

# USAID

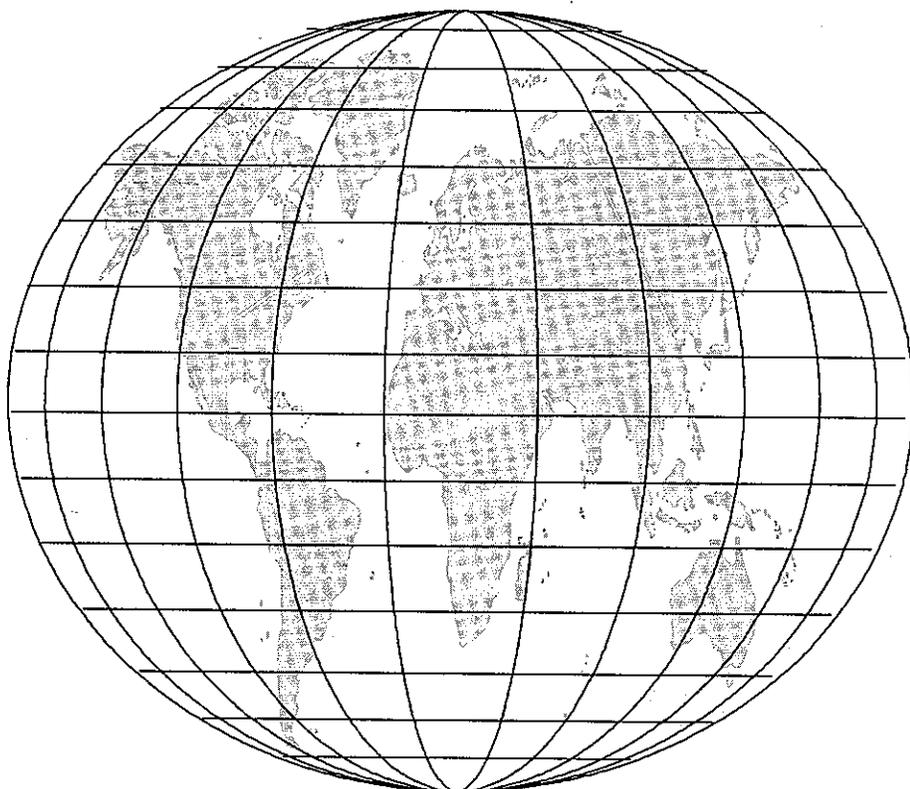
- PD-ABU-117 -

## OFFICE OF INSPECTOR GENERAL

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### FIVE YEAR PLAN

*For Fiscal Years 1997 - 2001*



**U.S. Agency for  
International Development**

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## MISSION

To promote and preserve  
the effectiveness, integrity,  
efficiency, and security  
of the  
U.S. Agency for International  
Development



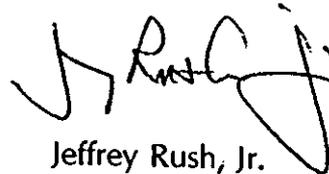
## FOREWORD

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This document sets forth the USAID Office of Inspector General's (OIG's) long-range plan. The purpose of this document is to articulate the OIG's goals, objectives, and internal responsibilities as well as the framework for conducting audit, investigative, and security work in a changing USAID. This document defines a strategy for the five-year period through the year 2001, but recognizes that strategic planning is a dynamic process requiring periodic assessment of performance and consideration of new Agency activities, initiatives, and priorities. Through these periodic assessments the OIG will be continually revising and maintaining an appropriate, current long-range strategy.

Strategic planning allows organizations to adapt to a constantly changing world. Just as Agency management is adapting its strategy to reflect the effects of such factors as the end of the cold war, new legislation, and the National Performance Review's recommendations, the OIG has applied recent changes affecting our organization in this document. In addition to considering the Agency's new program priorities, this document includes key elements of our Business Strategy and Information Strategic Plan that clearly establish the vision, mission, goals, and performance measures for the Office of Inspector General.

In summary, this document outlines broad strategies for planning and conducting OIG business for the next five years and identifies the significant activities and programs in USAID that will require OIG attention.



Jeffrey Rush, Jr.  
Inspector General

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U.S. Agency for  
International Development

Office of Inspector General

# Five Year Plan

for Fiscal Years 1997 to 2001

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## GLOSSARY

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AWACS	AID Worldwide Accounting and Control System
CFO	Chief Financial Officer
ENI	Bureau for Europe and the Newly Independent States
EO	Executive Order
FAM	Foreign Affairs Manual
FM	USAID Financial Management Division
GMRA	Government Management and Reform Act
GPRA	Government Performance and Results Act
OIG/A	Assistant Inspector General for Audit
OIG/SEC	Assistant Inspector General for Security
OIG/I	Assistant Inspector General for Investigations
LAC	Bureau for Latin America and the Caribbean
NGO	Non Governmental Organization
NMS	New Management System
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSCAR	Office of Security Combined Automated Records
PSC	Personal Services Contractor
PVO	Private Voluntary Organization
QAR	Quality Assurance Review
QCR	Quality Control Review
USAID	U.S. Agency for International Development
USAID/W	USAID Washington, DC Offices
USDH	U.S. Direct Hire Employee

## ***INTRODUCTION***

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### **Long Range Planning**

Long range planning provides an organization with the opportunity to clearly establish how it will operate for an extended period of time. This approach is not only an effective and more efficient way to operate, it also prepares an organization to be more responsive to a changing environment.

