DRAFT - PD-ABJ-259 ISN 92146

Management of Overseas Real Property

A.I.D. needs to enhance its centralized review of its overseas property to maximize its effective use.

EXECUTIVE SUMMARY

As of June 1989, A.I.D. owned 88 office buildings and 81 residences in 26 countries with an appraised value of $23.5 million. A.I.D. also leased 1,429 properties at an annual rental cost of about $27 million. The high cost of providing and maintaining these properties requires constant review to ensure that the Agency keeps these costs at a level that will minimize their effect on an ever-tightening operating expenses budget.

The Office of Programs and Systems Audits in conjunction with the six Regional Offices of the Inspector General undertook a worldwide review of the Agency's management of real property to determine whether the property was being managed in compliance with current policies and procedures and to determine whether those policies and procedures ensured that property held was the minimum required to meet the Agency's objectives.

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As a result of our worldwide review of real property we concluded that the Agency has not provided sufficient central management oversight to maximize economies in the management of real property. The Office of Management Support, the Agency's focal point for centrally managing overseas real property needs to enhance its oversight on real property to ensure that it is managed on a standardized basis and inconformity with sound, prudent practices. The lack of strong centralized direction has led to: (a) an inactive property acquisition program using 636 (c) funds; (b) provision of residences in excess of requirements; (c) lack of control over utility costs; (d) establishment of ineffective interagency housing boards; (e) the inadequate monitorship of contractors housing allowances; (f) poor preparation and execution of leaves; and (g) non-justification of renovation costs.

To alleviate the problems cited with the management of the Agency's real property, A.I.D. should isolate 636 (c) funds from the Operating Expenses allotment to ensure funds are available for appropriate property acquisitions; the Office of Management Support (OMS) should develop an annual program of oversight visits to A.I.D. overseas Missions to evaluate their effectiveness in the management of A.I.D. property; OMS should obtain sufficient feedback from overseas missions to judge mission performance in the provision of residential space and

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in the monitorship of utility costs; OMS should ensure that effective housing boards are established at overseas locations and in their absence, the Agency undertake itself, the functions of the board to see that residences are efficiently provided; and the Office of Financial Management should amend Handbook 19 to provide guidance on the provision of housing allowances to contractors.

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AUDIT OF

THE MANAGEMENT

OF

OVERSEAS REAL PROPERTY

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AUDIT OF THE MANAGEMENT OF

OVERSEAS REAL PROPERTY

PART I - INTRODUCTION

Background

The Agency for International Development occupies office and residential space at various locations overseas. At June 2, 1989, the Agency owned 88 office buildings and 81 residences in 26 countries. These properties had an appraised value of $23.5 million. A.I.D. also leased 1,429 properties at an annual rental cost of about $27 million.

The Office of Management Support (OMS), Bureau for Management, is responsible for evaluating the effectiveness of Mission property management organizations through periodic on-site reviews and analyses. In addition, OMS is charged with providing guidance to Missions and regional organizations overseas on administrative and operational problems regarding real property acquisition, utilization, disposition, construction, renovation and capital improvements.

Real property management overseas is handled by the A.I.D. Missions. Mission executive offices usually are responsible

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for providing office and residential space. Among other things, executive offices oversee the execution of leases, ensure renovation costs are completed according to government regulations and control utility costs.

In conjunction with OMS, executive offices also manage a program for acquiring office and residential space. The program's purpose is to achieve savings in rental costs by acquiring rather than leasing properties. Section 636(c) of the Foreign Assistance Act provides the authority for purchasing such properties.

Uniform State/AID Regulations govern the overseas residential space provided to U.S. Government employees. To ensure the efficient and effective provision of residential space, the Regulations provide for the establishment of rental (now housing) control boards at posts where two or more U.S. government agencies are present. The primary objective of the boards is to ensure leases are negotiated at the most advantageous prices.

