

PL 100-674

Programs and Systems Audits

---

# AUDIT OF A.I.D.'S ACCOUNTS RECEIVABLE

---

Report No. 9-000-93-006  
August 31, 1993



INSPECTOR  
GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Agency for International Development

Washington, D.C. 20523

*Assistant Inspector General  
for Audit*

August 31, 1993

MEMORANDUM FOR FA/FM/CONT, Michael Usnick

FROM: AIG/A, James B. Durnil

SUBJECT: Audit of A.I.D.'s Accounts Receivable (Audit Report No. 9-000-93-006)

Enclosed are five copies of the subject audit report. Our audit disclosed that A.I.D. did not always follow U.S. Government requirements and A.I.D. policies and procedures in collecting accounts receivable and that A.I.D. needs to establish better controls to ensure (1) timely and aggressive follow-up on past-due Bills for Collection, (2) accurate and consistent accrual of interest charges on delinquent accounts, and (3) accurate Accounts Receivable System data.

Your comments to the draft report were responsive and are included in their entirety in Appendix II. These comments were summarized and evaluated starting at page 14 of the audit report. Based on your comments, Recommendation No. 6 is resolved and can be closed when planned actions are completed. Recommendation No. 1 is unresolved and can be resolved when your office and the IG have agreed on the dollar amounts to be collected or resolved. Specifically, Recommendation Nos. 1.1 and 1.2 required collection or resolution of Bills for Collection totaling \$3,660,903. It should be noted that, for Congressional reporting purposes, \$767,288 represents new monetary recommendations and \$2,893,615 represents 11 Bills which were the result of prior audit report recommendations.

Please provide us information within 30 days indicating any actions planned or taken to implement the open recommendations. I sincerely appreciate the cooperation and assistance provided to the auditors on this assignment.

Attachments: a/s

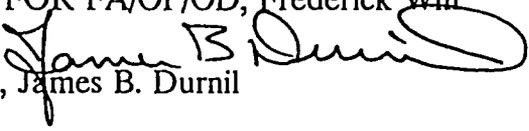
*a*

Agency for International Development  
Washington, D.C. 20523

*Assistant Inspector General  
for Audit*

August 31, 1993

MEMORANDUM FOR FA/OP/OD, Frederick Will

FROM: AIG/A, James B. Durnil 

SUBJECT: Audit of A.I.D.'s Accounts Receivable (Audit Report No. 9-000-93-006)

Enclosed are five copies of the subject audit report. Our audit disclosed that A.I.D. did not always follow U.S. Government requirements and A.I.D. policies and procedures in collecting accounts receivable and that A.I.D. needs to establish better controls to ensure (1) timely and aggressive follow-up on past-due Bills for Collection, (2) accurate and consistent accrual of interest charges on delinquent accounts, and (3) accurate Accounts Receivable System data.

Your comments to the draft report were responsive and are included in their entirety in Appendix II. These comments were summarized and evaluated starting at page 15 of the audit report. Based on your comments, Recommendation Nos. 4.1, 4.3, and 6 are resolved and can be closed when planned actions are completed. Recommendation Nos. 2 and 4.2 are unresolved and can be resolved when your office and the IG have agreed on the dollar amounts to be collected or resolved.

Please provide us information within 30 days indicating any actions planned or taken to implement the open recommendations. I sincerely appreciate the cooperation and assistance provided to the auditors on this assignment.

Attachments: a/s

b

Agency for International Development

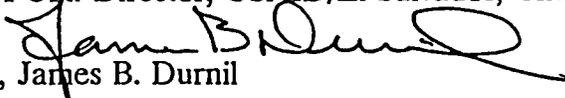
Washington, D.C. 20523

*Assistant Inspector General  
for Audit*

August 31, 1993

MEMORANDUM FOR: Director, USAID/El Salvador, Charles E. Costello

FROM: AIG/A, James B. Durnil



SUBJECT: Audit of A.I.D.'s Accounts Receivable (Audit Report No. 9-000-93-006)

Enclosed are five copies of the subject audit report. Our audit disclosed that A.I.D. did not always follow U.S. Government requirements and A.I.D. policies and procedures in collecting accounts receivable and that A.I.D. needs to establish better controls to ensure (1) timely and aggressive follow-up on past-due Bills for Collection, (2) accurate and consistent accrual of interest charges on delinquent accounts, and (3) accurate Accounts Receivable System data.

Your comments to the draft report were very responsive and are included in their entirety in Appendix II. These comments were summarized and evaluated starting at page 15 of the audit report. Based on your comments and documented actions taken, Recommendation Nos. 5 and 7 are closed upon issuance of this report. Recommendation No. 3 is resolved and can be closed when planned actions are completed. Regarding Recommendation No.3, it should be noted that, for Congressional reporting purposes, \$389,755 represents new monetary recommendations and \$2,465,181 represents 8 Bills which were the result of prior audit report recommendations.

Please provide us information within 30 days indicating any actions taken to implement the open recommendation. I sincerely appreciate the cooperation and assistance provided to the auditors on this assignment.

Attachments: a/s



## EXECUTIVE SUMMARY

A.I.D.'s Accounts Receivable System comprises Bills for Collection issued to contractors, grantees, employees, foreign governments, cooperating sponsors, suppliers, and other U.S. Government agencies. These billings generally result from overpayments and costs disallowed as a result of audits. Billings also may include mandatory interest charges on accounts which are delinquent.

Individual billing offices are responsible for issuing Bills for Collection and reporting such and any subsequent adjustments to the Central Accounting and Reporting Division within A.I.D./ Washington's Office of Financial Management. This Division is responsible for correctly entering all data into the Agency's Accounts Receivable System, monitoring the System to ensure its continued accuracy, and the annual reporting of System balances to the Department of the Treasury which are then reported to Congress and the President.

Our audit of the Accounts Receivable System was conducted at the Offices of Financial Management and Procurement in A.I.D./ Washington and in USAID/El Salvador. The audit showed that these entities did not always follow U.S. Government requirements and A.I.D. policies and procedures in managing and collecting accounts receivable. Specifically:

- Three of the five billing offices reviewed did not properly follow-up for the collection of 34 Bills for Collection which totaled about \$4.1 million (see page 2).
- The Central Accounting and Reporting Division did not take final resolution action (i.e., negotiation of a compromise or termination) for periods of up to 11 years on 20 Bills for Collection totaling approximately \$2.8 million which had been transferred to it by various billing offices recommending such action (see page 2).
- Two billing offices (Office of Procurement and USAID/El Salvador) incorrectly calculated interest charges totaling \$299,438 which were not assessed on 16 Bills for Collection reviewed (see page 7).
- Four A.I.D./Washington billing offices (three in the Office of Financial Management and the one in the Office of Procurement) did not report Bill for Collection

liquidations or adjustments to the Central Accounting and Reporting Division causing an \$11.2 million overstatement in the September 30, 1992 Accounts Receivable System data (see page 9).

- Three billing offices, one each in the Offices of Financial Management and Procurement and USAID/El Salvador, did not report adjustments for interest due, causing the Accounts Receivable System to be understated by nearly \$1.8 million on September 30, 1992 (see page 13).
- As a result of the last two points, incorrect balances were reported to the Department of the Treasury (see page 9).

This report contains seven recommendations for the Offices of Financial Management and Procurement and USAID/El Salvador. The recommendations include calling upon management to implement A.I.D.-prescribed controls and procedures for (1) accounts receivable follow-up and resolution, (2) calculating and assessing interest charges on delinquent Bills for Collection, and (3) ensuring that quarterly reconciliations are made and that all adjustments are reported to the Accounts Receivable System.

#### **Management Comments and Our Evaluation**

The Offices of Financial Management and Procurement and USAID/El Salvador generally agreed with the draft report's findings and recommendations. Management's comments, which can be found in their entirety as Appendix II, were considered in preparing the final report. Recommendation Nos. 5 and 7 are closed upon issuance of this report; Recommendation Nos. 3 and 6 are resolved but not closed; and Recommendation Nos. 1, 2 and 4 are unresolved (see pages 14-17 and Appendix II).

Office of the Inspector General  
August 31, 1993

---

---

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>EXECUTIVE SUMMARY</b>	<b>i</b>
<b>INTRODUCTION</b>	<b>1</b>
<b>Background</b>	<b>1</b>
<b>Audit Objective</b>	<b>1</b>
<b>REPORT OF AUDIT FINDINGS</b>	
<b>A.I.D. did not always follow U.S.     Government requirements and procedures     in collecting accounts receivable.</b>	<b>2</b>
<b>Follow-up on Bills for Collection         Needs to be Timely and Aggressive</b>	<b>2</b>
<b>Interest Charges Need to be         Calculated and Assessed Correctly</b>	<b>7</b>
<b>Accounts Receivable System Data         Needs to be Recorded Promptly and Accurately</b>	<b>9</b>
<b>Management Comments and Our Evaluation</b>	<b>14</b>
	<b><u>Appendix</u></b>
<b>SCOPE AND METHODOLOGY</b>	<b>I</b>
<b>MANAGEMENT COMMENTS</b>	<b>II</b>
<b>FOLLOW-UP ON BILLS FOR COLLECTION TWO AID/WASHINGTON BILLING OFFICES</b>	<b>III</b>

<b>FOLLOW-UP ON BILLS FOR COLLECTION OFFICE OF PROCUREMENT, BILLING OFFICE NO.50</b>	<b>IV</b>
<b>FOLLOW-UP ON BILLS FOR COLLECTION USAID/EL SALVADOR</b>	<b>V</b>
<b>BILLING OFFICE NO. 33 TRANSFERRED BILLS WITH NO RESOLUTION ACTION</b>	<b>VI</b>
<b>INCORRECT INTEREST CALCULATIONS</b>	<b>VII</b>
<b>WASHINGTON BILLING OFFICES' OVERSTATEMENT OF ACCOUNTS RECEIVABLE BALANCE</b>	<b>VIII</b>
<b>UNREPORTED INTEREST</b>	<b>IX</b>
<b>REPORT DISTRIBUTION</b>	<b>X</b>

---

---

# INTRODUCTION

---

## **Background**

A.I.D.'s Accounts Receivable System comprises Bills for Collection issued to contractors, grantees, employees, foreign governments, cooperating sponsors, suppliers, and other U.S. Government agencies. These billings generally result from overpayments, and costs disallowed as a result of audits. Billings also may include mandatory interest charges on accounts which are delinquent.

Individual billing offices are responsible for issuing Bills for Collection and reporting such and any subsequent adjustments to the Central Accounting and Reporting Division within A.I.D./ Washington's Office of Financial Management. This Division is responsible for correctly entering all data into the Accounts Receivable System, monitoring the System to ensure its continued accuracy, and the annual reporting of System balances to the Department of the Treasury which are then reported to Congress and the President. The System is not integrated with any other A.I.D. system which creates the need for manually entering all transactions from the Washington and mission billing offices.

Requirements governing accounts receivable are set forth in the Debt Collection Act and in implementing Federal regulations. The Act provides A.I.D. the authority to compromise, suspend or terminate collection action on claims deemed to be uncollectible in an amount not to exceed \$100,000. The Agency reported its accounts receivable balance as of September 30, 1992 to be \$30.4 million; an increase of \$23.1 million since our last audit in January 1989.

---

## **Audit Objectives**

Because of recent and substantial increases in the value of receivables reported by A.I.D., the Inspector General's Office of Programs and Systems Audits audited A.I.D.'s Accounts Receivable System to answer the objective: Did A.I.D. follow U.S. Government requirements and A.I.D. policies and procedures in collecting accounts receivable?

Appendix I further discusses the scope and methodology for this audit.

---

---

# REPORT OF AUDIT FINDINGS

---

## **Did A.I.D. follow U.S. Government requirements and A.I.D. policies and procedures in collecting accounts receivable?**

A.I.D. did not always follow U.S. Government requirements and A.I.D. policies and procedures in collecting accounts receivable. Our audit disclosed that A.I.D. needs to establish better controls to ensure (1) timely and aggressive follow-up on past-due Bills for Collection, (2) accurate and consistent accrual of interest charges on delinquent accounts, and (3) accurate Accounts Receivable System data. These areas are discussed below in more detail.