Long range planning requires an organization to clearly state its mission as well as its goals and objectives for carrying out operations. Long range plans should also outline environmental factors—assumptions—which will impact implementation of the plan. The plan presented on the following pages is our vision of the work the USAID Office of Inspector General (OIG) will be doing for the next five years.

### **Authority and Responsibility**

The USAID Office of Inspector General was established on December 16, 1980 by Public Law 96-533 which amended the Foreign Assistance Act of 1961. On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981, bringing the USAID Inspector General under the purview of the Inspector General Act of 1978.

The USAID Inspector General heads an organization responsible for audit, investigation, and security relating to USAID's programs and operations. The OIG is authorized by statute to also provide services to the Overseas Private Investment Corporation and the International Development Cooperation Agency.

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

The Office of Inspector General has four major elements, each headed by an Assistant Inspector General: Audit, Investigations, Security, and Legal Counsel and Management.

### **Mission Areas**

Audit: The Assistant Inspector General for Audit is responsible for supervising the performance of audit activities relating to USAID's worldwide foreign assistance programs and Agency operations. Audit activities include performance audits of USAID programs and management systems, financial statement audits of selected USAID accounts as required

under the Government Management Reform Act (GMRA), and financial audits of grantees and contractors.

Investigations: The Assistant Inspector General for Investigations has responsibility for supervising the performance of investigative activities relating to USAID foreign assistance programs and Agency operations. The Assistant Inspector General for Investigations also operates the USAID Inspector General Hotline. Investigations of criminal, civil, and administrative violations cover USAID's worldwide operations.

Security: The Assistant Inspector General for Security is responsible for supervising the performance of security activities relating to USAID programs and activities. These programs include physical security of USAID employees and facilities, personal security investigations, information security, and inspection/assistance activities.

Legal Counsel and Management: Legal Counsel and the Assistant Inspector General for Management provide advice and guidance to the Inspector General and the Assistant Inspectors General on legal, administrative, financial, and personnel matters. The Assistant Inspector General for Management is directly responsible for implementing and administering personnel, budgetary, contract, logistic, information resource management, and administrative activities for the OIG's Washington, D.C. offices and the overseas regional offices.

## **ENVIRONMENTAL FACTORS**

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The success of five-year planning depends a great deal on assumptions about the environment within which an organization operates. Those assumptions will be tested and revised or discarded as necessary and new assumptions will be introduced. The following pages discuss from a Fiscal Year 1996 perspective the essential assumptions that we are making about USAID and the OIG.

**USAID will be smaller:** Not long ago, USAID had a presence in over 120 countries and missions in more than 70 countries. The Administrator has stated that by the year 2000, USAID activities will be carried out in approximately 75 countries with about 30 full sustainable development missions and ten small, non-traditional offices (transition missions). The rest will have to be terminated, graduated, or transformed into limited programs managed by non-governmental organizations (NGOs) and private sector resources. USAID activities, especially in the Africa (AFR) and Latin America and Caribbean (LAC) Bureaus, will likely experience substantial decreases in funding and personnel. Activities in the Europe and New Independent States (ENI) region are already scheduled for completion shortly after the turn of the century.

**USAID systems will change:** USAID's new management systems (NMS) are being designed to improve budgeting, procurement, contracting, and other processes at the top, while decentralizing policy and implementation decisions to field units. These systems will be implemented at the top to enhance management oversight and, at the same time, allow for decentralizing program policy and implementation processes.

**USAID activities will be vulnerable:** When USAID expands, contracts, changes direction, or develops and undertakes new and innovative activities, different types of vulnerabilities must be recognized.

**Reduced Staffing Levels:** The Agency is already reducing the level of oversight provided by U.S. direct hire (USDH) career employees and increasingly is relying more on outside contractors, private voluntary organizations (PVOs) and NGOs, U.S. personal service contractors (PSCs), and foreign service nationals (FSN) to make decisions and provide supervision over USAID activities. This trend will likely continue. Experience has shown that reduced USDH presence will increase vulnerabilities and the likelihood that fraud and abuse go undetected or unreported.

**Program Direction:** USAID anticipates moving to fewer bilateral missions, managing more activities from regional or centralized offices, reducing USDH and FSN staffing, and increasing reliance on PVO and NGOs. USAID activities have been especially vulnerable during periods of rapid change in direction, i.e., when opening or closing overseas missions.