Audit Objectives and Scope

This economy and efficiency audit was made by the Office of Programs and Systems Audits (IG/PSA) to determine the adequacy of A.I.D./Washington's management and monitorship of overseas

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real property. The objectives were twofold. The first objective was to evaluate A.I.D./Washington's oversight role in the management of the Agency's real property by A.I.D. overseas Missions. Specifically, how A.I.D./Washington (a) managed the Section 636(c) program, (b) monitored office and residential space, (c) supported the establishment of effective rental control boards, (d) ensured efficient use of utilities, and (e) controlled renovation costs.

The second objective was to consolidate the results of the audit work by the Offices of the Regional Inspector Generals/Audit (RIG/A). Exhibit I lists eleven audits performed by the RIG/As during the period August 1987 to June 1989. The RIG/As concentrated their reviews on ensuring that: (a) residential space was provided in an efficient manner and in compliance with Agency regulations, (b) utility costs were controlled, (c) leasing properties provided better economies than acquisition of properties; (d) advance payments on leases were kept to a minimum, (e) rental payments were made in local currency, and (f) maintenance costs were controlled.

IG/PSA's review was performed in Washington at the Office of Management Support in the Bureau for Management. The audit included interviews with A.I.D. personnel associated with the management of real property and a review of related files. In

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addition to the work performed in Washington, we performed a survey of real property activities at USAID/Peru during June, 1989. Our review in Peru and consultation with RIG/A/Tegucigalpa personnel covered U.S. dollar payments to landlords and the deposit of those funds in United States banks.

This audit was the first worldwide audit performed by the Office of Inspector General on the Agency's real property. The audit work was performed between May and August 1989. The audit was made in accordance with generally accepted government auditing standards.

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AUDIT OF THE MANAGEMENT OF

OVERSEAS REAL PROPERTY

PART II - RESULTS OF AUDIT AND RECOMMENDATIONS

The audit concluded that A.I.D.-owned and leased property overseas was inadequately controlled and managed because no effective oversight mechanism existed to ensure compliance with A.I.D. and Federal property management regulations. The Overseas Management Division was supposed to monitor and manage overseas operations, but the Division, which has limited staff and financial resources, functioned basically as a backstop. Missions operated almost autonomously with reporting to OMS usually directed to seeking approval for decisions already made. The results were unnecessarily higher operating costs, uneven performance by Missions, and numerous cases of noncompliance with governing regulations. Also, Missions did not benefit directly from the centralized direction that could have helped them in important policy matters such as the programs to set aside funds for purchase of residences and offices and lease/purchase arrangements.

The Office of Management Support (OMS) needs to take a more aggressive role in its oversight of overseas real property.

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This conclusion is based on the problems cited with respect to the Section 636(c) program, the provision of residential space, utility costs, housing boards, provision of housing allowances to contractors, lease preparation and execution, and renovation costs. Missions tended to manage properties rather loosely within the framework of centralized directives. Unless OMS assumes a stronger role, the problems cited will continue.

The Office of Management Support Needs to Strengthen Its Oversight of Mission Operations

The Office of Management Support (OMS) is providing insufficient oversight of overseas real property to ensure effective and efficient management. OMS is responsible for designing and implementing Agency-wide management support policies, guidelines and programs as they affect overseas operations. It is supposed to ensure compliance by monitoring and evaluating Mission performance. OMS has placed a low priority for at least the last several years on reviewing the management practices of Missions to avoid adding to the workload of Mission overseas executive offices. OMS has preferred instead to operate merely in a backstop fashion. The limited OMS role has contributed to (a) an underutilized 636(c) program, (b) excessive residential space, (c) a lack of control on utility costs, (d) the lack of effective housing boards, (e) improper management of housing allowances to

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contractors, (f) improper preparation and execution of leases and (g) unauthorized or excessive renovation costs.

Recommendation No. 1

We recommend that the Office of Management Support more aggressively develop the 636(c) fund program for acquiring properties by isolating Operating Expense funds at the beginning of each fiscal year to ensure the authorized $6 million, or an appropriate part thereof, is available as needed.