### **Follow-up on Bills for Collection Needs to be Timely and Aggressive**

Federal law and A.I.D. policies and procedures require that follow-up actions on accounts receivable include three progressively stronger written demands at not more than 30-day intervals beginning immediately after the bill due date. The five billing offices reviewed did not always comply with these requirements because they either forgot to follow up, lacked internal procedures, believed their other job responsibilities were of higher priority, or unilaterally decided that Bills for Collection were uncollectible and follow-up activity, therefore, was not necessary. As a result, there was no written follow-up or inadequate follow-up by these billing offices on at least 34 Bills for Collection totaling \$4.1 million reported as outstanding on September 30, 1992. In addition, 20 other Bills for Collection totaling \$2.8 million, which had been transferred to the Office of Financial Management by various billing offices recommending final resolution (e.g., negotiation of a compromise with the debtor or write-off action), have had no such resolution for periods of up to 11 years. Time frames, within which such resolution actions should be taken, were not specified in A.I.D. procedural guidance.

**Recommendation No. 1: We recommend that the Controller, Office of Financial Management:**

- 1.1 Take action to have each of its billing offices conduct accounts receivable follow-up complying with Federal law and A.I.D. policies and procedures, and collect or otherwise resolve the \$820,769 of delinquent Bills for Collection outstanding on September 30, 1992, as identified in this report.**
- 1.2 Resolve the \$2.8 million of Bills for Collection transferred to the Central Accounting and Reporting Division that were recommended for compromise or termination and establish written guidelines for resolving such accounts receivable to include setting reasonable time frames for completion of resolution actions.**
- 1.3 Review outstanding Bills for Collection totaling approximately \$5.0 million, which were not tested during the audit, and take action to properly follow up and collect the outstanding balances.**

**Recommendation No. 2: We recommend that the Director, Office of Procurement, take action to conduct accounts receivable follow-up complying with Federal law and A.I.D. policies and procedures, and collect or otherwise resolve the \$393,510 of delinquent Bills for Collection reported as outstanding on September 30, 1992, as identified in this report.**

**Recommendation No. 3: We recommend that the Director, USAID/El Salvador conduct accounts receivable follow-up complying with the requirements of Federal law and A.I.D. policies and procedures, and to collect or otherwise resolve the \$2,854,936 of delinquent Bills for Collection outstanding on September 30, 1992 as identified in this report.**

The Debt Collection Act of 1982 requires collection efforts be made in accordance with the Federal Claims Collection Standards (4 CFR). These Standards require aggressive follow-up action to include three progressively stronger written demands at not more than 30-day intervals. A.I.D. Handbook 19, Chapter 7, implements the Standards and specifies that:

- Immediately after the due date of the Bill for Collection (B/C), a demand letter is issued to advise the debtor that the debt is delinquent and that a late payment interest charge must be included in the payment.
- When the debt is delinquent for 30 days, a second demand letter is issued to advise

the debtor of A.I.D.'s intention of disclosure to a consumer reporting agency if no response is received within 60 days of the original due date.

- When the debt is 60 days past due, a third demand letter is issued to advise that, if applicable, A.I.D. intends to collect by administrative offset<sup>1</sup> if payment is not received within 30 days from that notice and to explain the debtor's due process rights.

A.I.D. Handbook 19, Chapter 7, permits claims of \$500 and under to be terminated if normal collection action has proved futile and such termination is approved by the billing office director. When a debt is over \$500 and is delinquent for 90 days or more, the responsible billing office reviews the case and determines the reasonableness of further follow-up action. When it is determined by the billing office that it is not worthwhile to continue billing a debtor, the Handbook then requires the billing office to prepare a summary of all action which has transpired from billing inception and to transmit it to the Office of Financial Management, Central Accounting and Reporting Division for final resolution.

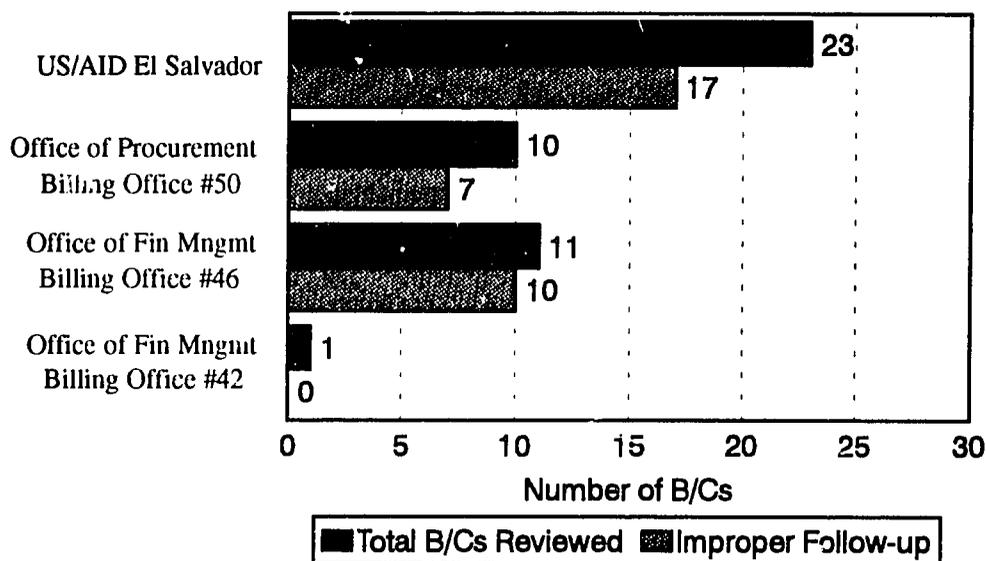
Where compromise of uncollectible receivables greater than \$500 and less than \$100,000 is considered appropriate, Handbook 19, Chapter 7, requires that they be transferred to the Central Accounting and Reporting Division for determination, in coordination with the Office of General Counsel, of further action to be taken to resolve the uncollectible amounts. Such further action may include, e.g., negotiation of a compromise with the debtor or write-off action. When a receivable considered to be uncollectible is greater than \$100,000, the authority for compromise rests solely with the Department of Justice. However, the policies and procedures reviewed did not specify time frames for these resolution actions to be taken after the Bills for Collection are transferred to the Central Accounting and Reporting Division and for reporting, when necessary, to the Department of Justice.

As illustrated below, our audit found that three of the five billing offices reviewed in both A.I.D./Washington and El Salvador did not comply with the above requirements. Of the 45 B/Cs we reviewed requiring follow-up, 34 either received no formal follow-up demands or had demand letters which did not comply with requirements regarding the number of letters, their timeliness and/or content.

---

<sup>1</sup>Administrative offset is a process for recovery of amounts owed A.I.D. through the withholding of an amount equal to A.I.D.'s claim from any funds owed the debtor by A.I.D. or another U.S. Government agency.

## Analysis of Bills For Collection With Improper Follow-up



Improper follow-up is defined as:  
No follow-up or partial follow-up

Examples of lack of follow-up and/or incomplete follow-up include the following:

- Within the Office of Financial Management, we reviewed 12 B/Cs totaling \$861,659 at two billing offices to determine if appropriate follow-up actions were taken. We found that 10 of these B/Cs totaling \$820,769 had no follow-up or only had partial follow-up (see Appendix III). As an example, one billing office (No.46) issued a B/C on February 28, 1991, to recover a \$70,061.46 advance on an expired grant. There have been no written follow-ups for collection. According to Office personnel, the lack of proper follow-up occurred because they either forgot to follow up or claimed their other work was of higher priority.
- Within the Office of Procurement, we reviewed 10 B/Cs totaling \$1.9 million to determine if appropriate follow-up actions were taken. We found that no follow-up or only partial follow-up was conducted on 7 B/Cs totaling \$393,510 (see Appendix IV). As an example, the first follow-up demand letter for one B/C was not issued

until 108 days after the B/C was issued. Subsequent demands on this B/C, although more aggressive in tone, were also not issued within the prescribed 30 day intervals - these being issued 92 and 199 days after the preceding follow-up letters. Office of Procurement management attributed the inadequate follow-up to a lack of internal procedures.

- At USAID/El Salvador, we reviewed 23 B/Cs totaling \$3.9 million to determine if appropriate follow-up actions were taken. We found that 17 of these, totaling \$2,854,936, either had no written follow-up demands or only had partial follow-up (see Appendix V). For example, five B/Cs (No.'s 63216, 63217, 63218, 63219 and 63220) totaling \$2,296,320 had no formal follow-up. According to Mission officials, these B/Cs were issued to one institution as a result of costs questioned in an audit report. The officials believed these bills were not collectible and follow-up activity was not necessary because the institution's principals were in prison or had fled the country, and that the institution was essentially bankrupt. Documentation in the file showed that the Mission considered the financial condition of the organization when making their decision, but there was nothing indicating that other possible collection alternatives, such as those discussed in Federal legislation were considered (e.g., checking into the individual financial condition of the institution's principals). Lack of proper follow-up occurred because responsible officials were not familiar with the requirements of Federal law and A.I.D. policies and procedures.

We also found that the Central Accounting and Reporting Division had not finally resolved 20 bills totaling about \$2.8 million (see Appendix VI) that had been transferred from other billing offices to them for resolution such as negotiating a compromise with the debtor or writing off the debt. These bills were issued from between September 30, 1989, to as far back as March 24, 1965 and were still being reported as outstanding as of September 30, 1992. For example, B/C No. 01-511-80261 was issued by USAID/Bolivia on December 28, 1981, for \$187,049. The Mission transferred the bill as uncollectible to A.I.D./Washington in March 1984. Since then, no apparent action has been taken to resolve this outstanding bill. Responsible officials claimed follow-up was not performed because their other work responsibilities were of higher priority.

In conclusion, A.I.D.'s Offices of Financial Management and Procurement, and USAID/El Salvador should (1) take action to implement established controls and procedures in each billing office to ensure that accounts receivable follow-up complies with the requirements of Federal law and A.I.D. policies and procedures, and (2) conduct required follow-up to collect the delinquent bills identified in this report. Without proper follow-up, the potential for collection diminishes over time.

**Interest Charges Need to be  
Calculated and Assessed Correctly**

Federal law and regulations as well as A.I.D. policies and procedures require that interest be charged on delinquent bills. However, these interest charges were being calculated incorrectly in some instances due to a misinterpretation of the requirements by A.I.D. billing offices. As a result, interest totaling \$299,438 was not charged to delinquent accounts (see Appendix VII).

**Recommendation No. 4: We recommend that the Director, Office of Procurement:**

- 4.1 Implement A.I.D.-prescribed controls and procedures to ensure that late payment and penalty interest are correctly calculated and charged to delinquent debtors.**
- 4.2 Revise and re-issue the Bills for Collection for the identified delinquent accounts to reflect underassessed interest totaling \$18,178 as identified in this report.**
- 4.3 Issue clarifying guidance regarding calculation and collection of late payment and penalty interest charges to ensure that appropriate interest on delinquent accounts is being assessed.**

**Recommendation No. 5: We recommend that the Director, USAID/El Salvador:**

- 5.1 Correct the parameters of the computer program that calculates interest and establish a procedure for periodically performing a manual test calculation to ensure the program's continued accuracy.**
- 5.2 Revise and re-issue the Bills for Collection for the delinquent accounts identified in this report to reflect the underassessed interest totaling \$281,260.**
- 5.3 Issue a Bill for Collection to Secretaria Technica Del Financiamiento Externo for \$46,992.80 (plus \$24,242 in late payment and penalty interest charges that should have been assessed from the original B/C date).**

The Debt Collection Act and implementing Federal regulations (i.e., 4 CFR, Chapter II, Part 101-105) as well as A.I.D. Handbook 19 (Chapter 7) require that A.I.D. charge a minimum annual rate of interest (late payment charge) when a Bill for Collection (B/C) is past due

30 days or more. The interest is to be assessed from the date of that B/C to the date of its payment. A.I.D. is also required to assess additional interest (penalty charge) of not more than 6 percent a year for failure to pay a debt more than 90 days past due. This penalty must be accrued and charged from the 31st day after the B/C is issued to the date of its collection.