(a) When USAID opens new activities in new areas, program design is often innovative and different (e.g., programs in ENI have little resemblance to those in LAC). USDH and USPSC employees are new to the area and FSN employees are largely untrained in USAID procedures and generally inexperienced with U.S. business practices. Further, oversight and controls are often spotty and adherence to policies and procedures often takes second place to getting the program off the ground and running. During these initial set-up phases, OIG needs to work closely with USAID to ensure that risks are recognized and program designs address potential steps to reduce vulnerabilities.

(b) When we phase out programs, there can be increased reliance on non-USDH employees. During this "phase out" period, programs may be more vulnerable to fraud and abuse. This increases vulnerability. Moreover, because indicators of financial irregularities often surface some time later, often months after transactions are in the pipeline or after activities are completed, the closing of missions does not immediately decrease the need for audit oversight or investigative vigilance. Often the reverse is true and a closing activity presents increased need for OIG attention and response.

**OIG will change in size and locations:** We anticipate that, as long as USAID remains a development agency with significant numbers of personnel, decision-making, and oversight resources in overseas locations, a number (although a decreasing proportion) of our audit and investigative resources will be located with the Agency overseas to respond to USAID's needs.

**Staff Size:** We anticipate modest reductions in OIG staffing.

**Location:** Traditionally, a large proportion of our audit and investigative staff has been stationed overseas. In FY 1995 we reorganized, relocated OIG/I supervisory staff to Washington, and reduced our overseas audit and investigative positions. We will continue to evaluate the placement of our staff in response to budgetary concerns as well as the Agency's reduced number of missions and personnel overseas.

**Training:** We recognize that changes currently underway in both USAID and OIG management systems, as well as unanticipated systems advances likely to occur in the future, will require a continuing commitment to developing job skills and training opportunities for all employees.

**Budgetary levels:** We do not anticipate substantial budget increases. Budgets may increase in modest amounts, be straight-line, or slightly decrease for the next five years.

The following table illustrates prospective staff that will be available to implement strategies and plans over the next five years.

Office of Inspector General Resources

Fiscal Year	1997	1998	1999	2000	2001
IG	6	6	6	6	6
Audit	127	126	122	122	122
Investigation	30	30	29	29	29
Security	35	35	34	34	34
Legal Counsel and Management	32	32	31	31	31
Total	230	229	222	222	222

## **MISSION, GOALS, PERFORMANCE MEASURES, AND OBJECTIVES**

### **The OIG Mission and Principles**

**The mission of the Office of Inspector General is to promote and preserve the effectiveness, integrity, efficiency, and security of the U.S. Agency of International Development.**

In accomplishing our mission, the OIG Team will show commitment to:

**Partnership** by striving to understand development; work with USAID to promote development; understand the entire OIG program and its impact on development; help management find solutions to problems; and remember that our success is measured by the success of our colleagues and partners.

**Integrity** by striving to display character, decency, and honor in everything we do; work openly and fairly with our colleagues and partners; acknowledge what works and what doesn't; show respect for one another; maintain quiet independence to ensure objectivity and impartiality; and accept responsibility for our own actions.

**Excellence** by striving to produce work that has distinction, merit, quality, and impact; work efficiently with highly trained people who enjoy equal opportunities to excel; deliver products which are accurate, timely, complete, concise, and meaningful; and present work in a way which is most useful to responsible officials.

### **Goals and Performance Measures**

The goals of the OIG are defined by our Strategic Framework and are related directly to the statements on Mission and Principles. Each goal, articulated below, has accompanying performance measures that describe what we expect to accomplish. This concept of goals and related performance measures is what drives the specific work to be accomplished during the next five years. That work is detailed later in this document in the section on implementing annual plans.

Performance measures for goals are a means to assess the long-term OIG impact on USAID operations. It is obviously a very difficult task to measure OIG impact—especially since we have no line authority over USAID management. However, it is essential that we be in a position to demonstrate that we are successfully carrying out our legislative mandate and our mission in partnership with USAID management.

Since our legislative mandate, as reflected in our Mission Statement, is to promote and preserve USAID's effectiveness, integrity, efficiency and security, our challenge is to show, over a long period of time, whether USAID is improving or declining in these areas.

Historically, the OIG community has focused on performance measures such as the number or amount of increased efficiencies, amount of funds recovered, number of cases successfully prosecuted, or number of security investigations completed. The following goals and performance measures include the concept of these traditional measures but also add balance by showing USAID's progress or lack thereof in reaching positive goals which flow from our Mission Statement and the IG Act.

## **GOAL**

The OIG and USAID management will work as partners to promote and preserve USAID's effectiveness.

**Measures:** The OIG and USAID management contribute to USAID's effectiveness as demonstrated by the extent that USAID:

- has measurable performance targets;
- has adequate systems which report performance;
- achieves or is on schedule to achieve performance targets;
- changes strategies when performance targets are not met; and
- makes positive, systemic operational changes in the way it does business as a result of investigative efforts.