Recommendation No. 2

We recommend that the Office of Management Support develop an annual oversight program to review overseas Missions' executive office operations including lease preparation practices and controls over renovation costs and to prepare an evaluation report as a record of such review at the completion of the visits.

Recommendation No. 3

We recommend that the Office of Management Support develop a system of reporting to provide sufficient information to judge Mission performance in the provision of residential space and in the monitorship of utility costs.

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Recommendation No. 4

We recommend that where housing boards do not comply with the responsibilities described in Handbook 28, Chapter 5, that the Office of Management Support require Missions to establish practices and procedures to fulfill the intent of such boards in controlling leasing functions.

Recommendation No. 5

We recommend that the Office of Financial Management in conjunction with the Office of Management Support amend Handbook 19 to provide guidance on the preparation of Internal Revenue Service Form 1099 "Miscellaneous Income" for housing costs paid for institutional contractors overseas.

Discussion

The Office of Management Support's (OMS) role is mandated by A.I.D. Handbook 17 Chapter 18. According to this Handbook, OMS is to design, develop, and implement Agency-wide management support policies, guidelines and programs as they affect overseas operations and to establish operating standards and procedures for effective utilization of A.I.D.'s overseas resources. In addition, OMS is responsible for monitoring and evaluating compliance for the acquisition, standardization,

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operation, maintenance and disposal of A.I.D. owned properties. In fiscal year 1989, OMS had three people assigned to oversee the Agency's real property on a worldwide basis. The FY 1990 travel budget for OMS is $15,800, which is basically for conference trips.

The Office of Management Support performed a limited oversight role with respect to the management of overseas real properties. OMS views its role as a backstopping function, providing Missions with advice and guidance as problems arise. OMS does not have a scheduled program to evaluate the effectiveness of overseas Mission management. OMS personnel attributed the lack of an evaluation program to the shortage of staff, limited travel funds, and a low priority given to the program.

The limited Office of Management Support role has contributed to a lack of conformity and a liberal interpretation of A.I.D.'s practices and procedures concerning the management of overseas real property. The review in Washington and at eleven overseas A.I.D. Missions showed that OMS was not able, based on the information provided to it by Missions, to ensure that Mission management practices conformed to Agency guidelines for the acquisition and utilization of real property. As a consequence, the audit disclosed numerous cases of uneconomical overseas operations.

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Seven areas discussed below demonstrate the need for OMS to take a more agressive stance. In none of these matters was there evidence that OMS had been involved to any significant degree in overseeing Mission practices and procedures.

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1. The Section 636(c) Program Should Be Enlarged

Section 636(c) of the Foreign Assistance Act of 1961, as amended, gives A.I.D. the authority to spend up to $6 million annually to renovate, construct or purchase real property facilities. Management of the program resides in the Office of Management Support. OMS is responsible for soliciting proposals from overseas Missions for the use of Section 636(c) funds. OMS, in conjunction with the State Department's Foreign Buildings Office and the Agency's Regional Bureaus, reviews the proposals and either accepts or rejects them based on their merits.

The Section 636(c) program has been underutilized because of the low priority accorded the program in the budget process. During FY 1987 and FY 1988, A.I.D. was authorized to use $12 million for the acquisition and renovation of buildings and residences under its Section 636(c) program. However, only about $770 thousand, or 6 percent, was actually budgeted and used. Funds were used for other operating expenses that had higher priority. Proposals to construct houses in Swaziland and Kenya which could have saved over $1 million over a 15-year period were not consummated because of the lack of funds.

Funding for the Section 636(c) program comes from the annual Operating Expense (OE) appropriation. OE funds are generally

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tight and it is only towards the end of a fiscal year that Financial Management has considered that funds may be freed up for Section 636(c) programs, often too late for overseas Missions to react. Missions are reluctant to prepare proposals for consideration because of their past lack of success in obtaining approval for purchases that eventually would result in cost savings. For example, on February 3, 1989 a worldwide cable was sent by OMS to Missions requesting proposals for the use of Section 636(c) funds. Proposals for FY 1989 were to be received by March 31, 1989, but none were received.