As noted below, the audit disclosed that interest charges were not always being correctly calculated and charged by A.I.D. billing offices in the Office of Procurement and USAID/El Salvador:

- We reviewed nine Office of Procurement Bills for Collection (B/Cs), totaling \$1.8 million to determine if interest charges were being correctly calculated and assessed to delinquent debtors and found that interest charges on four B/C's (Nos. 50-278-301034, 50-263-30254, 50-649-30990, 50-649-30285) were calculated incorrectly resulting in underassessed interest of (\$690), \$8,522, \$7,001, and \$3,345, respectively.
- USAID/El Salvador had 23 Bills for Collection totaling \$3.9 million. For twelve bills, totaling \$2.6 million, we compared late payment and penalty interest charges through September 30, 1992, as computed by the Mission to those calculated during the audit. Our audit found that the Mission-calculated interest charges for the 12 accounts were understated by \$281,260. The remaining 11 B/Cs did not have interest due as of September 30, 1992.

The above problems occurred because A.I.D. personnel misinterpreted the policies and procedures for interest charges. For example, Office of Procurement personnel, after initially calculating the late payment charge at the correct interest rate, subsequently changed to an incorrect rate. According to A.I.D. implementing guidance, the rate would remain the same for the life of the B/C. They also incorrectly applied payments/offsets first to principal rather than to past-due interest as required. In addition, USAID/El Salvador personnel had developed their computer program for calculating interest based on their misinterpretations. The Mission agreed with our findings and corrected the late payment calculation date and interest rate parameters for their computer program prior to our departure. One additional parameter relating to the penalty interest calculation date had yet to be corrected. Office of Financial Management personnel also agreed with our calculations.

Although we do not believe it to be a systemic problem, our review of the USAID/El Salvador billing office also disclosed that, in at least three instances, controls were not always implemented for ensuring that only clearly documented and approved billing transactions were processed through the Accounts Receivable System as illustrated by the following example:

- B/C No. 01-519-44854, issued on March 22, 1991 for \$123,723 for costs questioned in an audit report, was removed from the A.I.D./Washington Financial Management tracking system that reports outstanding audit-related B/Cs to Congress without clear documentary justification and approval according to USAID/El Salvador records. This action was taken because the Mission had notified A.I.D./Washington's Office of Financial Management in July 1991 that the payment was in process. It was not. Mission personnel only believed they were going to collect based on a verbal remark by a host-government official. Subsequently, a Mission accounting technician determined that a Project Implementation Letter may have made it unnecessary for questioning \$46,992.80 of the costs in the first place. Mission accounting management then assumed that the public accounting firm, which originally questioned the costs, had not considered the Project Implementation Letter while performing their audit. On April 30, 1992, based upon this assumption, the bill for \$123,723 was canceled and a new bill (No.01-519-45919) was issued on May 8, 1992, for the remaining amount of \$76,730. However, the public accounting firm, who performed the audit, **had** considered the Project Implementation Letter and determined that the original questioned amount of \$123,723 was correct. Therefore, the debtor should be billed for the \$46,992.80 which was inappropriately canceled without documentation plus an additional \$24,242 in late payment and penalty interest from the original B/C date.

In conclusion, substantial revenue due the U.S. Government could be lost if established controls and procedures to calculate and collect interest on delinquent bills for collection are not implemented.

**Accounts Receivable System Data Needs to be Recorded Promptly and Accurately**

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 and promptly. However, the accounts receivable data for the five billing offices reviewed did not meet these requirements. For example, the reported accounts receivable balances for the four Washington billing offices were overstated by approximately \$11.2 million as of September 30, 1992. These problems occurred because the billing offices were either not reconciling their accounts receivable files with reports prepared by the A.I.D./Washington Central Accounting and Reporting Division or, when reconciliations were performed, the billing offices were not transmitting their results with Notice of Collection and Adjustment forms for appropriate processing. As a result, A.I.D. does not have reliable data to effectively monitor the validity of accounts receivable balances and required reporting on such balances to the Department of the Treasury was incorrect.

**Recommendation No. 6: We recommend that the Controller, Office of Financial Management and the Director, Office of Procurement implement controls and procedures to ensure reconciliations are made between their billing office balances, including amounts owed for interest, and the balances shown on the Agency's quarterly Accounts Receivable Status Report, and that all identified differences and/or adjustments are reported to the Central Accounting and Reporting Division.**

**Recommendation No. 7: We recommend that the Director, USAID/El Salvador implement controls and procedures to insure that adjustments identified during their quarterly accounts receivable reconciliation are reported to the Central Accounting and Reporting Division.**

The General Accounting Office's Standards for Internal Controls in the Federal Government states that transactions and other significant events are to be promptly recorded and properly classified. A.I.D. Handbook 19 (Appendix 1.E., Section D.1.) states that financial management data should be recorded as soon as practicable after the occurrence of the event and be reasonably complete and accurate. The Central Accounting and Reporting Division within A.I.D.'s Office of Financial Management is responsible for managing the Agency's Accounts Receivable System.

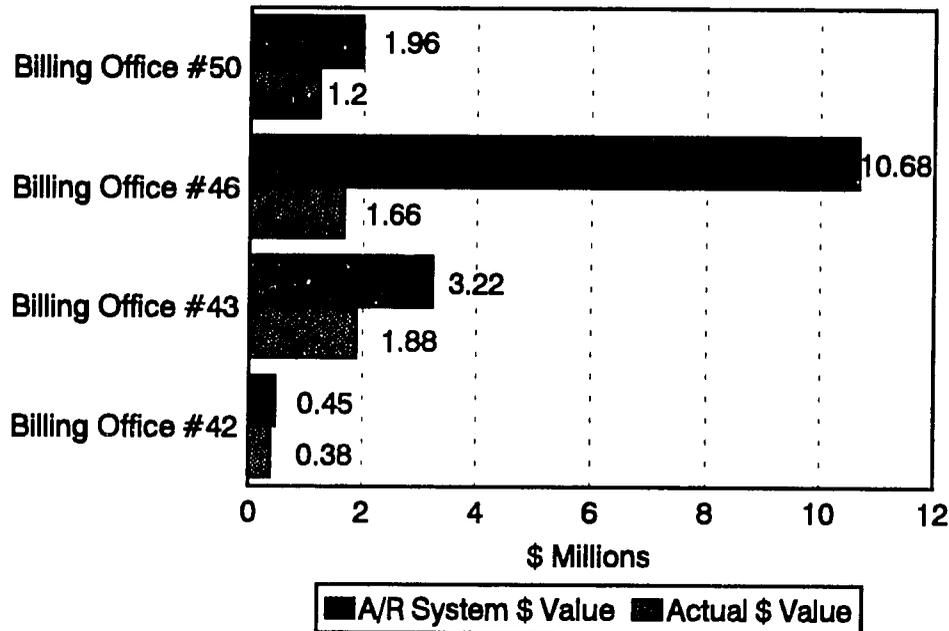
To maintain the System's accuracy, A.I.D. Handbook 19, Chapter 7, requires billing offices to reconcile their accounts receivable records quarterly to Accounts Receivable System data and report adjustments to the A.I.D./Washington Central Accounting and Reporting Division. Handbook 19 also stipulates billing office responsibility for preparing Notice of Collection and Adjustment forms and submitting them to the Central Accounting and Reporting Division for the purpose of reflecting billing revisions.

The four A.I.D./Washington billing offices<sup>2</sup> reviewed were not complying with these requirements, causing the Accounts Receivable System balances to be overstated. As shown below, the System's balances on September 30, 1992, for the A.I.D./Washington billing offices were overstated by approximately \$11.2 million. Our review of Bills for Collection (B/Cs) from the Washington billing offices and information contained in the Financial Accounting Control System showed that, instead of the \$16.3 million reported as outstanding as of September 30, 1992, the actual accounts receivable balance for these billing offices was \$5.1 million (see Appendix VIII).

---

<sup>2</sup>Billing Offices Nos. 42, 43, and 46 within the Office of Financial Management and Billing Office No. 50 within the Office of Procurement.

## Analysis of Overstated Accounts Receivable as of September 30, 1992



Examples of overstated accounts included the following:

- The Accounts Receivable System reported that one billing office (No. 42) had an outstanding receivable balance totaling \$452,567. However, the audit showed the actual balance was \$375,688. One example of the difference is B/C No. 42-000-9-7243, issued on October 17, 1989 for \$1,041.01. This bill was collected (liquidated) on January 25, 1990. Thus, the balance in the Accounts Receivable System for this B/C should have been reduced to zero. If, for any reason, the Accounts Receivable System did not reflect this change, the required periodic reconciliation and subsequent reporting of its results would have ensured a correct System balance. Nevertheless, the Accounts Receivable Status Report dated September 30, 1992 showed the balance for this bill to be \$13,140.64. Billing office personnel could neither explain why the bill was still shown as outstanding 32 months after being collected, nor why

the current balance was \$12,099.63 more than the original B/C amount.

- The Accounts Receivable System reported that another billing office (No. 50) had an outstanding receivable balance totaling almost \$2 million. However, the audit showed the actual balance was \$1.2 million. One example of the difference is B/C No. 50-263-301045 issued on May 2, 1991, for \$969,323. This bill was revised downward and re-issued on July 3, 1992, for \$331,021. Nevertheless, the Accounts Receivable Status Report for September 30, 1992, still shows the original amount as the outstanding balance. Billing office personnel stated the reason for this was that Notice of Collection and Adjustment forms were not being uniformly prepared and indicated that they would correct the problem.
- At still another billing office (No. 46), the Accounts Receivable System reported that its balance was \$10.7 million. However, the audit found the actual balance to be \$1.7 million. For example, B/C 46-099-52099 for \$20,000 was issued on May 23, 1988, and was paid in full on June 17, 1988. Due to a mistake at the billing office, a duplicate bill was issued. Although the original bill was paid, the duplicate bill was never removed from the accounts receivable system.

Although there were no significant dollar discrepancy problems at USAID/El Salvador like those we noted for the Washington billing offices, our comparison of USAID/El Salvador accounts receivable records with data reported by the Accounts Receivable System showed that the System, as of September 30, 1992, was reporting over 70 percent more data entries than actually existed. These entries generally showed relatively minor dollar balances. For example, three B/Cs (Nos. 92886, 92889, and 92893) were shown in the September 30, 1992 Accounts Receivable System's Report as having negative outstanding balances (i.e., it was being incorrectly reported that A.I.D. owed rather than was due the balances) of \$216.72, \$6.32, and \$583.11, respectively. Although these same balances have continued to be reported since June 30, 1989, USAID/El Salvador personnel told us that these B/Cs had been liquidated, had no outstanding balances, and were thus invalid.

As a final point and as noted above, Handbook 19 discusses reconciliation and the responsibility for notifying the Central Accounting and Reporting Division when adjustments are made. The Handbook also requires notification when interest charges are imposed. The audit disclosed that such notifications were not being provided by three of the billing offices reviewed (Nos. 46, 50 and USAID/El Salvador). Our review of the 25 accounts receivable requiring interest charges showed that, because the Central Accounting and Reporting Division was not being notified regarding interest owed, the Accounts Receivable System

balance as of September 30, 1992, was, in this case, understated by nearly \$1.8 million. For example, B/C 46-099-42085 was issued on February 28, 1991, to recover \$90,000 advanced under a grant which expired June 30, 1986. During the 19-month period between the date the B/C was issued and September 30, 1992, late payment and penalty interest charges totaling \$20,112 accrued on this B/C. However, the Accounts Receivable system was never updated to reflect the additional interest owed. A full listing of the accounts, which do not reflect appropriate adjustment for the accrual of interest, is presented in Appendix IX.

These problems of overstated and/or invalid balance entries being reported or interest due not being reported occurred because the five billing offices (the four in A.I.D./Washington and the one at USAID/El Salvador) did not have or were not effectively implementing procedures to ensure the accuracy of the Accounts Receivable System. The audit disclosed they were either (1) reconciling their accounts receivable data with Accounts Receivable System data "in-house" (i.e., making sure their own billing office records were correct) but not always sending the results of their reconciliations to the Accounts Receivable System manager as was the case for USAID/El Salvador, (2) not reconciling their data with System data, or (3) not always transmitting Notice of Collection and Adjustment forms to the Central Accounting and Reporting Division in Washington.