### ***Objectives and Work in Support of the Effectiveness Goal***

**Audit** will perform program audits of USAID's five strategic goals over a multi-year period that will determine whether USAID/W and mission activities (1) have adequate performance targets, (2) have adequate reporting systems on results, (3) achieve their targeted results, and (4) change strategies when planned results are not achieved. We will also perform audits of USAID's New Management Systems. The measures described above also tie in with audit work that we will do on USAID's implementation of the Government Performance and Results Act (GPRA) and the Agency's "management for results" system.

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## **GOAL**

The OIG and USAID management will work as partners to promote and preserve USAID's *integrity*.

**Measures:** The OIG and USAID management contribute to USAID's integrity as demonstrated by the extent that USAID:

- has personnel whose integrity has been favorably assessed in accordance with National Policy;
- has personnel cleared for access to Classified National Security Information whose integrity has been favorably reassessed in accordance with National Standards;
- has zero instances of espionage or deliberate compromises of National Security Information;
- has accurate and reliable financial systems, files and records and available underlying supporting evidence;
- identifies and resolves material internal control weaknesses in financial management practices;
- identifies and resolves instances of noncompliance with applicable laws and regulations;
- identifies funds owed to USAID and ensures payment of debts owed by USAID;
- makes measurable progress toward reliable financial reporting by both USAID and its external recipients;
- has employees, foreign service nationals, and contractors with sufficient knowledge to identify possible integrity problems in USAID programs or operations;
- has employees, foreign service nationals, and contractors who identify integrity problems on a timely basis and take steps to address them; and
- takes appropriate action based on the investigative findings.

***Objectives and Work in Support of the Integrity Goal***

**Audit** will perform audits in compliance with the Chief Financial Officers (CFO) and Government Management and Reform (GMRA) Acts supplemented by audits of contractors and grantees (U.S. and foreign based).

**Investigations** will gather evidence regarding allegations of fraud and misconduct and provide that evidence to Agency decision makers and the Department of Justice, where appropriate.

**Security** will provide Agency personnel with security training and conduct background investigations of new and continuing employees.

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## **GOAL**

The OIG and USAID management will work as partners to promote and preserve  
USAID's efficiency

**Measures:** The OIG and USAID management contribute to USAID's efficiency as demonstrated by the extent that USAID:

- links costs to results;
- has systems which accurately report costs and results;
- has demonstrated success in decreasing costs relative to results; and
- changes strategies when results diminish relative to costs.

***Objectives and Work in Support of the Efficiency Goal:***

**Audit** will perform reviews that relate to USAID's efficiency. These audits will come from our performance audit program. These audits will cover program areas and operating expenses with a focus on USAID delivering effective foreign assistance at the least cost possible.

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## GOAL

The OIG and USAID management will work as partners to promote and preserve USAID's security.

**Measures:** The OIG and USAID management contribute to USAID's security as demonstrated by the extent that USAID:

- has personnel who protect, handle, transmit and store Classified National Security Information in accordance with National Policy.
- has facilities which meet physical security standards for operations overseas and in the United States;
- has zero unauthorized penetrations of property installed with physical security systems; and
- has zero successful attacks against personnel or property under the security cognizance of USAID.

### ***Objectives and Work in Support of the Security Goal:***

**Security** will be working with the agency in the areas of information security, office security, residential security (overseas), and armored vehicles. Programs will include security education, assisting in the relocation of USAID Washington offices, and ensuring protection for USAID personnel and property overseas.

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## ***IMPLEMENTING THE ANNUAL PLANS— Work from 1997 to 2001***

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Each year, the OIG develops and publishes a plan of the work it expects to accomplish during the fiscal year. These annual plans detail the specific work for the major mission areas—audit, investigations, and security. That work is designed to be consistent with the mission, goals, and objectives outlined in this strategic plan. In the following sections, we present our vision for program coverage that the Assistant Inspectors General believe will be essential to fulfilling the OIG mission.

### **Audit**

The audit goal is to help USAID implement its strategies for sustainable development and provide Agency managers with information and recommendations that improve the performance of the programs and operations. In preparing a five-year audit strategy, our purpose is to provide a planning framework within which all Agency programs and functions can be considered for audit. The complexity of programs and functions in this Agency demand that our staffing resources are targeted at those high risk programs and functions most vulnerable and in need of assistance. The following areas will receive audit coverage in each of the next five years:

- USAID's five strategic goals;
- Chief Financial Officers Act, Government Management Reform Act, and other financial audit requirements;
- Government Performance and Results Act requirements; and
- USAID's New Management System.

In addition to these areas, we will be providing audit support for USAID operations in areas such as budgeting, financial management, operating expenses, and property management. In the sections that follow we will describe the primary areas where we expect to focus our audit efforts and outline general audit approaches.

### **Auditing USAID's Strategic Goals**

In March 1994, the Administrator published *Strategies for Sustainable Development* which redefined the USAID mission and created a plan to achieve it. That document presented USAID's vision for a reengineered foreign aid program to be achieved through broad strategies that the Agency feels will more appropriately focus on development problems.