According to OMS, 636(c) property purchases offer a significant economic payoff in the long run. This is particularly true in countries where the monthly rental rates for suitable office buildings and residences are exorbitant. OMS studies indicate that potential 636(c) acquisitions could be amortized in seven or less years. These property acquisitions could, after about seven years, eliminate OE funds spent to cover annual leases.

The results of our reviews in Swaziland, Lesotho, and Kenya indicate that OMS is correct in promoting the Section 636(c) program because millions of dollars can be saved over the near term.

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- In Swaziland, the Mission requested permission from AID/Washington in 1986 to construct two houses on land it had acquired. The request was denied due to a lack of funds. It was estimated that the Mission could have saved about $630,000 over a 15-year period by constructing the two houses. The current rental cost for two houses is approximately $20,000.

- In Lesotho, based on an acquisition cost of $82,000, an annual rental cost of $12,000 and an annual inflation rate of 11.6 percent, the Mission could save $360,000 over a 15-year period for each new house acquired. Mission management, however, stated that it was unrealistic to expect to get Section 636(c) funds.

- In Kenya, based on an estimate of $184,000 for purchasing a standard sized four-bedroom executive house, $19,000 in annual rental payments, and a 10.7 percent annual inflation rate in leasing costs, A.I.D. could recoup its outlay in seven years and over a 15-year period would save about $470,000 per residence purchased. USAID/Kenya presently rents about 71 residences.

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2. Control Over Residential Space Should be Improved

OMS does not have complete information on the square footage of residential space provided to overseas A.I.D. employees and contractors. Without complete information, OMS has no way to judge whether Missions are complying with Department of State Airgram A-1093, dated March 27, 1979 which establishes the Foreign Affairs Agencies' Housing Policy and Standards. Reviews of residential space provided to A.I.D. employees and contractors in Thailand, the Philippines and Indonesia showed that the space significantly exceeded housing policy standards. Overhousing generally means higher rental costs. In addition, Missions in Egypt and Peru had not measured the sizes of most of its leased apartments and thus did not know whether square footage standards were met.

Noncompliance with housing space standards is illustrated by the following examples of excess residential space provided by A.I.D. Missions.

- In Thailand, 25 of the 30 residences exceeded the space limitations by more than 10 percent. Twelve of the residences exceeded the authorized space by 50 to 91 percent.

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- In the Philippines, 32 of the 63 residences exceeded the limitations by more than 10 percent. Fourteen of the residences exceeded the authorized space by 50 to 172 percent.

- In Indonesia, 19 of the 66 residences exceeded the space limitations by more than 10 percent. Four of the residences exceeded the authorized space by 50 to 67 percent.

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3. Utility Costs Need to Be Better Controlled

Part of the Office of Management Support's responsibility for evaluating the effectiveness of Mission organizations should be to determine the effectiveness of procedures for ensuring that costs are reasonable. A.I.D. Handbook 23, Appendix 5A Section 716.1 (a) requires that Missions hold utility costs to a reasonable level. OMS does not receive any information on utility costs from Missions. Thus, it cannot determine whether Missions are monitoring this area.

There was clear evidence from the audits made in the Ivory Coast, Indonesia, Belize, Thailand, Philippines, and Pakistan that controls over electricity costs at A.I.D. residential properties needed improvement.

A sample of electricity costs showed that:

- In the Ivory Coast, a single employee living in a 1,653 square foot house had monthly electricity bills averaging $1,456. This cost was more than 50 percent higher than the $652, $745 and $837 costs for three similarly sized houses occupied by two and three person households. For one year the difference is about $8,532 more than the average of the similarly sized houses.

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- In Indonesia, electricity costs among families of the same size varied by as much as 324 percent over a one-year period (from $883 per annum for a 1,750 square foot residence to $2,858 per annum for a 1,147 square foot residence).