In conclusion, the accounts receivable data for the billing offices audited were being inaccurately reported in the Accounts Receivable System. Therefore, the Offices of Financial Management and Procurement, as well as USAID/El Salvador need to establish better procedures to ensure the accuracy of the Accounts Receivable System. Without accurate data, A.I.D. cannot effectively monitor the validity of its accounts receivable. Furthermore, A.I.D. is required to report its accounts receivable data to the Department of the Treasury. Consequently, the overstated balances which are being provided will likely limit the data's usefulness to that Department.

## MANAGEMENT COMMENTS AND OUR EVALUATION

A.I.D./Washington Offices of Procurement and Financial Management and USAID/El Salvador generally agreed with the report's findings and recommendations. Their responses to the draft report are included in their entirety in Appendix II of this report. Summaries of their responses to applicable recommendations, actions proposed or taken, our comments on these actions, and any additional actions that are required to close resolved recommendations are presented below.

**Recommendation No. 1.1** - that the Controller, Office of Financial Management, take action to have each of its billing offices conduct accounts receivable follow-up complying with Federal law and A.I.D. policies and procedures, and collect or otherwise resolve the \$820,769 of delinquent Bills for Collection outstanding on September 30, 1992, as identified in this report. The Office of Financial Management (FM) acknowledged that Bills for Collection (B/Cs) should be followed up in accordance with federal law and stated that, along with the future issuance of a Financial Bulletin on the topic of accounts receivable, personnel have been or will be assigned follow-up responsibilities. However, FM did not specifically address the dollar amount (i.e. \$820,769) of the finding as requested by our draft report transmittal letter. Therefore, in accordance with IG policy on monetary recommendations, Recommendation No. 1.1 is unresolved pending receipt of FM comment on the specific dollar amount of the recommendation.

**Recommendation No. 1.2** - that the Controller, Office of Financial Management, resolve the \$2.8 million of Bills for Collection transferred to the Central Accounting and Reporting Division that were recommended for compromise or termination and establish written guidelines for resolving such accounts receivable to include setting reasonable time frames for completion of resolution actions. FM reported one full-time individual had been assigned to clear outstanding B/Cs transferred to FM/CAR and that, "... as a result, action has been completed on 11 of the 20 B/Cs..." referred to in Appendix VI of this report. However, their comments made no mention regarding the establishment of written guidelines for resolving transferred B/Cs or whether FM agrees with the dollar amount

reported. Recommendation No. 1.2 is, therefore, unresolved but will be resolved when actions are taken or planned to establish the above-mentioned guidelines and when comment is received regarding the \$2.8 million as listed in Appendix VI.

**Recommendation No. 1.3** - that the Controller, Office of Financial Management, review outstanding Bills for Collection totaling approximately \$5.0 million, which were not tested during the audit, and take action to properly follow up and collect the outstanding balances. Management did not specifically address this recommendation or the dollar amount reported. Consequently, Recommendation No. 1.3 is unresolved until FM notifies us of actions taken or planned regarding this recommendation.

**Recommendation No. 2** - that the Director, Office of Procurement, conduct accounts receivable follow-up complying with Federal law and A.I.D. policies and procedures, and collect or otherwise resolve the \$393,510 of delinquent Bills for Collection reported as outstanding on September 30, 1992, as identified in this report. Management stated it was in the process of establishing procedures to ensure timely follow-up which is in accordance with Federal Claims Collection Standards and Agency procedures. However, their comments did not address collection or other resolution of the \$393,510 of delinquent B/Cs identified in Appendix IV of the report. Consequently, Recommendation No. 2 is unresolved pending receipt of actions taken or planned with specific regard to those B/Cs.

**Recommendation No. 3** - that the Director, USAID/El Salvador, conduct accounts receivable follow-up complying with the requirements of Federal law and A.I.D. policies and procedures, and to collect or otherwise resolve the \$2,854,936 of delinquent Bills for Collection outstanding on September 30, 1992 as identified in this report. In its response, USAID management provided us a copy of its new "Financial Management Order" on Bills for Collection which will likely better ensure proper accounts receivable follow-up. Also, although it disagreed that two B/Cs had received no follow-up as we reported, management specifically addressed the \$2,854,936 in outstanding B/Cs referred to in the recommendation and shown in Appendix V of this report. The Mission has resolved \$2,296,955 and collected \$408,109 leaving \$149,872 (owed by a fugitive suspect in the embezzlement of that amount) as unresolved. Based on USAID/El Salvador actions, we consider Recommendation No. 3 resolved. We will close the recommendation on receipt of documentation showing the collection or other resolution of the outstanding \$149,872 balance.

**Recommendation No. 4.1** - that the Director, Office of Procurement, implement A.I.D.-prescribed controls and procedures to ensure that late payment and penalty interest are correctly calculated and charged to delinquent debtors. Management responded that "... procedures have been implemented assuring that all interest calculations henceforth will conform to proper procedures." Based on the actions taken by the Office of Procurement,

Recommendation No. 4.1 is considered resolved. We will close the recommendation when we receive documentation evidencing the above-noted procedures.

**Recommendation No. 4.2** - that the Director, Office of Procurement, revise and re-issue the Bills for Collection for the identified delinquent accounts to reflect underassessed interest totaling \$18,178 as identified in this report. Management said it would revise and reissue the B/Cs as appropriate. However, it did not state whether it agreed with our calculation of the specific amount of underassessed interest. For this reason, Recommendation 4.2 is unresolved. We will resolve this recommendation when comment is received regarding the dollar amount of underassessed interest.

**Recommendation No. 4.3** - that the Director, Office of Procurement, issue clarifying guidance regarding calculation and collection of late payment and penalty interest charges to ensure that appropriate interest on delinquent accounts is being assessed. Management stated that such procedures would be forthcoming. Based on the Office of Procurement response, Recommendation No. 4.3 is resolved and can be closed when we receive documentation to that effect.

**Recommendation No. 5.1** - that the Director, USAID/El Salvador, correct the parameters of the computer program that calculates interest and establish a procedure for periodically performing a manual test calculation to ensure the program's continued accuracy. The Mission provided documentation showing that it had corrected all of the parameters of their system for calculating interest on delinquent B/Cs and that its new Financial Management Order establishes the requirement for random testing and confirmation of the calculations. Based on the above USAID/El Salvador actions, Recommendation No. 5.1 is closed upon issuance of this report.

**Recommendation No. 5.2** - that the Director, USAID/El Salvador, revise and re-issue the Bills for Collection for the delinquent accounts identified in this report to reflect the underassessed interest totaling \$281,260. The Mission responded that it had recalculated the amount of underassessed interest to be \$5,563 more than what we had calculated and provided us documentation showing it had revised and re-issued the applicable B/Cs in the amount of \$286,823. The actions taken by USAID/El Salvador in revising and reissuing the B/Cs result in the closure of Recommendation No. 5.2 upon the issuance of this report.

**Recommendation No. 5.3** - that the Director, USAID/El Salvador, issue a Bill for Collection to Secretaria Technica Del Financiamiento Externo (SETEFE) for \$46,992.80 (plus \$24,242 in late payment and penalty interest charges that should have been assessed from the original B/C date). The Mission provided documentation showing that it "... has reversed the \$46,992.80 adjustment erroneously made as of 5/8/92 to the debt owed by SETEFE."

The records provided also show that the revised B/C also included the late payment and penalty charges and that this B/C was paid in full on August 13, 1993. Based on the actions taken by USAID/El Salvador and the documentation provided, Recommendation No. 5.3 is closed upon issuance of this report.

**Recommendation No. 6** - that the Controller, Office of Financial Management, and the Director, Office of Procurement, implement controls and procedures to ensure reconciliations are made between their billing office balances, including amounts owed for interest, and the balances shown on the Agency's quarterly Accounts Receivable Status Report, and that all identified differences and/or adjustments are reported to the Central Accounting and Reporting Division. The Offices of Financial Management and Procurement commented that procedures and mechanisms will be revised or developed to ensure proper reconciliation of accounts receivable balances (including interest calculations) between their Offices. Based on the actions planned by the Offices of Financial Management and Procurement, we consider Recommendation No. 6 resolved. We will close the recommendation on receipt of documentation showing the completion of their planned actions.

**Recommendation No. 7** - that the Director, USAID/El Salvador, implement controls and procedures to insure that adjustments identified during their quarterly accounts receivable reconciliation are reported to the Central Accounting and Reporting Division. The Mission provided its new Financial Management Order which contains the recommended controls and procedures. To evidence implementation, the Mission also provided a copy of its June 1993 report to FM/CAR showing that reconciliation "... was finally completed." Based on these actions by USAID/El Salvador, Recommendation No. 7 is closed upon issuance of this report.

---

---

## SCOPE AND METHODOLOGY

---

### Scope

The Office of Inspector General/Programs and Systems Audits audited A.I.D.'s accounts receivable in accordance with generally accepted government auditing standards. We conducted the audit from November 16, 1992 through April 16, 1993, and covered A.I.D. billing office compliance with legal requirements and with A.I.D. policies and procedures regarding collection of accounts receivable. The audit covered accounts receivable management by A.I.D. billing offices for receivables outstanding as of September 30, 1992. The audit covered \$24.6 million of the \$30.4 million of A.I.D. accounts receivable reported as outstanding on September 30, 1992. The audit was conducted in four A.I.D./Washington billing offices (three within the Office of Financial Management and one within the Office of Procurement), USAID/El Salvador, and the Office of Financial Management/Central Accounting and Reporting Division.

### Methodology

To accomplish our objective, we obtained copies of applicable Federal legislation and implementing regulations as well as A.I.D. policies and procedures to identify the specific collection requirements. In Washington, a judgmental sample was selected of 81 accounts with balances equal to or greater than \$10,000 totaling \$14.38 million or 75 percent of the total outstanding. Of the 81 accounts, 61 totaling \$ 11.54 million were handled by the four A.I.D./Washington billing offices. The remaining 20 totaling \$2.84 million were transferred to the Office of Financial Management/Central Accounting and Reporting Division in A.I.D./Washington and were recommended for compromise or termination action. Our field work in El Salvador included a review of 23 accounts totaling \$3.83 million or 34 percent of all of the outstanding USAID missions' balances. In addition, we sent confirmations to 20 additional USAID missions with balances totaling \$6.36 million.

We interviewed officials and reviewed documentation in A.I.D.'s Offices of Financial Management and Procurement, in USAID/El Salvador, and in their billing offices to determine if (1) an adequate internal control structure exists and the existing controls are adequate to meet the required objective, (2) the A.I.D. entities audited complied with Federal laws and regulations and A.I.D. policies and procedures, and (3) the collection process as a whole was being operated in the most effective and efficient manner. Our work was sufficient to provide reasonable but not absolute assurance of the accuracy of our findings and of detecting abuse.

---

---



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

AUG 24 1993

MEMORANDUM

TO: IG/A/PSA, Coinage N. Gothard, Jr.

FROM: FA/FM, Michael Usniek *M. Usniek*

SUBJECT: Audit of A.I.D.'s Accounts Receivable System

We generally concur with the findings of the audit of A.I.D.'s Accounts Receivable System. This office supports your position that bills should be issued in a timely manner, followed up in accordance with federal law, and when necessary, terminated in a timely fashion. Historically, the limitations in staff resources in the Office of Financial Management have not allowed us to attend to all the issues of accounting for Agency resources that need attention. Because the total amount of A.I.D.'s non-loan related accounts receivable has been immaterial to the total receivables reported to Treasury each fiscal year (i.e. less than 1%), the accounts receivables addressed in the scope of this audit were previously given a lower priority.

It is true, as stated in the audit report, that more aggressive adherence to federal collections procedures would result in additional revenue to the U.S. Government. Government-wide attention is now being given to the need for improvements in accounts receivable processing and collection activities. The issues you raise in the audit are complemented by asset management directives in the CFO Act and upcoming OMB directives with regard to collection procedures. As a result of your audit, and the above federal guidelines, the Office of Financial Management has taken, or is planning to take, the following actions to improve its accounts receivable process and collection efforts:

- In February 1993, one individual was assigned full-time to the function of clearing all outstanding Bills for Collection which had been transferred to FM/CAR for compromise, suspension or termination. As a result, action has been completed on 11 of the 20 Bills for Collection referenced on page 7 and listed in Appendix VI of the report.