USAID believes that the key to development is broad-based economic growth which is sustained by parallel progress in democratic reforms, environmental stewardship, and manageable population growth. In addition, USAID has an over-riding concern for humanitarian assistance in the event of unanticipated disasters or civil conflicts.

USAID plans to employ various operational methods in its development efforts: support for sustainable and participatory development, an emphasis on partnerships, and the use of integrated approaches to promoting development. USAID will concentrate its resources in three types of countries: those where USAID can provide an integrated package of development, those that have experienced a recent national crisis, and finally those where aid to the non-governmental sector may facilitate development. The success of foreign assistance is measured by its impact upon developing nations. USAID will measure its results by asking whether projects and programs achieved predefined, measurable objectives.

USAID's strategic goals, as described in *Strategies for Sustainable Development*, are:

- encouraging broad-based economic growth;
- building democracy;
- protecting the environment;
- stabilizing world population and protecting human health; and
- providing humanitarian assistance and aiding post-crisis transition.

In evaluating USAID's strategic goals, our focus will be less on compliance and more on the validity of data and on development of alternatives for achieving better results. We will implement our audits of USAID's strategic goals in a phased approach that will include a transition from the current 12 programs to the five USAID strategic goals, an initial focus on Agency measurement systems and reporting, and finally, review of the Agency's implementation of its strategic goals and the results of those programs. We will also be conducting traditional economy and efficiency audits of USAID operating expenses and other program areas not directly related to the Agency's five strategic goals.

We will be giving priority each year during the five-year period to one or more of USAID's strategic goals. One or more worldwide audits will be performed for those strategic goals.

#### Chief Financial Officers Act and Other Non-CFO Related Audits

Our primary consideration will be to focus our resources on meeting the needs of our Agency and non-Agency customers. We will provide independent and professional attestations by the required due dates as required in the CFO Act, the GMRA Act, the

Inspector General Act, OMB Circulars, and OMB Bulletins. Accordingly, two of our primary goals will be to (1) attest to the presentation of the Agency's consolidated financial statements and related program performance information, report on the internal control structure, and report on compliance in accordance with Government Auditing Standards and OMB Bulletin No. 93-06; and (2) ensure that adequate audit coverage is established over all USAID-financed contracts and grants.

Attesting to the presentation of the Agency's consolidated financial statements, related program performance information, internal controls, and compliance will involve virtually every organizational facet of USAID and, accordingly, will require the increased participation of all audit offices in the OIG as well as the recruitment of additional staff for the Audit operation (OIG/A). The second goal will require increasingly more effort and staff by the OIG as we assume our responsibilities, as legislated under the Inspector General Act, from the Agency's Offices of Procurement and Financial Management.

Financial Statement Audits: The Chief Financial Officer's (CFO) Act of 1990 provided, in part, for (1) a Chief Financial Officer in each executive department and major agency, (2) improved systems of accounting, financial management and internal controls and (3) the production of complete, reliable, timely and consistent financial information for use by the executive branch of the Government and the Congress in financing, managing and evaluating Federal programs. This Act required USAID to prepare financial statements for its trust and revolving fund operations and as well as certain other agency-wide financial statements.

With the passage of the Government Management Reform Act (GMRA), the CFO requirement to prepare agency-wide financial statements was extended to other Executive Branch agencies. Beginning in fiscal year 1996, GMRA requires USAID to complete audited financial statements each year covering all accounts and associated activities of the agency. These financial statements are to report not only the financial position and results of operations of the agencies, but are also to provide further information allowing Congress and the public to assess management performance and stewardship of agency resources. Audited financial statements are to be submitted to OMB no later than March 1 of the following year.

Therefore, USAID management is required, for the first time, to compile Agency-wide financial statements and supplemental information. Management's ability to develop and maintain adequate internal controls, accounting systems and procedures to generate reliable financial statements will be critical to the success of USAID's annual reporting. To this end, USAID is developing a new core accounting system known as the AID Worldwide Accounting and Control System. Once this system is fully implemented with a documented system of internal controls in accordance with the General Accounting Office's Standards for Internal Controls, we will audit to give management the assurance that the controls for the system are in place and working.

Audit Coverage of U.S. and Overseas Grantees: The OIG ensures that recipient-contracted audits meet applicable auditing standards. Since in-country public accounting firms usually perform these audits, the OIG provides assistance to the USAID Mission (or overseas office) in determining the acceptability of local firms and works with missions in communicating audit requirements both to foreign recipient organizations and to their public accounting firms. The OIG conducts reviews of the final reports and audit field work to ensure that the auditors meet appropriate auditing standards and complete agreed-upon scopes of work. The OIG also tracks those report recommendations which are considered significant.

Over the last several years, the OIG has worked closely with Supreme Audit Institutions (SAI) to help them develop the expertise necessary to produce acceptable audit reports of funds received under bilateral (government-to-government) grants from USAID. Conferences have been sponsored by OIG regional audit offices to bring together SAI, USAID, other bilateral and multilateral donor and commercial firm representatives to discuss matters of mutual concern. If resources are available, OIG/A will continue to work with and increase activities with SAIs over the next five years with regional audit offices providing on-site assistance to SAI auditors where possible.