- In Belize, annual electricity consumption for A.I.D. leased properties more than doubled from 298,701 kilowatts in 1985 to 642,806 kilowatts in 1988 (115 percent increase). Similarly, costs increased by about 107 percent, from $63,681 per year to $131,591 per year over the same period.

- In Thailand, electricity costs among families of the same size varied by as much as 276 percent during fiscal year 1988 (from $1,380 per annum for a 2,180 square foot residence to $3,804 per annum for a 1,068 square foot residence). The auditors estimated that USAID/Thailand, by reducing electrical costs for only the four major consumers by 20 percent, could save $3,000 per year. An electricity conservation program for all Mission households could have an even greater impact.

- USAID/Philippines procured $11,116 in electricity saving equipment, but the equipment had not been installed in Mission residences. The Mission estimated that installation of this equipment would reduce electricity

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consumption by 10 to 20 percent. Electricity payments in FY 1988 amounted to $189,000. A 10 to 20 percent reduction in electricity consumption would represent a savings of $18,900 to $37,800 per annum.

- In Pakistan, the Mission was not monitoring residential utility costs to identify temperature control problems or excessive use by the occupants. The auditors estimated that $65,000 could be saved by effectively monitoring utility costs.

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4. <u>Procedures Should Be Established to Ensure Compliance With Housing Board Functions</u>

According to the Uniform State/AID/Regulations 6 FDM 700 "Office and Residential/Quarters Abroad" (A.I.D. Handbook 23, Chapter 5), a rental control board, which is now entitled housing board shall be established at each overseas post where two or more U.S. Government agencies are leasing short-term residential or functional space. The board should be composed of a senior official from each agency and representatives from private sector and international agencies which the U.S. Government is affiliated.

The functions of the board should include: (1) eliminating competitive bidding among Americans, (2) equating the level of rental rates to the quality of functional and residential space secured, (3) insuring the use of local currency, except in rare and fully justifiable cases, (4) conducting periodic surveys to justify and recommend updating of quarters allowances as necessary to keep pace with current rental rates at post, and (5) justifying and recommending Government leasing when it is demonstrated to be more advantageous to the U.S. Government.

Housing boards in which A.I.D. participated, were established at overseas Missions, but these boards were not effectively controlling rental rates or payments. Housing board functions

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usually were limited to assigning personnel to quarters and to acting as a sounding board for employee housing complaints.

In the absence of effective housing boards, Missions should have practices and procedures that meet the intent of such board's responsibilities. In Egypt, however, the housing board had not (a) formulated restrictions or limitations on the leasing of quarters, as a necessary and appropriate means to curb rental increases, (b) maximized the use of local currency or (c) equated the rents paid to the quality of space secured.

In the Ivory Coast, where a housing board existed, market surveys of available properties had not been performed. This condition existed despite the fact that Americans reportedly paid, on average, 30 percent higher rentals than other foreign missions in the Ivory Coast. Embassy officials acknowledged the usefulness of market information and said they would consider obtaining it through market surveys and discussions with real estate agents and other embassies.

In Peru, the appointed housing board also was not performing market surveys. On an annual basis, the board reviewed rental and utility payments made by employees with employees' quarters allowances. If the employees were not out-of-pocket, the quarters allowance remained the same. If the employees were out-of-pocket, the board recommended an increase in the

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quarters allowance. There was no attempt to survey available residences to develop a "going rate" for rentals.

Other problem areas could have been eliminated or alleviated by the presence of well-managed housing boards.

- There was no standard approach to providing rental advances. Under A.I.D. guidelines, advances were to be paid to landlords only when they were necessary for the execution of the lease. Despite this restriction, advances were commonly given to landlords without justification. In addition, advances were given in excess of the 18-month limitation. For example, in Indonesia, 8 advances paid in FY 1987 and 19 during FY 1988 exceeded the Agency time limitations. Also, provisions of advances should demonstrate that material and tangible benefits are accruing to A.I.D. such as a discount equivalent to the prevailing interest rate. Nevertheless, 63 leases in Egypt and 13 leases in the Ivory Coast were negotiated with 12-month advances without any evidence of the accrual of tangible benefits.