- In the current 'rightsizing' exercise, the Office of Financial Management is shifting staff assignments and requesting the staff resources necessary to provide the proper level of attention to clearing and reconciling the outstanding receivables. As soon as the reorganization of FM is implemented, the assignment of reconciling the billing office data with the central system will be assigned a deadline and monitored closely.
- The procedures for the reporting of receivables and collections by the billings offices to the central accounts receivable system in FM/CAR will be revised to reduce duplicative processing and to ensure reconciliation of billing office data with the central system.
- The USAID Financial Management Bulletin on the topic of accounts receivables and collections is scheduled to be issued in FY 1994. The update of Handbook 19 is also in the cue. The final plans for updating Handbook 19 will be made once staff vacancies are filled. These revisions will include CFO Act and OMB directives, as well as the new internal procedures referred to above.
- A standard system for tracking receivables and calculating the interest due will be provided to all A.I.D./W billing offices. To avoid reinventing the wheel, we will look into the possibility of using the system developed in USAID/El Salvador for all billing offices.

We believe these steps will clearly resolve audit recommendation nos. 1 and 6, addressed to the Office of Financial Management, as well as assist our other billing offices in resolving the remaining 5 recommendations.

We would like to take this opportunity also to clarify a few points raised in the audit report.

- Page 1, Background section. The report states that the accounts receivable billings are generally a result of audit disallowances. It may be helpful to note that it is probably the bills issued for audit disallowances that are most often uncollected, but a substantial portion of the bills for collection issued are the result of PL-480 Title II claims.
- Page 1, Background section. The audit reports indicates that A.I.D.'s level of authority for compromise, termination or suspension is \$20,000. That authority was increased for all government agencies on December 3, 1990 to \$100,000.

- O Page 4. It appears that recommendation no. 1.4 is a repeat of recommendation no. 1.2. We request that recommendation no. 1.4 be deleted.
- O Page 5. The two center paragraphs address the authorities for termination and compromise. The first paragraph indicates that uncollectibles under \$500 may be terminated by the billing office with approval by the billing office director. A distinction should be made between the USAID and A.I.D./W billing offices. USAIDs may terminate bills under \$500 with Mission Director approval. In A.I.D./W, all uncollectibles must be referred to FA/FM/CAR for termination action.

The second paragraph reads "Where compromise of uncollectible receivables less than \$20,000 is considered appropriate, Handbook 19, Chapter 7, requires that they be transferred to [FM/CAR]...". The paragraph also states that if the collectible is over \$20,000, the sole authority for compromise rests with the Department of Justice.

This should read "For USAID billing offices, where compromise of uncollectible receivables **greater than \$500 and less than \$100,000** is considered appropriate, Handbook 19, Chapter 7, requires that they be transferred to [FM/CAR]...". A.I.D./W billing offices must transfer all uncollectible receivables to FM/CAR for appropriate termination action.

Also, when the receivable is greater than \$100,000, the authority rests not with the Department of Justice, but with the Comptroller General of the General Accounting Office. It is submitted to the Department of Justice only in instances of an indication of fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any other party having an interest in the claim (pursuant to the FCC Act of 1966; Handbook 19, pages 7-34).

Thank you for the opportunity to respond to this audit. We appreciate the professional work of the audit team in conducting this review. During the course of the audit, the IG staff made several suggestions that, when included in our new procedures, will result in a more accurate, reliable accounts receivable system.



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

AUG - 2 1993

MEMORANDUM FOR IG/A/PSA, Coinage N. Gothard  
FROM: FA/OP, Frederick Will, Director   
SUBJECT: Draft Audit Report of A.I.D.'s Accounts Receivable

Before commenting on the subject draft audit report, I would like to express my appreciation to the auditors that worked with our Monitoring Branch on this audit. The high caliber of assistance and cooperative effort resulted in an exercise that will have lasting procedural benefit.

The Office of Procurement (OP) concurs with the findings and recommendations contained in the subject report. We generally concur with the dollar amounts identified, recognizing that some dollar amounts will be further adjusted as specific Bills for Collection (B/Cs) are amended and/or reconciled. Our comments, addressing each of the recommendations and appendices pertaining to OP, followed by a brief summary, are presented below.

Recommendation No. 2: We recommend that the Director, Office of Procurement, take action to conduct accounts receivable follow-up complying with Federal law and A.I.D. policies and procedures, and collect or otherwise resolve the \$393,510 of delinquent Bills for Collection reported as outstanding on September 30, 1992, as identified in this report.

Internal procedures are being established and will be implemented to ensure follow-up is timely and in compliance with Federal Claims Collection Standards and Agency procedures. These procedures will be coordinated with the appropriate offices of the Agency, and will be prepared as written guidance that will be incorporated into the standard operating procedures of the Monitoring Branch.

Recommendation No. 4: We recommend that the Director, Office of Procurement:

- 4.1 Implement A.I.D.-prescribed controls and procedures to ensure that late payment and penalty interest are correctly calculated and charged to delinquent debtors. Underassessed interest totaling \$18,178 should be charged to the delinquent accounts identified in this report.
- 4.2 Revise and re-issue the Bills for Collection for the identified accounts to reflect this underassessed interest totaling \$18,178.
- 4.3 Issue clarifying guidance regarding calculation and collection of late payment and penalty interest charges to ensure that appropriate interest on delinquent accounts is being assessed.

While the audit was being conducted, we acknowledged that the accuracy of past methods of calculating late payment and penalty interest had been inconsistent. Procedures have been implemented assuring that all interest calculations henceforth will conform to proper procedures.

The B/Cs that were incorrectly calculated in an amount totaling \$18,178 will be revised and re-issued as appropriate. It is anticipated that at least one of them will be terminated. The other three are each in some phase of litigation review or investigation that may result in other revisions or termination procedures.

The proper methods for calculating interest and procedures for collecting late payment and penalty interest will be included in the written guidance to be incorporated into standard operating procedures of the Monitoring Branch.

Recommendation No. 6: We recommend that the Controller, Office of Financial Management and the Director, Office of Procurement implement controls and procedures to ensure reconciliations are made between their billing office balances, including amounts owed for interest, and the balances shown on the Agency's quarterly Accounts Receivable Status Report, and that all identified differences and/or adjustments are reported to the Central Accounting and Reporting Division.

The Monitoring Branch of OP is developing an internal tracking mechanism that will be used to ensure timely follow-up to B/Cs, i.e. issuance of 30-60-90-day demand letters. This tracking mechanism will also be used to ensure that accurate balances are reflected in both our records and the quarterly Accounts Receivable Status report. The proper steps for reconciling any differences between the two will be prepared as written guidance and incorporated into standard operating procedures of the Monitoring Branch.

Appendix IV: Follow-up on Bills for Collection, Office of Procurement, Billing Office 50

Three B/Cs appear in the appendix as having no written follow-up or no files available for review. The file for B/C #50-649-30285 contains an attorney work product stating that certain litigation issues required consideration prior to issuance of a revision to the bill. This bill, shown in the amount of \$32,867.00, is in fact the second revision to the original P/C issued in 1985. In cases such as this one, where critical aspects of the bill are protested, respective legal counsel become an integral part of the process. Heretofore, appropriate follow-up has been interpreted to mean periodic contacts with legal counsel regarding the progress of any given case. Internal controls are being established in the branch that will ensure more consistent reporting and accurate file notation.

No file was available for review for B/C #50-263-30982. The debtor was debarred and \$110,772.76 was collected by administrative offset. During the three years that the debtor was debarred there was no activity against which the balance owing could be offset.

No file was available for B/C #50-388-50151, which dates back to 1981. As best as can be ascertained, this bill was determined sometime after its issuance to be uncollectable, however, appropriate steps to terminate were not taken. Proper steps will be taken to terminate this bill and reconcile the AR report.

Appendix VII: Incorrect Interest Calculations as of September 30 1992

As stated above, we acknowledge that the accuracy of past calculations of interest and application of refunds was inconsistent. These B/Cs will be revised and re-issued. Since this audit report reflects interest due as of September 30, 1992, the exact amounts of these B/Cs will differ when they are revised to be both correctly calculated and current.

Appendix VIII: Washington Billing Offices' Overstatement of Accounts Receivable Balance as of September 30, 1992

We see the overstatement of amounts owing under B/Cs issued from Billing Office 50 as a result of improper procedures and reconciliation, which will be rectified with the establishment of written guidance and internal controls. The overstated balance for B/C #50-263-301045 is similarly explained, i.e. previous procedures called for distribution of copies of revised bills to appropriate offices in FM, but not for the submission of a separate notice of collection/adjustment to FM/CAR.

25

However, I note that B/Cs #50-278-301034 and #50-263-30254 also appear as overstated balances due to unreported adjustments. These B/Cs were reported to be underassessed in an earlier draft of this report. We would like to better understand these specific calculations.

Appendix IX: Unreported Interest as of September 30, 1992

We appreciate the Agency's need to be able to assess and report on funds owed it, in both an accurate and timely fashion. Part of this objective will be accomplished through strengthened internal tracking and report reconciliation. This will include the periodic revisions of B/Cs for the purpose of updating interest assessments, a practice heretofore not customary for Billing Office 50. This specific issue was discussed at some length while the subject audit was being conducted. It is important that our billing office procedures meet this objective practically and efficiently. We propose to incorporate into our written Monitoring Branch guidance a quarterly requirement to revise B/Cs to assess and update interest, wherever possible, i.e. barring legal restrictions, bills with well-established payment schedules, etc. This quarterly requirement would be adjusted on a bill-by-bill basis to coincide with the reconciliation of the quarterly Accounts Receivable Status Report. We welcome further discussion on this point.

Summary Comment

We recognize the importance of the objectives of this audit report and will implement the measures discussed above to bring our procedures into compliance with law and Agency requirements. Bills for Collection issued by our Monitoring Branch (Billing Office 50) are seldom easy or routine. Many cases are painstakingly researched and developed. The follow-up and communications with recipients of these more difficult B/Cs is often complex, requiring additional analysis or industry research. These communications have not always been adequately documented and filed, or processed in compliance with 30-60-90-day timeliness requirements. Additional review and assistance from GC or the IG is often prudent and necessary in those instances where interpretation and application of Agency regulations and procedures are challenged legally.

It is the intent of the Office of Procurement to utilize the findings of this audit report to implement improvements that will bring our Monitoring Branch procedures into compliance. In doing so, we look forward to working closely with the Office of Financial Management so that these improvements are effective and long lasting.

Attachment: Representation Letter

26

## memorandum

DATE:  
REPLY TO:  
ATTN OF:

August 17, 1993

John L. Lovaas, D/Dir, USAID/El Salvador

SUBJECT:

Response to Draft Audit Report of A.I.D.'s Accounts Receivable

TO:

Toby Jarmen, IG/A/PSA

Ref.: (A) Draft Audit Report of A.I.D.'s Accounts  
Receivable dated 6/30/93 prepared by IG

The purpose of this memorandum is to respond to the draft audit report on A.I.D.'s Accounts Receivable (see Ref. A), to identify actions that the Mission has taken to resolve and close each recommendation, and to request closure of all recommendations concerning USAID/El Salvador.

The Mission, in general, concurs with the findings and recommendations of the report. Exceptions are noted in this memorandum. USAID/El Salvador's request for closure of the audit report is based on the following actions taken.

**RECOMMENDATION NO. 3**

"We recommend that the Director, USAID/El Salvador conduct accounts receivable follow-up complying with the requirements of Federal law and A.I.D. policies and procedures, and to collect or otherwise resolve the \$2,854,936 of delinquent Bills for Collection outstanding on September 30, 1992 as identified in this report."

**Actions Taken**

In addition to the actions taken to address the specific bills for collection referenced in the IG report as detailed below in this Section, the Mission has taken a number of actions to correct this broader area of weakness. A Financial Management Order on Bills for Collection (see Attachment A) was prepared and issued establishing policies and procedures, assigning responsibilities, developing a monthly reporting and monitoring system, and designing standard follow-up letters to be used as prototypes for the three progressively stronger-worded letters required to be sent to debtors.