Audit Coverage of U.S. and non-U.S. Contractors: In addition to these responsibilities, OIG/A will continue to be responsible for performing and/or supervising USAID-contracted audits of U.S. and non-U.S. contractors, as needed. By USAID request or on its own initiative and at its own discretion, OIG will continue to audit contracts under this program. OIG overseas audit offices will maintain the capability of responding to Agency requests for such audits by continuing to devote a base level of resources to this Program.

Missions and Agency contracting officers have been using financial services contracts with independent public accounting firms to maintain accountability over non-U.S. contractors. Under such programs, Agency management can obtain the services of independent public accounting firms to review specific contracts or specific contract provisions. While financial services contracts should not be used to obtain auditing services where U.S. Government auditing standards are mandated or desired, they can be used for virtually all other forms of financial services. OIG regional audit offices should maintain audit coverage of such contracted financial services to ensure that the program is operating effectively, that contract audit provisions are being observed, and that the services are used only for authorized purposes.

#### Auditing Compliance with the Government Performance Results Act

The Government Performance and Results Act (GPRA) requires that Federal agencies implement effective management systems for measuring program performance by developing program strategies, monitoring progress on those strategies, and reporting on that progress. While full government-wide GPRA implementation is not required until fiscal year 2000, the

Act provided for pilot projects. USAID's sustainable development activities were designated as one of these GPRA pilot projects for fiscal years 1995 and 1996.

Previous audit work in this area indicated that the Agency was making progress to comply with the targets prescribed by the Act and its own implementation deadlines. Also, the development of strategic plans at the operating level, with only a few exceptions, and the submission of illustrative performance reports to OMB indicate that the Agency will have an Agency-wide strategic plan as required under GPRA by September 1997. Audits of USAID's strategic goals will include objectives designed to assess the Agency's progress in meeting full GPRA compliance. OIG/A will report to the Inspector General on a semi-annual basis the progress the Agency has made in implementing the GPRA.

### Auditing USAID's Information Systems

We believe our role is to first provide audit coverage of the Agency's information systems program. Secondly, we will work with USAID to increase its institutional capacity for software development. To accomplish this the primary emphasis of our audit program will be to perform audits and other reviews of existing systems as well as Agency efforts to develop new systems. We will also provide USAID with an independent quality assurance function that should help them increase their capacity for system development.

### Auditing USAID's Reengineering Activities

USAID's reinvention, or reengineering, which began in 1994 with the establishment of its ten experimental laboratories, is now being performed throughout the Agency. Reengineering is defined by the Agency as:

*The radical redesign of business processes, jobs, structures, and controls to achieve dramatic performance improvements in cost, quality, customer service, and efficiency. The term reengineering is used interchangeable with the term reinvention.*

Specifically, the Agency has envisioned and is beginning to implement reforms in several system areas including:

- 1) strategic planning,
- 2) budgeting and allocation of financial resources,
- 3) obligations and authorizations,
- 4) achieving results,
- 5) procurement,
- 6) judging results,
- 7) personnel, and
- 8) evaluation.

It is important to realize that USAID's "reengineering" is not a concept that is being implemented in isolation of the various operating functions within the Agency, but rather it is the new manner in which the agency is conducting its operations in the above eight areas. The Agency believes that by reengineering its various operating systems, it will be able to service its clients more efficiently and effectively.

The strategy that we will employ to audit the Agency's reengineering activities is to determine through several different audit approaches, as described in the following sections, whether the Agency's reengineered systems are operating in a more efficient and effective manner.

### General Audit Approach

This section outlines the most important aspects of implementing our audit strategy.

Audit Objectives: All audits begin with objectives and appropriately formulated objectives are key to implementing an audit strategy. Objectives define the purpose of the review and provide the focus for developing significant issues. Audit objectives can be thought of as questions about a program or operation that the auditors are trying to answer.

The first and most fundamental aspect of every audit is to ensure that the questions asked are the correct ones. How a problem is stated has implications for the kinds of data to be collected, the sources of data, the analyses that will be necessary, and the conclusions that will be drawn. Attention to the formulation of the audit questions (objectives) makes for high quality by focusing on the usefulness of the product to the intended recipient. In other words, the needs of the user in terms of information and recommendations must be addressed by the questions posed. Because our work has been largely self-initiated, we have had to ask these questions on behalf of ourselves and the users of our reports. It will become increasingly important not to make assumptions about our customers' needs and to involve Agency managers in determining what problems they have and what questions they want answered about their programs. Audit offices will be expected to consult closely with Agency managers and employees when formulating audit plans and objectives.