- Leases in Egypt and the Ivory Coast probably were negotiated for rental rates higher than market levels. USAID/Egypt was leasing two apartment units at a dollar cost of $20,400 and $22,000, while a local American school

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was leasing similar space for about $5,200. In the Ivory Coast,an A.I.D. official was advised by an administrative officer of another embassy that rentals paid by Americans were on the average 30 percent higher or about $330 more per month than the going rate for other foreign missions in Abidjan.

- No standards apparently were in place governing the use of dollars to pay landlords. Although Missions are required to justify dollar payments as necessary for the execution of the lease, many Missions paid dollars to landlords without justification. Due to the various exchange rates used in Egypt, the conversion of 37 leases renegotiated in dollars, cost an additional 23 percent ($141,000) in the year of conversion and an additional 312 percent ($515,000) in 1987.

- In Peru and Honduras, landlords were paid in U.S. dollars rather than local currency. We noted numerous payments to bank accounts in the United States. This practice appears to contradict the basic A.I.D. interest in conserving hard currency within these countries.

- Limitations on annual rents were being exceeded. A.I.D. regulations require that leases with annual costs in excess of $25,000 be approved by A.I.D./Washington. In Indonesia, the Mission paid $18,200 beyond the regulatory limit to lease four Mission residences without the required approvals.

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5. <u>Housing Allowances Paid to Contractors Must Be Reported</u>

According to Internal Revenue Code, Section 911, institutional contractors while living and working overseas are entitled, under certain circumstances, to exclude up to $70,000 of their income from Federal Income Taxes. However, in exchange for this benefit they are not entitled to Internal Revenue Code, Section 912 benefits which allow U.S. government employees and U.S. personal service contractors to exclude housing allowances and other payments such as for electricity, water and gas from reportable income. A.I.D. Handbook regulations are currently silent on the need for the issuance of IRS Form 1099 for contract personnel. The Form 1099 quantifies the value of government-provided benefits.

In Belize, 18 institutional contractors had lived or were presently living in government leased housing with furnished utilities, but had not been issued IRS Forms 1099, Miscellaneous Income. USAID/Belize should have completed this form identifying the value of the benefits provided every calendar year and submitted them to the Internal Revenue Service. It was not clear from the record why the Missions in Belize and Pakistan (below) found it necessary or desirable to lease residences for contractors. Justifications were not provided OMS nor did OMS know how many such residences were

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actually being leased without proper reporting to the Internal Revenue Service.

Of the 212 properties leased by USAID/Pakistan, about 84 properties were leased for contract personnel. USAID/Pakistan had not filed IRS Form 1099 forms for the contract personnel. Implementing the requirement for filing the IRS Form 1099 at all applicable A.I.D. locations would cause the U.S. Government to recoup hundreds of thousands of dollars in tax revenues....

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6. Leases Should Be Properly Prepared and Executed

A.I.D. Handbook 23 provides guidance on the preparation of leases. Despite the guidance provided, we noted areas of weaknesses in the execution of leases. For example, in Swaziland, nine of the 12 residential leases did not specify the rental rates during the renewal periods and/or contain caps on rental increases upon renewal. As a result, increased rental costs were substantial when some agreements are renewed. In one lease, USAID/Swaziland experienced a 74 percent increase in the annual rent.

In Lesotho, although A.I.D. regulations required Missions to register lease agreements where host country governments provided registration systems, the Mission did not register its leases. Failure to register leases could cost the Mission up to $87,000 in increased rental costs.

In the Ivory Coast, A.I.D. occupied two residences which had not signed leases. Without a lease, A.I.D. is vulnerable to potential losses and other problems.