Accounts Receivable Audit 1

These new procedures are now fully implemented and operational. The Mission has also taken a number of actions to follow-up on the specific bills for collection identified in the IG report (see Appendix V of Ref. A). As of 8/16/93, the current balance of these 17 bills for collection totaling \$2,854,936 as of 9/30/92 is now \$149,872 owed by only one individual. The current status of each of these bills for collection is summarized in Table I below.

**Table I  
Follow-Up on Bills for Collection**

<u>B/C Number</u>	<u>Bills for Collection Amounts Owed</u>			<u>Action Taken Paragraph No.</u>
	<u>As of 9/30/92</u>	<u>Paid/Adjusted</u>	<u>As of 7/30/93</u>	
NO FOLLOW-UP:				
1-519-94766	\$ 134,689	\$ 0	\$134,689	3-A
1-519-95361	15,183	0	15,183	3-A
1-519-63216	1,749,804	1,749,804	0	3-B
1-519-63217	432,494	432,494	0	3-B
1-519-63218	3,827	3,827	0	3-B
1-519-63219	50,125	50,125	0	3-B
1-519-63220	60,070	60,070	0	3-B
1-519-66237	635	635	0	3-B
1-519-96343	36,901	36,901	0	3-C
PARTIAL FOLLOW-UP:				
1-519-96019	34,597	34,597	0	3-D
1-519-96020	2,201	2,201	0	3-D
1-519-96021	19,483	19,483	0	3-D
1-519-96056	5,679	5,679	0	3-E
1-519-45919	76,730	76,730	0	3-D
1-519-96364	22,166	22,166	0	3-D
1-519-96365	179,420	179,420	0	3-D
1-519-96366	<u>30,932</u>	<u>30,932</u>	<u>0</u>	3-D
	<u>2,854,936</u>	<u>2,705,064</u>	<u>149,872</u>	

The status of payment and follow-up procedures for these delinquent bills is summarized in two attached tables (see Attachments B and C). A brief description of the actions taken subsequent to the period covered by the audit report for each outstanding bill for collection follows.

**3-A.** Two bills for collections were issued to an ex-employee of USAID/El Salvador totaling \$149,872 for embezzlement of project funds. Whenever RIG/I/T investigators are involved, a case becomes highly confidential. In this case, only a few people in the Mission (the Controller, the Regional Legal Advisor (RLA), the Mission Director, and Embassy Security personnel)--none of whom are still at the Mission today--were kept informed as to the status of the investigation. The Deputy Director was made aware of actions through the point of issuance of the arrest warrant, but not since that time. Unfortunately, some of this historical information was not known by the persons interviewed by the IG during their field work. The Mission has taken the following actions:

- On June 7, 1993, the Acting Deputy Controller, the RLA, and the RIG/I/T investigator met to discuss the status of the case and the outstanding bill for collection. The following issues were discussed:
  - According to the RIG/I/T investigator responsible for the case, the Special Investigative Unit of the National Police (SIU) investigated the case and issued an arrest warrant for the suspect who was already believed to have fled the country. The U.S. Embassy Security Office hand-delivered the bill for collection to the suspect's house where it was received by his wife. Shortly thereafter, an attorney representing the suspect contacted the Mission to discuss the matter and negotiations were initiated with the Mission through a local attorney who was on retainer representing the U.S. Government. The negotiations were unsuccessful as no further contact was made between the two parties. (The attorney on retainer representing the U.S. Government is no longer contracted by the Mission.)
  - The RIG/I/T investigation of this case has been officially closed and the investigator promised to send a copy of the report to the Mission (which has still not been received as of the date of this memo).

- The Mission informed the RIG/I/T that the suspect may have recently been sighted driving in San Salvador. (This information had been passed on to another investigator for RIG/I/T a few weeks earlier.) The RIG/I/T investigator was not interested in following-up on any "soft" leads; however, he instructed the Mission to contact the Special Investigative Unit of the National Police directly if "hard" information was obtained regarding the suspect's whereabouts. To date, there is no substantiation of earlier reports and no "hard" information on the suspect's whereabouts.
  
- The Mission asked the investigator if standard follow-up demand letter could now be sent to the suspect's last known address. The Mission was advised to take all normal administrative actions as deemed necessary.
  
- On June 11, 1993 the Controller's Office issued revised bills for collection (B/C numbers 01-519-95361 and 01-519-94766, revision 2) with a strongly-worded demand letter (see Attachments D-2 and D-1). The revised bills for collection and demand letter were delivered to the RLA on August 16, 1993, who in turn arranged for their delivery to deliver them to the suspect's last known address.
  
- On July 22, 1993 the Acting Deputy Controller, the RLA, and the Deputy Chief of IRD met to discuss follow-up procedures concerning the outstanding bills for collection. It was determined that the RLA should contact General Counsel and determine the feasibility of pursuing a local lawsuit against the suspect.
  
- Thus, the RLA requested advice from A.I.D.'s Office of General Counsel on how to proceed with civil legal action against the suspect. The Mission was advised that our efforts should be coordinated with the Office of Foreign Litigation at the U.S. Justice Department. Justice is regularly flooded from around the world by pleas for prosecutory assistance in cases such as ours. They look hard at the sums involved and the cost-benefit analysis.

7/0

- As a practical matter, the only effective means of enforcement against the suspect rests with his apprehension or the location of his assets. During his upcoming TDY to San Jose, the RLA will meet with RIG/I about the possibility of either option.

**3-B.** Six bills for collection were issued to CESAD for fraudulent activities totaling \$2,296,955 as a result of several extensive audits and investigations performed in coordination with RIG/I/T in 1989. As in the previous case, the Mission was uncertain as to what follow-up actions to take since the case was highly confidential and the Mission never received any notice that the case had been closed by the RIG/I/T and the SIU. The investigation ended with several arrest warrants being issued, some suspects were incarcerated, other principals fled the country, the President died of a heart attack during the investigation, and bills for collection were issued to CESAD. As of 9/30/92 the Mission had taken no further follow-up action concerning the outstanding debts.

Subsequent to the date of the audit, the Mission took the following actions:

- On 9/30/92 the Mission contacted RIG/A/T and RIG/I/T to obtain information as to the feasibility of recovering any funds from the CESAD or its principals to repay the outstanding bills. The Mission also requested a copy of the investigative report, which we were promised but have still not received.
- On 10/7/92 a financial specialist was tasked with investigating the current status of CESAD and their financial situation.
- On 10/14/92 after obtaining the address, phone number and name of the new Director of CESAD, the Mission contacted the Director and requested a variety of information. A meeting was scheduled to discuss the outstanding indebtedness.
- On 10/27/92 a meeting was held with the new President of CESAD and Mission representatives (the Deputy Controller, the Contracting Officer, the RLA, the Project Officer, and the AMO) to discuss the outstanding indebtedness. Audited financial statements of CESAD were obtained and reviewed.

- On 11/30/92 the Mission issued an updated bill for collection for the amount of \$3,277,367 (including interest). The updated bill for collection was delivered to CESAD.
  - On 12/17/92 the Mission Controller wrote CESAD a follow-up demand letter asking for a response in writing of their intentions to repay the indebtedness (see Attachment E-1).
  - On 12/29/92 the Mission received a letter from CESAD recognizing their responsibility for the indebtedness, but also stating their inability to pay the debt or collect any of the stolen funds (see Attachment E-2).
  - On 1/20/93 the Controller's Office reviewed the audited and unaudited financial statements for CESAD for fiscal years 1989 through 1992. Net fixed assets were less than \$50,000 as of 12/31/91, cash in the bank was about \$3,500 as of 12/31/92, and a bank note of about \$45,000 was in arrears as of 12/31/92.
  - On 1/31/93 the debt was referred to AID/W for a determination of write-off. The U.S. Department of Justice is studying the case to determine if additional legal action is warranted considering the cost-benefit analysis (see Attachments E-3 and E-4).
- 3-C. One bill for collection was issued to the Telethon Foundation (FUNTER) for \$36,901 dated 9/24/92 concerning questioned costs as a result of a recipient-contracted audit. As of 9/30/92 no follow-up was required. The Project Officer and the Audit Management Officer held several visits with FUNTER to discuss the debt subsequently as described below. The bills for collection files did not reflect these efforts; however, they were clearly successful because the bill was paid in full.
- On 11/10/92 the Mission held a financial management roundtable meeting with FUNTER and USAID technical office and Controller's Office. At this meeting the issue of the outstanding advance was discussed by the Controller and a meeting in December was scheduled to specifically address the matter (see Attachment F-1).

- On 12/2/92 the Mission met with FUNTER to discuss the outstanding indebtedness associated with an advance for building construction. The meeting was attended by the Project Officer, the AMO, the Financial Specialist, a U.S. engineer, the Accounting Supervisor, and the Accounting Technician (see Attachment F-2).
- On 12/14/92 FUNTER paid in full the outstanding indebtedness with General Receipt No. A2524788 (see Attachment F-3).

**3-D.** The Mission issued seven bills for collection to SETEFE concerning questionable costs resulting from audits of the APRE Project. The Mission has had several conversations with the Ministry of Finance concerning repayment of the debt, and they agreed in principle to pay the debt. In addition, three demand letters and revised bills for collection have been sent to SETEFE on 10/30/92, 1/27/93, and 8/10/93 (see Attachments G-1, G-3, and G-4). Repayment of such debts normally occurs once a year after extensive analysis and budget considerations. SETEFE has agreed to repay the debt some time before the end of the fiscal year (see Attachment G-2). Past debts owed by the GOES have always been paid in full.

Finally on 8/13/93, the Mission received SETEFE Check No. 0483124 for 3,005,554 colones for full payment of all outstanding debts including interest and penalties (see Attachment G-5).

**3-E.** The Mission issued one bill for collection for \$5,679 to an international freight forwarding and transportation company for the delivery of a small but expensive package of medicines requiring refrigeration which were spoiled during shipment. The Mission's contract with the freight company indicated that they did not have refrigeration capabilities; nevertheless, they accepted receipt of the medicines. The shipment charge from the freight company was about \$35. The Mission sent the freight company three demand letters on 12/01/92, 2/23/93, and 4/06/93 (see Attachments H-1, H-2, and H-3). In May 1993 the freight company paid the outstanding debt along with most of the late payment and penalty charges (see Attachment H-4). The Mission forgo a small amount of penalty charges which were not paid (see Attachment H-5).

### IG Action Requested

Based on the actions taken by the Mission as described above but not fully disclosed to the IG auditors at the time of their field work, the Mission requests that bills for collection numbers 01-519-94766 and 01-519-95361 to the ex-USAID employee and 01-519-96343 to FUNTER be reclassified in the draft report from those bills for collection which had substantially "no follow-up" as of 9/30/92 to those with "partial follow-up" (see Appendix V of Ref. A).

Based on the actions described in this Section and summarized here below, the Mission believes that the recommendation has been substantially implemented:

1. The issuance of a Financial Management Order on Bills for Collection establishing policies and procedures, assigning responsibilities, developing a monitoring system, and designing standard follow-up letters;
2. The full implementation of the procedures described in the FMO;
3. The reduction of outstanding indebtedness from about \$3.0 million as of 9/30/92 to only \$.15 million owed by one entities as of 8/16/93;
4. The specific actions taken following-up on each outstanding bill for collection mentioned in the IG audit report, including:
  - the issuance of demand letters, meetings with debtors, and subsequent repayment of debts owed by a U.S. contractor and local PVO;
  - investigation of civil legal proceeding against an individual;
  - the issuance of demand letters, meetings with debtor and subsequent referral to AID/W and the U.S. Justice Department of debt owed by another local PVO; and
  - issuance of demand letters and several meetings to discuss repayment of debt by a GOES Ministry and subsequent written agreement to pay obtained;

The Mission also requests that Recommendation No. 3 be closed.

**RECOMMENDATION NO. 5 (PART 1)**

"We recommend that the Director, USAID/El Salvador:

1. Correct the parameters of the computer program that calculates interest and establish a procedure for periodically performing a manual test calculation to ensure the program's continued accuracy."

