

In March 1990, in response to a prior audit, A.I.D.'s Office of Overseas Management Services issued a cable requesting missions to prepare and submit Mission Orders for the management of utilities cost. Of the six missions (Bangladesh, Egypt, Honduras, Nicaragua, Senegal, and Kenya) we checked, two (Egypt and Honduras) had Mission Orders establishing either energy cost or consumption ceilings and those missions may have experienced some reduction in energy consumption. However, even these Orders were not adequate to meet the requirements of the Act. For example, the Orders covered residences but not office space and they did not include plans to meet energy reduction goals. The remaining four missions had not formalized energy conservation procedures.

In conclusion, we believe, that by assuming a more active role in energy management as envisioned by the Act, A.I.D. could have further reduced energy usage and could also have quantified that reduction in terms of meeting the requirements of the Energy Conservation Policy Act. Furthermore, reducing energy consumption by 10 percent as required by the Act, should result in an annual savings of \$847,000 or more by 1995.³

Did A.I.D. have the Federally required internal controls necessary to assess the accuracy and reliability of reported energy consumption and energy cost figures?

A.I.D. does not have the Federally required internal controls necessary to assess the accuracy and reliability of reported energy consumption and cost figures.

A.I.D. Needs Internal Controls For Capturing and Reporting Energy Consumption and Cost Data

Federal requirements call for a system of internal controls covering agency transactions and other significant events. A.I.D. had not established the required controls because it had not determined whether the National Energy Conservation Policy Act applied to its overseas operations and because A.I.D. believed they were

³ We realize that the amount of savings will depend on several factors such as the space occupied and the cost per unit of energy. However, we believe this \$847,000 represents a reasonable estimate of potential savings.

exempt under the Act regarding domestic operations. Also, A.I.D. had not formally assigned a trained energy manager. As a result, A.I.D. did not have the internal controls necessary to ensure accurate and reliable reporting of energy-related data.

Recommendation No. 2: We recommend that the Associate Administrator for Finance and Administration establish internal controls and procedures to ensure accurate and reliable reporting of energy consumption and cost data. These should include the issuance of an A.I.D.-wide policy statement on energy management and the formal assignment of a trained energy manager.

Under the Federal Managers' Financial Integrity Act (31 U.S.C. 3512[c]) and Office of Management and Budget (OMB) implementing policies, A.I.D.'s management is responsible for establishing and maintaining adequate internal controls that reasonably assure expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared.

The General Accounting Office has issued a document titled Standards for Internal Controls in the Federal Government to be used by agencies in establishing and maintaining internal controls. The standard for documentation requires that:

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination. (Underlining added)

The standards further state that complying with the standard requires that the documentation of internal control systems and transactions and other significant events be purposeful and useful to managers in controlling their operations, and to auditors or others involved in analyzing operations.

As previously discussed, A.I.D. believed it was exempt from the requirements of the National Energy Conservation Policy Act for its domestic operations and it had not determined if the Act applied to its overseas operations. Furthermore, the Agency had not formally assigned a trained energy manager as required by the Energy Policy Act of 1992. Consequently, A.I.D. was not accumulating the type of energy consumption and cost figures as were required by the Act. For these reasons no internal controls were established, i.e., internal controls would not be established to cover data which are believed not to be needed.

However, as also previously discussed, we believe the Agency's real property operations (i.e. offices and residences) do fall under the Act. Therefore, A.I.D. should take steps to establish the internal controls necessary to ensure the collection of the data required by the Act and that it be accurately and reliably reported.

Other Pertinent Findings

Although not an objective of the audit, the audit nevertheless disclosed that A.I.D. had entered into a leasing arrangement without, in our opinion, authority to do so. Due to the importance of this matter, the following problem area and recommendation are included in this report for management's attention.

A.I.D. Has Leased A Building Without Proper Authorization

Federal legislation and regulation limit leasing authority, except in special circumstances, to the General Services Administration (GSA). Other Federal agencies may not enter into leases in the United States unless specifically delegated authority to do so by the GSA. A.I.D. sought, but was denied, the required delegation of authority from the GSA. Notwithstanding the GSA denial of authority to do so and believing that the Foreign Assistance Act allowed it, A.I.D. entered into a lease for space in the building known as State Annex 2. By not complying with the GSA's decision and law, and by not deferring to the GSA's expertise in this matter, A.I.D. may not have obtained office space under terms most advantageous to the Government. Furthermore, the space leased by A.I.D. may not have met GSA fire safety standards.