The audit objectives that will be part of this five-year strategy may be either normative, descriptive, or cause-and-effect but regardless will focus more on the purpose or goals set by USAID management and the management practices that will improve program delivery. This means that the criteria used in setting the audit objectives should generally not be an existing internal control procedure or policy. Broader criteria such as technically developed standards or norms, effective practices of other organizations or entities, and prior years' performance should be used. In some cases, the goal or purpose of the program being audited should be used as the criteria. Criteria should be reasonable, attainable, and relevant to the matters being audited. Just as the Agency is reducing the complexity of its directives and handbooks, our criteria should reflect the same thinking. This will also help

us attain our goal of creating an environment where Agency personnel can be innovators and risk takers. Where the Agency is going is generally more important than how it gets there (within the confines of the law).

Audit objectives, be they for financial audits, economy and efficiency audits, or program results audits, should focus on end results rather than the processes of getting to those results. Relating this back to the original premise of answering a question about a program or operation, the question posed by the objective should not focus as strongly on the criteria but more on the results expected from the program or operation.

Agencywide Audits: OIG will conduct Agencywide audits of significant issues that have broad impact on USAID headquarters and/or mission programs and operations. These audits may be directed by either Regional or Washington audit offices and will generally cover several country programs, as well as bureau and other headquarters offices. Significant issues that are relevant to the overall management of Agency programs will be developed each year prior to the annual planning process. The purpose of these audits will be to provide high level information to Agency managers on the overall results of USAID programs and operations. The audit reports resulting from these worldwide reviews will normally be directed to the appropriate USAID Assistant Administrator or higher level officials as the situation dictates.

## **Investigations**

OIG/I's principal goal is to work with the Agency to protect and maintain the integrity of USAID and its programs. Our investigative approach is to gather evidence regarding allegations of program fraud and/or misconduct and provide that information to Agency decision-makers and/or the Department of Justice (DOJ). In carrying this out, we will ensure that our investigations are conducted and reported in an independent, timely, objective, competent, and impartial manner. An important adjunct is to provide professional fraud detection services to USAID.

There are three fundamental considerations or sub-goals incorporated into our primary one of partnership with USAID. First, because evidence which exonerates staff members or contractors is equally as important to preserving USAID's integrity as is incriminating evidence, we are evaluated on the basis of timely, balanced, and objective presentations of evidence in our investigations. Second, we recognize it is our duty to protect the rights of staff members and other parties during the course of our investigations. Finally, we understand our responsibility to maintain the confidential nature of the investigative process.

We will have developed an effective working relationship with the Agency when (a) employees and contractors are able to identify and willing report integrity problems, (b) we do timely investigations that accurately document and report useful information, and (c) our

work product is used by USAID management, DOJ, or others as the basis on which to take effective action.

We will measure our progress toward achieving this goal by using survey techniques (customer/client questionnaires and focus-group discussions) and statistical analysis (e.g., number and type of inquiries initiated based on employee and contractor referrals, exonerations, actions taken by USAID or DOJ as the result of investigative findings, etc.).

#### General Objectives and Strategies to contribute to improving integrity within the Agency.

We will address areas to:

Develop relationships which encourage exchange of information: Employees and contractors will be more able and willing to share information regarding integrity problems after they understand their reporting obligations, what they should report, the ease with which they may report, and are assured that protection and confidentiality may be provided in certain situations. We will continue efforts to (1) educate the Agency on what to report, (2) make the ease of reporting (800 - Hot Line, OIG Mailbox, Email Hot Line) better understood, and (3) and maintain a Whistle-Blower hotline as required.

Another element of encouraging the exchange of information is for us to provide Agency officials, prosecutors, and others who have to take action with the best, most timely and accurate information available. We will (1) promptly evaluate incoming information and allegations, (2) help customers resolve issues which we cannot investigate, and (3) discuss with customers early in the investigative process any special needs or requirements they may have to facilitate appropriate action, define issues, and focus investigative effort. This will help us to develop and provide reports or other investigative products which meet the express needs of our customers.

Develop a portfolio of high impact investigations: The demand for OIG/I services is usually greater than what our limited staff can accomplish. Our objective is to develop and maintain a portfolio of cases the results of which will have the most significant positive impact on USAID activities or otherwise meet the needs of USAID management, the DOJ, and Congress. To accomplish this, OIG/I will focus investigative resources and services toward (a) identifying fraudulent activity targeted against USAID, (b) providing Congress and the Administrator with timely information they need to fulfill oversight responsibilities, (c) providing Agency management with information it needs to administer its activities, and (d) providing the DOJ with information it needs to prosecute criminal and civil wrongdoing.

Develop useful investigative findings: OIG/I experience shows that weak internal and management controls often contribute to employee misconduct and contractor violations. Investigative activities often identify weak controls and areas where programs are vulnerable to fraud. When these vulnerabilities are assessed properly and coordinated with management, the Agency has been able to implement changes and develop protective

measures. Our objective is to develop information useful for detecting or preventing fraud and to make it more readily available to the Agency. To accomplish this, in addition to developing and maintaining an investigative portfolio that offers the greatest potential to impact the Agency, OIG/I plans to (a) strengthen and streamline our procedure to refer for action and follow-up with Agency management matters which suggest weak controls or vulnerabilities; and (b) establish and maintain an electronic bulletin-board within the USAID or IG Net to post useful lessons learned during investigations which USAID can use to improve or protect activities and personnel.