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7. Renovation Costs Should Be Authorized Before Implementation

A.I.D. Handbook 23, Appendix 5A, Sections 754(a) and (b) state that Missions should prepare justifications for renovations to government-owned property that exceed $1,500. Nevertheless, USAID/Indonesia, for example, made extensive renovations to two properties without preparing the required justifications. Renovations to a three-bedroom house totaled $25,170. Work included: lowering the ceiling; remodeling the kitchen and two bathrooms; retiling the floor in the master bedroom; repairing the front and back porches; and repainting the interior and exterior. The renovations on another four-bedroom house cost $24,900 and included: replacing the roof, lowering the ceiling; upgrading the electrical system; and painting the interior and exterior of the house. Economic feasibility of the renovations was not assessed and OMS approvals were not obtained in advance of the work.

USAID/Philippines spent $8,560 beyond the Agency dollar limitation to prepare eight leased residences for occupancy. USAID/Philippines stated that the $1,500 limitation was unrealistic considering the cost of construction and cleaning materials in Manila. However, the Mission had not systematically assessed housing preparation costs to justify waiving the $1,500 limitation.

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AUDIT OF THE MANAGEMENT OF OVERSEAS REAL PROPERTY

LIST OF REAL PROPERTY AUDITS PERFORMED BY REGIONAL INSPECTOR GENERALS FOR AUDIT (RIG/A)

RIG/A OFFICE	MISSION AUDITED	AUDIT REPORT NO.	PERIOD OF AUDIT	AUDIT PERIOD COVERED	FINDINGS
CAIRO	USAID/EGYPT	6-263-88-7	08/87 - 05/88	10/86 - 05/88	1. USAID/Egypt's Residential Leasing Program Needs To Be Managed More Effectively. 2. Residential Lease Costs Had Not Been Effectively Controlled.
DAKAR	REGIONAL ECONOMIC DEVELOPMENT OFFICE/ WEST and CENTRAL AFRICA, REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE	TO BE ISSUED	01/89 - 03/89	09/87 - 02/89	1. The Cost of Leased Housing Can Be Minimized By Applying Accepted Business Practices. 2. Stronger Controls Are Needed Over Payments and Receipts. 3. Need to Monitor Electricity Costs.

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RIG/A OFFICE	MISSION AUDITED	AUDIT REPORT NO.	PERIOD OF AUDIT	AUDIT PERIOD COVERED	FINDINGS
MANILA	USAID/INDONESIA	2-497-89-11	11/88	07/88 - 09/88	1. One-Fourth of Mission Residences Significantly [illegible] Washington Approvals. 2. Residential Electricity Costs Could Be Reduced Through the Adoption of an Electricity Conservation Program. 3. Annual Lease Payments for Four Mission Residences Exceeded The Agency Dollar Limitation. 4. Advance Lease Payments Exceeded Agency Time Limitations. 5. USAID/Indonesia Did Not Determine the Economic Benefit Before Renovating Three Government-owned Houses.

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LIST OF REAL PROPERTY AUDITS PERFORMED BY REGIONAL INSPECTOR GENERALS FOR AUDIT (RIG/A

RIG/A OFFICE	MISSION AUDITED	AUDIT REPORT NO.	PERIOD OF AUDIT	AUDIT PERIOD COVERED	FINDINGS
	USAID/PHILIPPINES	2-492-89-12	10/88 - 11/88	10/86 - 09/88	1. Half of Occupied Residences Significantly Exceeded Space Limitations Without Written Justifications and A.I.D./ Washington Approvals 2. The Maintenance Contract for Mission Housing Was Unsuited to Mission Needs. 3. Costs of Preparing Eight Mission Residences for Occupancy Exceeded the Agency Dollar Limitations. 4. A Prior Audit Recommendation Concerning the Mission's Electricity Concervation Program Had Not Been Fully Implemented.
	USAID/THAILAND	2-492-89-13	04/89	10/87 - 09/88	1. Most Mission Residences Significantly Exceeded Space Limitations Without Required Justifications and Approvals.