**Actions Taken**

The parameters of the Collection Billing System that calculates interest have been modified to correctly calculate both late payment and penalty charges in accordance with AID Handbook 19, Chapter 7, Attachment E as defined below:

**Late Payment Charge.** The charge from the date of Bill for Collection through the date of refund by the debtor on outstanding debts owed by persons if not paid on or before the due date. In other words, if remittances is not received on or before the due date, which is usually 30 calendar days from the date of the B/C, then a late payment charge will be assessed on the 31st day for the period from the date of the B/C through the date of refund.

**Penalty Charge.** The charge, in addition to the "late payment charge", accrued from the next day after the due date through the date of refund for failure to pay any portion of a debt more than ninety days past due. This charge need not be calculated until the 91st day of delinquency. In other words, if full payment is not received within 90 calendar days from the due date (i.e., usually 120 calendar days from the date of issuance), penalty charges will be assessed on the 91st day of delinquency for the period from the 31st day of delinquency through the date of refund.

The Mission's calculations of late payment and penalty charges can be confirmed by reviewing three detailed calculation analysis worksheets prepared for using the Billing System Program with three corresponding tests using a computer spreadsheet (see Attachments I-1, I-2, and I-3). They can also be confirmed by reviewing the detailed calculation analysis worksheets prepared for revising the late payment and penalty charges for the B/Cs identified in Recommendation No. 5 (Part 2) above.

With the issuance of the Financial Management Order on Bills for Collection, the Controller's Office has also established the following policies and procedures and assigned responsibilities to ensure the Collection Billing System continued accuracy of the calculation of interest and penalties:

"The Supervisor of the Accounts Receivable Accountant is responsible for randomly testing and confirming these calculations when reviewing bills for collection. Appropriate tick marks should be applied to the bill for collection documenting the test." (see Attachment A, Section VI-C)

**IG Action Requested**

The Mission requests that Recommendation No. 5 (Part 1) be closed.

**RECOMMENDATION NO. 5 (PART 2)**

"We recommend that the Director, USAID/El Salvador:

2. Revise and re-issue the Bills for Collection for the delinquent accounts identified in this report to reflect the underassessed interest totaling \$281,260."

**Actions Taken**

The Mission recalculated the amount of late payment and penalty charges owed and miscalculated as of 9/30/92 to verify the figures stated in the draft IG report (see Appendix VII of Ref. A, note that some of the figures in the draft report were incorrect). The Mission's books were posted on 7/30/93 to reflect these adjustments, revised bills for collection were issued, and the U141 Report for July 1993 has been modified accordingly (see worksheet calculations supporting each adjustment--Attachments J). The following Table II summarizes the adjustments made:

**Table II  
Incorrect Interest Calculations**

<u>B/C Number</u>	<u>Amount of Miscalculation</u>		<u>Revised B/C No.</u>	<u>Analysis Worksheet Ref. No.</u>
	<u>As of 9/30/92 IG Report</u>	<u>Per Mission</u>		
1-519-96056	\$ 28	\$ 13	96056.3	J-1.1
1-519-96021	397	296	96021.1	J-2.1
1-519-96020	44	33	96020.1	J-2.2
1-519-96019	696	525	96019.1	J-2.3
1-519-95919	24,242	27,110	95919.1	J-2.4
1-519-95361	2,111	2,309	95361.2	J-3.1
1-519-94766	21,095	24,480	94766.2	J-3.2
1-519-63220	6,070	6,071	96558.2	J-4.1
1-519-63219	5,066	5,065	96558.2	J-4.2
1-519-63218	984	387	96558.2	J-4.3
1-519-63217	43,701	43,706	96558.2	J-4.4
1-519-63216	<u>176,826</u>	<u>176,828</u>	96558.2	J-4.5
	\$281,260	\$286,823		

36

**IG Action Requested**

The Mission requests that Recommendation No. 5 (Part 2) be closed.

**RECOMMENDATION NO. 5 (PART 3)**

"We recommend that the Director, USAID/El Salvador:

3. Issue a Bill for Collection to Secretaria Tecnica Del Financiamiento Externo for \$46,992.80 (plus \$24,242 in late payment and penalty interest charges that should have been assessed from the original B/C date)."

**Actions Taken**

The Mission has reversed the \$46,992.80 adjustment erroneously made as of 5/8/92 to the debt owed by SETEFE. A revised bill for collection reflects both the increase to the debt and current late payment and penalty charges owed (see Attachment J-2).

As indicated in the actions taken and described in Recommendation 5 (Part 2) above, the Mission's books have been adjusted to properly record the amount of late payment and penalty charges owed by SETEFE as of 7/30/93, which includes the adjustment recommended by the IG as modified by the Mission (see Table II above and appropriate attachments).

Finally, as indicated in the actions taken and described in Recommendation No. 3 (Paragraph 3-D), on 8/13/93 SETEFE paid in full all outstanding debts including this adjustment and associated interests and penalties (see Attachment G-5).

**IG Action Requested**

The Mission requests that Recommendation No. 5 (Part 3) be closed.

**RECOMMENDATION NO. 7**

"We recommend that the Director, USAID/El Salvador implement controls and procedures to insure that adjustments identified during their quarterly accounts receivable reconciliation are reported to the Central Accounting and Reporting Division."

**Actions Taken**

In June 1993, this reconciliation was finally completed (see Attachment K). Now all transactions from all years have been reconciled.

With the issuance of the Financial Management Order on Bills for Collection, the Controller's Office has also established the following policies and procedures and assigned responsibilities to ensure that adjustments identified during the quarterly accounts receivable reconciliation are reported to the Central Accounting and Reporting Division of AID/W:

"The Accounts Receivable Accountant shall reconcile quarterly USAID/El Salvador's Report of Billing and Collection Transactions (U141 Report generated from the Collection Billing System) with the Quarterly Status of USAID Billing Report prepared by the Central Accounting and Reporting Division of AID/W. Adjustments shall be reflected in the next monthly U141 Report to AID/W. The Chief Accountant is responsible for ensuring that these reconciliations and adjustments are prepared timely." (see Attachment A, Section VI-D)

**IG Action Requested**

The Mission requests that Recommendation No. 7 be closed.

Attachments

cc: KFreeman, DPP  
Jorge Garcia, CONT  
AMO Files

Prepared by: ALanier, CONT/AMO AL

Cleared by: RRyley, A/CONT RR  
MWilliams, RLA (in draft) (Rec. 3, 3-A&B)  
HReynolds, OET (in draft) (Rec. 5, Part 3)

28

## LIST OF ATTACHMENTS

<u>Number</u>	<u>Description</u>
A	USAID/El Salvador Financial Management Order No. 400-7, "Bills for Collection", dated 8/12/93 (FMO 400-7)
B	Status of Payments of Delinquent Bills for Collection
C	Status of Follow-up Procedures for Payment of Delinquent Bills for Collection
D-1	Demand Letter to ex-Employee dated 06/16/93
D-2	Revised Bill for Collection to ex-Employee (01-519-95361 and 01-519-94766, revision 2) dated 7/30/93
E-1	Demand Letter to CESAD dated 12/17/92
E-2	Letter to Mission from CESAD dated 12/29/92
E-3	Controller's Recommendation to Mission Director of Administrative Action on B/C from CESAD dated 1/28/93
E-4	Mission's Transfer of Uncollectible Indebtedness from CESAD to AID/W dated 1/31/93
F-1	Financial Management Roundtable Minutes on FUNTER dated 11/10/92
F-2	Mission Memo on FUNTER, Document No. 838, dated 12/17/92
F-3	General Receipt No. A2524788 from FUNTER dated 12/14/92
G-1	Demand Letter to SETEFE dated 10/30/92
G-2	Letter to Mission from SETEFE dated 11/11/92
G-3	Demand Letter to SETEFE dated 01/27/93
G-4	Demand Letter to SETEFE dated 08/10/93
G-5	Letter to Mission from SETEFE (No. SETEFE-DF-3197/93) dated 8/13/93 with Check No. 0483124

## LIST OF ATTACHMENTS

<u>Number</u>	<u>Description</u>
H-1	Demand Letter to TUMI dated 12/01/93
H-2	Demand Fax to TUMI dated 02/23/93
H-3	Demand Letter to TUMI dated 04/06/93
H-4	General Receipts No. A2525300 and A2525301 from TUMI dated 5/11/93 and TUMI Check No. 4232 dated 4/19/93
H-5	Memo by Deputy Controller Forgoing Remaining Penalties to TUMI dated 5/13/93
I-1	Interest & Penalty Test Case 1
I-2	Interest & Penalty Test Case 2
I-3	Interest & Penalty Test Case 3
J-1	Revised B/C No. 96056 to TUMI dated 7/30/93
J-1.1	Interest & Penalty Worksheet for TUMI B/C No. 96056
J-2	Revised B/C to SETEFE dated 7/30/93 (revision 1)
J-2.1	Interest & Penalty Worksheet for SETEFE B/C No. 96021
J-2.2	Interest & Penalty Worksheet for SETEFE B/C No. 96020
J-2.3	Interest & Penalty Worksheet for SETEFE B/C No. 96019
J-2.4	Interest & Penalty Worksheet for SETEFE B/C No. 95919
J-3	Revised B/C to ex-Employee dated 7/30/93 (revision 2)
J-3.1	Interest & Penalty Worksheet for ex-Employee B/C No. 95361
J-3.2	Interest & Penalty Worksheet for ex-Employee B/C No. 94766
J-4	Revised B/C No. 96558 to CESAD dated 7/30/93 (revision 2)
J-4.1	Interest & Penalty Worksheet for CESAD B/C No. 63220
J-4.2	Interest & Penalty Worksheet for CESAD B/C No. 63216
J-4.3	Interest & Penalty Worksheet for CESAD B/C No. 63218
J-4.4	Interest & Penalty Worksheet for CESAD B/C No. 63219

APPENDIX III

FOLLOW-UP ON BILLS FOR COLLECTION  
TWO AID/WASHINGTON BILLING OFFICES

<u>B/C NUMBER</u>	<u>DATE</u>	<u>B/C AMOUNT</u>
<b>PROPER FOLLOW-UP</b>		
42-000-9-7513	04/10/92	\$ 26,205
46-099-8-1398	12/22/80	<u>14,685</u>
<b>SUBTOTAL (2 B/Cs)</b>		<u><b>\$ 40,890</b></u>
<b>NO FOLLOW-UP</b>		
46-099-4-2084	02/28/91	\$ 38,331
46-099-4-2088	02/28/91	70,061
46-099-4-2085	02/28/91	90,000
46-099-4-2081	02/28/91	38,736
46-099-4-2080	02/28/91	13,347
46-099-4-2139	09/30/92	79,656
46-099-4-2123	09/16/92	<u>73,473</u>
<b>SUBTOTAL (7 B/Cs)</b>		<u><b>\$403,604</b></u>
<b>PARTIAL FOLLOW-UP</b>		
46-099-5-1335	05/15/79	\$ 20,769
46-099-5-2079	02/11/91	301,255
46-099-5-1935	02/12/87	<u>95,141</u>
<b>SUBTOTAL (3 B/Cs)</b>		<u><b>\$417,165</b></u>
<b>TOTAL (12 B/Cs)</b>		<u><b>\$861,659</b></u>

46

APPENDIX IV

**FOLLOW-UP ON BILLS FOR COLLECTION  
OFFICE OF PROCUREMENT, BILLING OFFICE 50**

<u>B/C NUMBER</u>	<u>DATE</u>	<u>B/C AMOUNT<sup>3</sup></u>
<b>PROPER FOLLOW-UP</b>		
50-656-301002	02/29/88	\$ 170,732
50-278-301034	11/15/90	320,089
50-263-301045	05/02/91	<u>969,323<sup>4</sup></u>
<b>SUBTOTAL (3 B/Cs)</b>		<b><u>\$1,460,144</u></b>
<b>NO FOLLOW-UP<sup>5</sup></b>		
50-263-30982	02/14/88	16,952
50-388-50151	01/23/81	<u>23,535</u>
<b>SUBTOTAL (2 B/Cs)</b>		<b><u>\$ 40,487</u></b>
<b>PARTIAL FOLLOW-UP</b>		
50-690-301008	07/31/89	\$ 63,969
50-649-30990	06/02/88	\$ 164,137 <sup>6</sup>
50-649-30285	06/19/85	\$ 32,867
50-263-30254	11/30/83	71,758
50-263-30981	02/29/88	<u>20,292</u>
<b>SUBTOTAL (5 B/Cs)</b>		<b><u>\$ 353,023</u></b>
<b>TOTAL (10 B/Cs)</b>		<b><u>\$1,853,654</u></b>

---

<sup>3</sup>For consistency with other numbers in the report, we used the B/C dollar values as reported by the Accounts Receivable System.