Improve relationships with clients and stakeholders: Developing a reputation that garners support and respect stems from providing the best investigative service in time for our customers and stakeholders to take proper action. We need to understand what our customers need, what form they want it in, and when they need it. Our customers are in the best position to help us design a better, more useful product (e.g., investigative services and reports) and deliver it when, where, and in the form they need it. To accomplish this, OIG/I plans to (a) seek customers' and stakeholders' input to our planning process, (b) keep them informed of important investigative developments, (c) provide timely work products that contain the kinds of information they need to make decisions; and (d) work with them to bring investigative matters to closure expeditiously.

## Security

Personnel Security: OIG/SEC will implement a personnel security education program. This program is in response to Executive Order 12968 and is designed to assure that the USAID work force is provided guidance on issues affecting their access to classified information, including sources of assistance for employees who have questions or concerns about financial matters, mental health, or substance abuse. Likewise, OIG/SEC will implement a personnel security education program to assure that the USAID work force is trained on individual responsibilities for reporting any information that raises doubts as to another employee's continued eligibility for access to classified information. In addition, OIG/SEC will screen personnel security files of all personnel being assigned to critical and high human intelligence threat posts prior to assignment and the personnel (and dependents (optional)) are provided a post-specific counterintelligence threat briefing prior to arrival at post in keeping with 12 FAM requirements. Other program initiatives will ensure that all USAID contracts contain the appropriate security clauses to assure that contract employees working in USAID space or having access to classified information have been favorably assessed. This is a requirement contained in EO 12829. OIG/SEC will implement the new temporary clearance guidelines established by the Security Policy Board (upon approval by the President) to enable applicants to be hired and brought on board within significantly reduced time periods and enable personnel to begin work sooner (an EO 12968 requirement); and will improve the interoperability and compatibility of the Office of

Security Automated Records (OSCAR) system with the USAID New Management System for more rapid exchange of personnel data, creation of a single data entry point, reduced paper flow within USAID, and real-time accessibility of security clearance data to USAID.

Information Security: In cooperation with the Bureau of Diplomatic Security, OIG/SEC will improve the building pass/identification card system to ensure that all employees are issued the appropriate pass, are trained in its proper usage and that the issuance process eliminates unnecessary paper and employee actions. OIG/SEC will also implement an information security education program to assure that the USAID work force is trained on individual responsibilities for properly classifying, identifying, and protecting national security information in keeping with specific requirements contained in EO 12958 and ISOO Directive Number 1 and implement an inspection program to monitor USAID adherence to established safeguarding standards.

In partnership with all bureaus, OIG/SEC will assist in preparing and developing classification guides to facilitate the proper and uniform derivative classification of information and establish procedures to assure that the guides are reviewed and updated.

Office Security Systems - Washington: OIG/SEC will provide the security for USAID movement and possible relocation of the Washington workforce into alternate work locations.

Office Security Systems Overseas: PS Division will continue to be a Rapid Response Force to design and install physical security systems for newly acquired or renovated buildings.

Residential Security: OIG/SEC will increase financial and technical support for USAID residences in response to decreases in funding for the Bureau of Diplomatic Security Residential Security Program.

Security Communications: Negotiations will become more complex in our attempt to obtain multiple, host government authorization to use radio frequencies linked to Regional centers. A new generation of radios will be procured within three years.

Armored Vehicles: With a new 1996 OIG/SEC initiative, OIG/SEC will realize a cost reduction by refurbishing old Fully Armored Vehicles (FAVs) instead of purchasing new vehicles. This will extend the life of the FAVs by three to five years and result in reduced costs.

All Other Physical Security (Administrator's Travel): With the realignment of USAID posts, we anticipate more frequent travel by the Administrator and Deputy Administrator. This will cause additional work for OIG/SEC which is responsible for coordinating all security aspects of their travel.

## ***EVALUATING THE OIG STRATEGY***

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Each year the OIG has conducted internal Quality Assurance Reviews (QARs) of the operations of its Washington audit offices and its overseas field offices. Additionally, the OIG participates with other federal agencies in triennial external peer reviews of its operations. Both the QARs and the external peer reviews are reviews of the OIG's operations with respect to professional standards.

At the present time the OIG has not conducted any evaluations of setting and revising our goals and objectives nor have we established a schedule for future evaluations. We realize that establishing a schedule of evaluations to review the OIG's accomplishment of its goals is a necessary step, and are currently engaged in establishing some benchmarks and quantitative indicators to use in this process.

### Office of Inspector General Resources

Fiscal Year	1997	1998	1999	2000	2001
IG	6	6	6	6	6
Audit	127	126	122	122	122
Investigation	30	30	29	29	29
Security	35	35	34	34	34
Legal Counsel and Management	32	32	31	31	31
Total	230	229	222	222	222