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LIST OF REAL PROPERTY AUDITS PERFORMED BY REGIONAL INSPECTOR GENERALS FOR AUDIT (RIG/A)

RIG/A OFFICE	MISSION AUDITED	AUDIT REPORT NO.	PERIOD OF AUDIT	AUDIT PERIOD COVERED	FINDINGS
					2. More Stringent Concervation Measures May Be Required To Achieve Reductions in Residential Electricity Costs.
NAIROBI	USAID/KENYA	3-615-89-14	01/89 - 03/89	10/87 - 09/88	1. USAID/Kenya Could Save On Operating Expense Funds By Acquiring Residential Housing.
	USAID/LESOTHO	3-632-89-08	10/88 - 11/88	02/76 - 09/88	1. Lease Agreements Were Not Registered.
					2. USAID/Lesotho Could Save On Operating Expense Funds by Acquiring More Residential Housing.
	USAID/SWAZILAND	3-645-89-12	09/88 - 11/88	01/75 - 09/88	1. USAID/Swaziland Could Save On Operating Expense Funds By Acquiring Additional Residential Houses.

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RIG/A OFFICE	MISSION AUDITED	AUDIT REPORT NO.	PERIOD OF AUDIT	AUDIT PERIOD COVERED	FINDINGS
SINGAPORE	USAID/PAKISTAN	TO BE ISSUED	05/89 - 06/89	09/87 - 03/89	1. USAID/Pakistan Should Establish Guidelines for its Housing Policies and Measures. 2. USAID/Pakistan Needs to Establish Systems to Monitor Utility and Maintenance Costs. 3. USAID/Pakistan's Policy for Providing Residential Furnishings Needs to be Revised to Comply With A.I.D. Regulations. 4. USAID/Pakistan Needs to Control the Release of Advance Rent Payment Checks.
TEGUCIGALPA	USAID/BELIZE	1-505-89-30	06/19-30/89	01/83 - 06/89	1. Lease Versus Purchase Analysis Needed To Be Performed for at Least Two Properties.

AUDIT OF THE MANAGEMENT OF
OVERSEAS REAL PROPERTY

LIST OF REAL PROPERTY AUDITS PERFORMED BY REGIONAL INSPECTOR GENERALS FOR AUDIT (RIG/A)

RIG/A OFFICE	MISSION AUDITED	AUDIT REPORT NO.	PERIOD OF AUDIT	AUDIT PERIOD COVERED	FINDINGS
					2. An Electricity Conservation Program May Help Reduce Electricity Costs on Government Residences.
	Regional Development Office/Caribbean	TO BE ISSUED	04/89 - 06/89	01/84 - 06/89	1. The United States Government Was Inappropriately Incurring Swimming Pool Maintenance Costs.
					2. Inappropriate Reimbursements Made to A.I.D. Employees for Gardening Services in Grenada Have Not Been Resolved.

- PD-ABJ-259
ISN 90146

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

October 30, 1989

MEMORANDUM FOR AA/PFM, Robert Halligan

From: IG/PSA, Mervin F. Boyer, Jr.

SUBJECT: Draft Audit Report on the "Management of Overseas Real Property"

The subject report is a result of our review of overseas real property. The audit work was principally performed at the Office of Management Support and at twelve overseas posts. During the course of our audit, we determined that the A.I.D. Controllers were not issuing Internal Revenue Forms 1099, Miscellaneous Income to contractors receiving U.S. Government housing allowances. This omission was observed in Belize and Pakistan. Recommendation No. 5 of the subject report requires the Office of Financial Management to take action on this matter.

Recommendation No. 1 states that the Office of Management Support should more aggressively develop the Section 636(c) program for acquiring or renovating real properties by setting aside Operating Expense funds. Since the Controller's office is involved with the budget allocation decisions, your office may want to comment on this finding and recommendation.

In order to finalize our report, please provide us with any comments you may have on these subjects, no later than November 9, 1989.

We appreciate your efforts in helping us to finalize the report.

Attachment
  Draft Audit Report

cc: IG, Herbert L. Beckington, w/Atch
    D/IG, James B. Durnil, w/Atch
    IG/PPO, E. John Eckman, w/Atch
    C/AID, Alexander R. Love, w/Atch