<sup>4</sup>On July 3, 1992, this B/C was reduced to \$331,021, however, this adjustment was not reported to the Accounts Receivable System.

<sup>5</sup>There were no files available for review (B/C Nos. 30982 and 50151) to show that adequate follow-up had taken place. Office of Procurement personnel said that these files had been provided to either the A.I.D. Inspector General or the A.I.D. Office of General Counsel for review. Procurement personnel did not know the current status of these B/Cs.

<sup>6</sup>On March 27, 1990, this B/C was referred to the U.S. Attorney's Office which requested that A.I.D. have no further contact with the debtor. However, during the period between the B/C issue date and its referral to the U.S. Attorney, inadequate follow-up had been conducted.

47

## APPENDIX V

**FOLLOW-UP ON BILLS FOR COLLECTION  
USAID/EL SALVADOR**

<u>B/C NUMBER</u>	<u>DATE</u>	<u>B/C AMOUNT</u>
<b>PROPER FOLLOW-UP</b>		
01-519-96176	08/10/92	\$ 97,591
01-519-96177	08/10/92	256,290
01-519-96178	08/10/92	262,000
01-519-96179	08/10/92	187,029
01-519-96180	08/10/92	123,729
01-519-96181	08/10/92	<u>108,186</u>
<b>SUBTOTAL (6 B/Cs)</b>		<b><u>\$1,034,825</u></b>
<b>NO FOLLOW-UP</b>		
01-519-94766	02/07/91	\$ 134,689
01-519-95361	08/21/90	15,183
01-519-63216	06/27/89	1,749,804
01-519-63217	06/27/89	432,494
01-519-63218	06/27/89	3,827
01-519-63219	06/27/89	50,125
01-519-63220	06/27/89	60,070
01-519-66237	08/31/92	<u>635</u>
<b>SUBTOTAL (8 B/Cs)</b>		<b><u>\$2,446,827</u></b>
<b>PARTIAL FOLLOW-UP</b>		
01-519-96019	05/20/92	\$ 34,597
01-519-96020	05/20/92	2,201
01-519-96021	05/20/92	19,483
01-519-96056	06/16/92	5,679
01-519-45919	03/22/91	76,730
01-519-96343	09/24/92	36,901
01-519-96364	09/28/92	22,166
01-519-96365	09/28/92	179,420
01-519-96366	09/28/92	<u>30,932</u>
<b>SUBTOTAL (9 B/Cs)</b>		<b><u>\$ 408,109</u></b>
<b>TOTAL (23 B/Cs)</b>		<b><u>\$3,889,761</u></b>

APPENDIX VI

**BILLING OFFICE NO. 33  
TRANSFERRED BILLS WITH NO RESOLUTION ACTION  
AS OF SEPTEMBER 30, 1992**

<u>B/C Number</u>	<u>B/C Date</u>	<u>B/C Amount</u>
02-696-8-0138	09/30/89	\$ 639,028
02-696-8-0142	09/30/89	\$1,036,178
40-277-37604	05/07/73	\$ 23,203
01-511-00271	01/25/82	\$ 16,747
01-511-80261	12/28/81	\$ 187,049
01-511-80268	01/12/82	\$ 11,755
01-511-80304	10/29/82	\$ 26,623
EO-492-03089	07/23/80	\$ 17,218
CO-82-30118	07/23/82	\$ 16,186
521-5-0713	02/01/84	\$ 22,848
00-596-41152	01/15/75	\$ 12,000
CO-383-50002	06/16/89	\$ 16,242
279-00-11504	03/17/86	\$ 11,162
41-386-10882	03/24/65	\$ 94,359
40-386-15448	03/21/68	\$ 345
675-33-1-0882	10/07/65	\$ 74,244
675-33-1-0973	06/30/66	\$ 52,337
33-677-4-0022	04/00/79	\$ 23,540
33-688-8-1408	12/22/83	\$ 262,801
33-511-8-1001	06/23/81	<u>\$ 296,269</u>
<b>Total</b>		<b><u>\$2,840,134</u></b>

## APPENDIX VII

**INCORRECT INTEREST CALCULATIONS  
AS OF SEPTEMBER 30, 1992**

<u>B/C Number</u>	<u>B/C Date</u>	<u>B/C Amount</u>	<u>Amount of Miscalculation</u>
<b>A.I.D./Washington</b>			
50-278-301034	11/15/90	\$ 320,088	\$ (690)
50-263-30254	11/30/83	\$ 71,757	\$ 8,522
50-649-30990	06/02/88	\$ 164,137	\$ 7,001
50-649-30285	06/19/85	\$ <u>32,867</u>	\$ <u>3,345</u>
<b><u>Subtotal (4 B/Cs)</u></b>		<b><u>\$ 588,851</u></b>	<b><u>\$ 18,178</u></b>
<b>USAID/EL Salvador</b>			
01-519-96056	06/16/92	\$ 5,679	\$ 28
01-519-96021	05/20/92	\$ 19,483	\$ 397
01-519-96020	05/20/92	\$ 2,201	\$ 44
01-519-96019	05/20/92	\$ 34,597	\$ 696
01-519-45919	03/22/91	\$ 123,723	\$ 24,242
01-519-95361	10/04/91	\$ 15,183	\$ 2,111
01-519-94766	02/07/91	\$ 134,689	\$ 21,095
01-519-63220	06/27/89	\$ 60,070	\$ 6,070
01-519-63219	06/27/89	\$ 50,125	\$ 5,066
01-519-63218	06/27/89	\$ 3,827	\$ 984
01-519-63217	06/27/89	\$ 432,494	\$ 43,701
01-519-63216	06/27/89	\$ <u>1,749,804</u>	\$ <u>176,826</u>
<b><u>Subtotal (12 B/Cs)</u></b>		<b><u>\$2,631,875</u></b>	<b><u>\$281,260</u></b>
<b><u>Total (16 B/Cs)</u></b>		<b><u>\$3,220,726</u></b>	<b><u>\$299,438</u></b>

46

APPENDIX VIII

WASHINGTON BILLING OFFICES'  
OVERSTATEMENT OF ACCOUNTS RECEIVABLE BALANCE  
AS OF SEPTEMBER 30, 1992

BALANCE OUTSTANDING PER ACCOUNTS RECEIVABLE SYSTEM \$16,312,716  
 LESS OVERSTATEMENTS (SEE DETAILS BELOW) (\$11,195,327)  
ACCOUNTS RECEIVABLE BALANCE (EXCLUDING ADJUSTMENTS  
 NEEDED TO CORRECT UNREPORTED INTEREST--APPENDIX IX) \$5,117,389

OVERSTATEMENTS

RECONCILIATION OF BILLING OFFICE (Nos. 43  
and 46) BALANCES AGAINST ACCOUNTS RECEIVABLE  
SYSTEM BALANCES. (\$10,343,938)

BILLS FOR COLLECTION LIQUIDATED PRIOR TO  
SEPTEMBER 30, 1992:

<u>B/C NUMBER</u>	<u>B/C AMOUNT</u>	
42-000-9-7243	\$ 13,141	
42-000-9-6843	17,681	
42-000-9-7418	16,605	
42-000-9-7506	29,452	
43-000-9-1532	41,095*	
46-099-41985	1,058,587*	
46-099-41980	400,000*	
46-099-41982	770,000*	
46-099-52099	20,000	
50-263-50105	46,818	
50-263-31030	<u>25,271</u>	(\$168,968)*

OVERSTATED B/C BALANCES DUE TO UNREPORTED ADJUSTMENTS.

<u>B/C NUMBER</u>	<u>B/C DATE</u>	<u>OVERSTATED</u>	
50-263-301045	05/02/91	\$ 638,302	
50-278-301034	11/15/90	39,833	
50-263-30254	11/30/83	<u>4,286</u>	<u>(\$682,421)</u>

TOTAL OVERSTATEMENTS (\$11,195,327)

\* These B/Cs are not included in the total of \$168,968 because they were already accounted for under the above "RECONCILIATION OF BILLING OFFICE (Nos. 43 AND 46) BALANCES AGAINST ACCOUNTS RECEIVABLE SYSTEM BALANCES" totaling \$10,343,938.

## APPENDIX IX

**UNREPORTED INTEREST  
AS OF SEPTEMBER 30, 1992**

<u>B/C Number</u>	<u>B/C Date</u>	<u>B/C Amount</u>	<u>Unreported Interest</u>
<b>A.I.D./Washington</b>			
50-263-301045	05/02/91	\$ 969,323	\$ 56,572
46-099-42080	02/28/91	\$ 13,347	\$ 2,979
46-099-42084	02/28/91	\$ 38,331	\$ 8,569
46-099-42085	02/28/91	\$ 90,000	\$ 20,112
46-099-42088	02/28/91	\$ 70,061	\$ 15,662
50-690-301008	07/31/89	\$ 63,969	\$ 27,891
50-649-30990	06/02/88	\$ 164,137	\$ 82,732
46-099-41985	03/23/88	\$ 364,082	\$136,842 <sup>7</sup>
50-656-301002	02/29/89	\$ 170,732	\$ 53,938
50-263-30982	02/14/88	\$ 16,952	\$ 11,983
50-649-30285	06/20/86	\$ 32,867	\$ 28,294
50-278-301034	11/15/90	\$ 320,088	\$ 46,080
50-263-30254	11/30/83	<u>\$ 71,757</u>	<u>\$ 72,597</u>
<b>Subtotal (13 B/Cs)</b>		<b>\$2,385,646</b>	<b>\$558,249</b>
<b>USAID/EL Salvador</b>			
01-519-96056	06/16/92	\$ 5,679	\$ 113
01-519-96021	05/20/92	\$ 19,483	\$ 857
01-519-96020	05/20/92	\$ 2,201	\$ 96
01-519-96019	05/20/92	\$ 34,597	\$ 1,512
01-519-45919	03/22/91	\$ 123,723	\$ 26,581
01-519-95361	10/04/91	\$ 15,183	\$ 2,111
01-519-94766	02/07/91	\$ 134,689	\$ 31,212
01-519-63220	06/27/89	\$ 60,070	\$ 30,575
01-519-63219	06/27/89	\$ 50,125	\$ 25,514
01-519-63218	06/27/89	\$ 3,827	\$ 1,946
01-519-63217	06/27/89	\$ 432,494	\$220,132
01-519-63216	06/27/89	<u>\$1,749,804</u>	<u>\$890,635</u>
<b>Subtotal (12 B/Cs)</b>		<b>\$2,631,875</b>	<b>\$1,231,285</b>
<b><u>Total (25 B/Cs)</u></b>		<b><u>\$5,017,521</u></b>	<b><u>\$1,789,534</u></b>

<sup>7</sup>Interest calculated on the unliquidated balance from the Bill for Collection date to the collection date of 9/12/90.

**REPORT DISTRIBUTION**

<b><u>Office</u></b>	<b><u>No. of Copies</u></b>
U.S. Ambassador, El Salvador	1
Administrator (A/AID)	1
Director, USAID/El Salvador	5
Controller, Office of Financial Management (FA/FM)	5
Director, Office of Procurement	5
Country Desk, El Salvador	1
Office of Press Relations (XA/PR)	1
Bureau for Legislative Affairs (LEG)	1
Office of General Counsel (GC)	1
Associate Administrator for Finance and and Administration (AA/FA)	1
Assistant Administrator for Operations (AA/OPS)	1
POL/CDIE/DI, Acquisitions	1
FA/MCS	1
FA/FM/FPS	2
IG	1
AIG/A	1
IG/A/PPO	2
IG/A/FA	1
IG/LC	1
IG/I&S	1
IG/RM	12
RIG/As	1