Recommendation No. 3: We recommend to the Associate Administrator for Finance and Administration to either seek GSA renegotiation and ratification of the lease or terminate it and obtain the needed space through the GSA.

The Federal Property and Administration Services Act of 1949 (40 U.S.C 490) allows the Administrator of the General Services Administration (GSA) to enter into leases. The Act states that:

All functions with respect to acquiring space in buildings by lease ... are hereby transferred from the respective agencies in which such functions are now vested to the Administrator of General Services....

Chapter 41 of the Code of Federal Regulations, which implements the Federal Property and Administrative Services Act, states in Subpart 101-18 that:

GSA will perform all functions of leasing building space, and land incidental thereto, for Federal agencies except as provided in this subpart....

For the exceptions this Subpart then states that:

... agencies are hereby authorized to perform for themselves all functions with respect to acquisition of space by lease in buildings and land incidental thereto when ... authority has been requested by an executive agency and a specific delegation has been granted by the Administrator of General Services...(emphasis added).

On March 17, 1987, A.I.D. wrote a letter to the Administrator of GSA and stated:

Our respective staffs have been discussing a rare leasing opportunity.... these discussions ended in agreement that A.I.D. should seek a delegation of GSA's authority under 40 U.S.C. 490....

On March 30, 1987, GSA wrote back the following:

We have reviewed your request and determined that a delegation of lease acquisition authority would not be appropriate in this instance. Our decision is based on the fact that your request does not meet the criteria for a delegation of authority as well as our National Capital Region's ability to fulfill your space requirements. Our regional staff has advised us that they are currently seeking space for your agency that is in proximity to the Main State Building and which will meet GSA fire safety standards (emphasis added -- A.I.D. personnel acknowledged that State Annex 2 did not meet fire safety standards).

Notwithstanding this negative response, A.I.D. signed the lease for State Annex 2. The A.I.D. Office of General Counsel had issued an opinion that the Foreign Assistance Act of 1961 (FAA) gives A.I.D. leasing authority. For example, the Office of General Counsel opined that, because the FAA (Section 636 (a)(1)) permits using funds to pay rent, it, therefore, permits A.I.D. the authority to enter into leases. The opinion further stated that, because ...

Section 635 (b) [of the FAA] authorized the making of and entering into loans, advances, grants, agreements, contracts and other transactions in furtherance of the purposes and within the limitations of the FAA..., the agency enters into leases under the authority of Section 635 (b) to achieve the purposes of Section 636 (a)(1).

We do not agree with the opinion. We believe that it is incorrect to interpret Section 635 (b) as permitting A.I.D. to enter into any type of agreement as long as A.I.D. believes that the result would further the purposes of the FAA. Furthermore, we believe A.I.D. initially recognized that the Federal Property and Administrative Services Act of 1949 requires GSA involvement (as indicated by the previously mentioned March 17, 1987 letter to GSA).

In conclusion, we believe the Agency should request GSA to renegotiate and ratify this lease or that A.I.D. terminate it and request the GSA to obtain for them the needed space. This will ensure A.I.D. compliance with the Federal Property and Administrative Services Act and that needed office space will be secured under conditions most beneficial to the Government both in terms of cost and safety.

Management Comment and Our Evaluation

In commenting on our draft report, A.I.D.'s Offices of Overseas Management Support and Administrative Services generally agreed with the findings and recommendations regarding the audit's two objectives. For example, the Office of Overseas Management Support, which controls A.I.D.'s overseas operations agreed that "A.I.D. has not carried out activities meeting the requirements of the National Energy Conservation Policy Act" and stated it will establish policy to meet legislative and Executive Order energy requirements. However, both Offices were either nonresponsive or did not agree concerning the reported estimated annual savings of \$847,000. The Office of Overseas Management Support did not discuss the reported \$830,000 savings for overseas operations, while the Office of Administrative Services disagreed that "... unnecessary costs - \$17,000 in 1992, ... have been incurred and could have been avoided" for domestic operations. Formal comment was not received regarding the lease of SA-2.

Based on management's comments, Recommendation No. 2 is considered resolved at this report's issuance and can be closed when internal accounting and reporting controls are established and documented. We are unclear as to the Office of Administrative Services' comment regarding the \$17,000. We did not report that \$17,000 could have been saved in 1992. The report states that if the legislated energy

management and conservation program is implemented, A.I.D. should achieve a 10 percent savings by 1995 from the current 1992 costs of \$34,927 plus \$137,000 as shown on page 5. Consequently, as management does not agree with or specifically address the amounts of annual savings proposed and as formal comment was not received regarding the SA-2 lease, Recommendation Nos. 2 and 3 are unresolved.

Because the National Energy Conservation Policy Act required "agency" actions and because A.I.D. has not delegated those responsibilities to any office(s), A.I.D. management was not in a position to provide us with a representation letter accepting responsibility for complying with the Act prior to the issuance of this report.

SCOPE AND METHODOLOGY

Scope

The Office of the Inspector General/Programs and Systems Audits audited A.I.D.'s compliance with the requirements of the National Energy Conservation Policy Act and its control systems for ensuring accurate and reliable energy-related reporting. Our audit was made in accordance with generally accepted government auditing standards. We conducted the audit from November 23, 1992 through January 19, 1993.

The audit's scope was set by Section 160 of the Energy Policy Act of 1992, which requires that each Inspector General conduct an audit survey of their respective agencies to:

- identify the agency's compliance with the requirements of the National Energy Conservation Policy Act (Act), and
- determine if the agency has internal accounting mechanisms necessary to assess the accuracy and reliability of energy consumption and energy cost figures required by the Act.

We conducted our field work in Washington, D.C. at A.I.D.'s Office of Administrative Services and its Office of Overseas Management Support. We also met or held discussions with representatives of the Department of Energy and the General Services Administration.

Methodology

The methodology for each audit objective follows:

Audit Objective One

The first audit objective was to determine if A.I.D. carried out activities meeting the requirements of the National Energy Conservation Policy Act. To accomplish this objective we obtained a copy of the Act and determined which sections' requirements were applicable to A.I.D.. Requirements and related activities to be carried out by Federal agencies under the Act were provided to A.I.D. management in the form of a questionnaire. After this questionnaire was completed, discussions were held with Agency officials to clarify and/or reaffirm answers given, and to determine the cause of noncompliance with the Act. We also checked at six overseas missions where our auditors were assigned, to determine if those missions had established Mission Orders relating to energy management and conservation.

Audit Objective Two

The second audit objective was to determine if A.I.D. had the Federally required internal controls necessary to assess the accuracy and reliability of reported energy consumption and cost figures. Because this objective involved the reporting of information related to Agency achievements under the Act, and because the Agency did not believe they had any responsibilities under the Act, A.I.D. did not maintain energy consumption or cost figures. Consequently, the Agency had no internal controls for assuring the accuracy and reliability of that type of data. This information was determined through discussions with responsible A.I.D. officials.

Other Pertinent Findings

Although not an objective of the audit, the audit nevertheless disclosed that A.I.D. had entered into a questionable leasing arrangement. To determine if A.I.D. had the legal authority to enter into this lease, we reviewed the requirements of the Federal Property and Administrative Services Act and the Code of Federal Regulations (41 CFR 101-18). We also reviewed Sections 635(b) and 636(a)(1) of the Foreign Assistance Act and held discussions with officials of the General Services Administration.

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U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

March 19, 1993

MEMORANDUM

TO: IG/A/PSA, Coinage N. Gothard
FROM: FA/OMS, *Ann Dotherow*
SUBJECT: Draft Audit Report of A.I.D.'s Compliance with
Federal Energy Requirements

For overseas, we agree that A.I.D. has not carried out activities meeting the requirements of the National Energy Conservation Policy Act. FA/OMS will direct an overseas policy to meet the 1995 requirements under the Act and the close of the century requirements established by the Executive Order.

FA/AS will respond to the Washington portion of the report.

cc: AA/FA:Rames
FA/AMS:JRourke



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MAR 25 1993

MEMORANDUM

TO: IG/A/PSA, Coinage Gothard

FROM: FA/AS, Thomas E. Huggard *TEH*

SUBJECT: Comments on the Audit Report on A.I.D.'s Compliance
with Federal Energy Requirements, Audit Report No.
9-000-93-000

The appropriate Office of Administrative Services' (FA/AS) officials have reviewed IG/A/PSA's audit on AID's compliance with federal energy requirements. Our comments on the findings and recommendations of the audit follow. Additional comments will be provided directly to IG/A/PSA by the Office of Overseas Management Support and the Office of the General Counsel.

RECOMMENDATIONS 1 AND 2

IG/A/PSA contends that the Agency has been remiss in meeting federal energy conservation and reporting requirements in its management of the SA-02 Annex located at 515 22nd Street, NW.

With the exception of two buildings, the AID/W buildings occupied by AID are under General Services Administration (GSA) management or under the management of a delegated agency (Department of State [DOS]) other than AID. FA/AS has been advised by Department of Energy (DOE) and GSA officials that, for those buildings, AID is not responsible for building energy conservation planning or for reporting energy usage, cost and conservation data required by the provisions of the various energy conservation regulations. GSA and DOS have those responsibilities.

In 1987, AID entered into a direct lease for partial occupancy of SA-02. Under the lease, the utilities costs are not identified separately but are included within the total rental cost. Because of this arrangement, FA/AS has not been able to report energy usage, conservation, and cost data for that building to DOE. DOE was notified of this situation. That billing procedure has been under reexamination. AID will take

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action to have the utility payments billed directly to the Agency as recommended in the audit report. AID also will set up internal accounting and reporting controls and procedures for SA-02 as required by the current federal energy conservation regulations.

IG/A/PSA points out that in 1987 the SA-02 lessor did provide AID with the option of assuming direct payment responsibility for utilities. AID chose to have its utilities costs paid by the lessor and included within the total rent amount. FA/AS agrees that this decision, made in the pre-energy conservation conscious era, should be changed. FA/AS, however, does not agree with IG/A/PSA's supposition that unnecessary costs - \$17,000 in 1992, for example - have been incurred and could have been avoided. The heating/air conditioning and lighting systems used in SA-02 are very energy-efficient. Whether AID could have reduced substantially the SA-02 utilities costs by \$17,000 during a one-year period is unlikely. Additionally, the costs of conducting energy audits/surveys to identify possible energy conservation steps probably could have exceeded any savings recommended by the surveys. IG/A/PSA must also remember that it was not until April, 1992, that AID became the sole SA-02 occupant. Prior to that time, SA-02 was also occupied at times by the Pan American Health Organization Credit Union, the Interamerican College, P&R Enterprises, George Washington University, the American Foreign Service Association, and a DOS organization. Prior to February, 1991, GSA also leased two floors for AID. AID's percentage of occupied space varied from approximately 50% in 1990 to 100% by April, 1992. Implementing a unilateral energy conservation program in a multi-tenant building would be difficult and would require measuring electrical services in the various parts occupied by the Agency. The operation of such a program can easily be negated by the practices of other tenants.

FA/AS agrees that a trained energy conservation manager should be employed by the Agency. That individual could be either direct-hire or contract-hired and should be assigned to FA/AS. The activities under the manager's purview would include coordinating energy conservation activities with the GSA and DOS for those GSA and DOS buildings occupied by AID/W and those buildings managed and administered by AID; policy development and promulgation; instituting internal accounting and reporting processes; and conducting energy consumption and conservation surveys. Developing and implementing a building energy conservation program could be costly. It could require the assignment of an additional FTE to FA/AS or the hiring of a contractor. A substantial increase in FA/AS's budget could also be required to hire a contractor, for the initial development of internal reporting programs, and the conducting of surveys.

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RECOMMENDATION 3

Because of the legal intricacies of the questions addressed in Recommendation 3, AID's Office of the General Counsel will respond to IG/A/PSA directly.

RECOMMENDATION 4

FA/AS does not believe that the AID/W building energy conservation program should be included within the Agency's next internal control assessment program. We agree with IG/A/PSA's judgment that what it has identified as internal control weaknesses do not meet the definition of material weaknesses used for internal control assessment programs. FA/AS is committed to rectifying the energy conservation and reporting weaknesses associated with the SA-02 Annex. The SA-02 situation will not require the scrutiny of an intensive internal control assessment.

cc: AA/FA, R.Ames
FA/AMS, J.Rourke

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